Hili Estates Limited

C 20513

Report and financial statements

31 December 2015

Contents

Hili Estates Limited

Directors, officer and other information

Directors:	Richard Abdilla Castillo Karl Joseph Naudi
Secretary:	Dorianne Spiteri
Registered office:	Nineteen Twenty Three Valletta Road Marsa Malta
Country of incorporation:	Malta
Company registration number:	C 20513
Auditor:	Deloitte Audit Limited Deloitte Place Mriehel Bypass Mriehel Malta
Bankers:	Bank of Valletta p.l.c. Corporate Branch BOV Centre St. Venera Malta Mediterranean Corporate Bank 53, Dingli Street Sliema Malta

Hili Estates Limited

Directors' report

Year ended 31 December 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

Principal activities
The principal activity of the company is to hold and manage movable and immovable property.

Performance review
During the year under review, the company registered an operating profit of *€672,264* (2014: *€626,139*) on revenue of *€676,767* (2014: *€650,301*). The company registered a loss before tax of *€25,976* compared to a profit before tax of *€385,394* in the prior year. This was mainly as a result of an investment loss of *€584,720* which was incurred in 2015. Finance costs decreased from *€240,745* to *€191,648*. Net assets at 31 December 2015 amounted to *€14,015,499* (2014: *€5,609,340*).

Result and dividends
The result for the year ended 31 December 2015 is shown in the statement of profit or loss and other comprehensive income on page four. The profit for the year after taxation was *€354,819* (2014: *€355,951*).

The directors did not recommend the payment of a dividend.

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

Directors
The directors who served during the period were:

Richard Abdilla Castillo
Karl Joseph Naudi (appointed on 31 August 2015)

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

Auditor
A resolution to reappoint Deloitte Audit Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

Approved by the directors and signed on 27 April 2016 by:

Richard Abdilla Castillo
Director

Karl Joseph Naudi
Director

Statement of directors' responsibilities

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- 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.

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 2015

	Notes	**2015**	2014
		€	€
Revenue	*5*	**676,767**	650,301
Administrative expenses		**(21,833)**	(19,796)
Other operating expenses	*6*	**-**	(8,066)
Other operating income	*7*	**17,330**	3,700
Operating profit		**672,264**	626,139
Investment loss	*8*	**(584,720)**	-
Investment income	*9*	**78,128**	-
Finance costs	*10*	**(191,648)**	(240,745)
(Loss)/profit before tax	*11*	**(25,976)**	385,394
Income tax credit/(expense)	*12*	**380,795**	(29,443)
Profit and total other comprehensive income for the year		**354,819**	355,951

Hili Estates Limited

Statement of financial position
31 December 2015

	Notes	2015	2014
		€	€
ASSETS AND LIABILITIES			
Non-current assets			
Investment property	14	**13,522,004**	13,351,065
Property, plant and equipment	13	**40,710**	-
Loans and receivables	16	**1,238,841**	-
		14,801,555	13,351,065
Current assets			
Loans and receivables	16	**42,366**	1,369,841
Trade and other receivables	15	**381,653**	259,082
Cash and cash equivalents	23	**91,435**	82,677
Current tax asset		**73,360**	20,860
		588,814	1,732,460
Total assets		**15,390,369**	15,083,525
Current liabilities			
Trade and other payables	17	**256,597**	285,116
Other financial liabilities	19	**38,273**	1,833,407
Bank loans	18	-	2,009,704
		294,870	4,128,227
Non-current liabilities			
Bank loans	18	-	3,785,958
Deferred tax liability	20	**1,080,000**	1,560,000
		1,080,000	5,345,958
Total liabilities		**1,374,870**	9,474,185
Net assets		**14,015,499**	5,609,340
EQUITY			
Share capital	21	**9,216,027**	1,164,687
Revaluation reserve	22	**3,606,225**	3,710,945
Retained earnings		**1,193,247**	733,708
Total equity		**14,015,499**	5,609,340

These financial statements were approved by the directors, authorised for issue on 27 April 2016 and signed by:

Richard Abdilla Castillo
Director

Karl Joseph Naudi
Director

Hili Estates Limited

Statement of changes in equity
Year ended 31 December 2015

	Share capital €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2014	1,164,687	3,710,945	377,757	5,253,389
Profit and total comprehensive income for the year	-	-	355,951	355,951
Balance at 1 January 2015	1,164,687	3,710,945	733,708	5,609,340
Profit and total comprehensive income for the year	-	-	354,819	354,819
Loss on revaluation of investment property, net of deferred tax	-	(104,720)	104,720	-
Issue of preference shares (note 21)	8,051,340	-	-	8,051,340
Balance at 31 December 2015	**9,216,027**	**3,606,225**	**1,193,247**	**14,015,499**

Hili Estates Limited

Statement of cash flows
Year ended 31 December 2015

	2015 €	2014 €
Cash flows from operating activities		
(Loss)/profit before tax	**(25,976)**	385,394
Adjustments for:		
Interest expense	**191,648**	240,745
Decrease in fair value of investment property	**584,720**	-
Operating profit before working capital movements	**750,392**	626,139
Movement in trade and other receivables	**(122,571)**	878,509
Movement in trade and other payables	**(28,519)**	81,344
Cash flows from operations	**599,302**	1,585,992
Income tax paid	**(54,076)**	(64,172)
Net cash flows from operating activities	**545,226**	1,521,820
Cash flows from investing activities		
Purchase of investment property	**(796,369)**	(351,065)
Disposal of property, plant and equipment	**-**	531,098
Net cash flows (used in)/from investing activities	**(796,369)**	180,033
Cash flows from financing activities		
Interest paid	**(191,648)**	(240,745)
Repayment of bank borrowings	**(5,795,662)**	(484,068)
Movement in related party loans	**(1,804,129)**	(1,041,539)
Proceeds from issue of share capital	**8,051,340**	-
Net cash flows from/(used in) financing activities	**259,901**	(1,766,352)
Net movement in cash and cash equivalents	**8,758**	(64,499)
Cash and cash equivalents at the beginning of the year	**82,677**	147,176
Cash and cash equivalents at the end of the year (note 23)	**91,435**	82,677

1. Basis of preparation

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 as adopted by the 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.

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

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

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

Depreciation

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

Improvements to premises	- over 5 years being the term of the lease

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

2. Significant accounting policies (continued)

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. 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.

Other financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

2. Significant accounting policies (continued)

Other financial instruments (continued)

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

(i) Trade and other receivables

Trade and other receivables are classified with current assets and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) Bank borrowings

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

(iii) Other borrowings

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

(iv) Trade and other payables

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

(v) Shares issued by the company

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

Impairment

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.

2. Significant accounting policies (continued)

Impairment (continued)

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.

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.

2. Significant accounting policies (continued)

Borrowing costs

Borrowing costs include the costs in obtaining external financing.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended period in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the 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.

2. Significant accounting policies (continued)

Taxation (continued)

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.

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.

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position.

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:

- 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, other than as disclosed below

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

The company carries its investment properties at fair value, with changes in fair value being recognised in the income statement. This is based on market valuations performed by independent professional architects. In a year when market valuations are not performed by the independent professional architect, an assessment of the fair value of investment properties is performed to reflect market conditions at the year-end date. The last market valuation was performed in September 2015 and the company recognised a decrease in fair value of investment property (note 14).

4. International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following International Financial Reporting Standards were in issue but not yet effective:

IFRS 16 Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU.

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

5. Revenue

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

6. Other operating expenses

	2015	2014
	€	€
Loss on recharges	-	8,066

7. Other operating income

	2015	2014
	€	€
Amortisation of grant	**3,700**	3,700
Gain on recharges	**13,630**	-
	17,330	3,700

8. Investment loss

	2015	2014
	€	€
Decrease in fair value of investment property	**584,720**	-

9. Investment income

	2015	2014
	€	€
Interest income on balances with intermediate parent company	**51,646**	-
Interest income on other related party balances	**26,482**	-
	78,128	-

10. Finance costs

	2015	2014
	€	€
Interest on bank loans	**157,677**	236,241
Interest on amounts payable to ultimate parent	**5,565**	905
Processing and professional fees	**28,406**	3,599
	191,648	240,745

11. (Loss)/profit before tax

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

	2015 €	2014 €
Total remuneration payable to the company's auditor for the audit of the company's financial statements	**2,500**	2,500

12. Income tax expense

Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled as follows:

	2015 €	2014 €
(Loss)/profit before taxation	**(25,976)**	385,394
Tax at the applicable rate of 35%	**(9,092)**	134,888
Tax effect of:		
Disallowable expenses	**14,075**	4,628
Maintenance allowance	**(25,619)**	(19,548)
Decrease in fair value of investment property not chargeable to tax	**204,652**	-
Deferred tax on temporary differences not accounted for	**(83,516)**	-
Reversal of prior year deferred tax (note 20)	**(480,000)**	-
Amortisation of grant income	**(1,295)**	-
Capital allowances absorbed (permanent)	**-**	(90,525)
Income tax (credit)/ expense for the year	**(380,795)**	29,443

13. Property, plant and equipment

	Improvements to premises €
Cost	
At 01.01.2015	-
Additions	40,710
At 31.12.2015	40,710
Carrying amount	
At 31.12.2014	-
At 31.12.2015	**40,710**

These assets have not been put into use as at 31 December 2015.

14. Investment property

	€
Fair value	
At 01.01.2014	13,531,098
Additions	351,065
Disposals	(531,098)
At 01.01.2015	13,351,065
Additions	755,659
Decrease in fair value	(584,720)
At 31.12.2015	**13,522,004**

The fair value of the company's investment property in Luqa amounting to *€13,522,004* (2014: *€13,351,065*) has been arrived at on the basis of a valuation carried out by an independent professionally qualified valuer in September 2015 on the basis of market value together with further additions and improvements to the property.

In estimating the fair value of the property, the highest and best use of the property is its current use.

14. Investment property (continued)

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

Fair value measurement at end of the reporting period using:

	Level 2
	€
2015	
Investment property	**13,522,004**
2014	
Investment property	13,351,065

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 level 2 fair value of the investment property, the valuation was determined by the comparable method based on directly or indirectly observable inputs which do not require a significant level of adjustments. The main inputs were market prices which were based on database of valuations and sales of properties in the relevant area.

Operating leases – the company as lessor

Operating leases relate to the investment property owned by the company with lease terms of between 1 to 15 years. The lessee does not have an option to purchase the property at the expiry of the lease period. The rental income earned, under operating leases, amounted to *€676,767* (2014: *€650,301*).

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

	2015	2014
	€	€
Within one year	**686,799**	522,131
Between one and five years	**2,722,664**	2,063,565
Over five years	**4,028,771**	2,344,894
	7,438,234	4,930,590

15. Trade and other receivables

	2015	2014
	€	€
Other receivables	**2,484**	4,632
Prepayments and accrued income	**126,959**	46,115
Trade receivables from ultimate parent	**-**	1,161
Trade receivables from related companies	**252,210**	207,174
	381,653	259,082

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

16. Loans and other receivables

	2015	2014
	€	€
Amounts due from intermediate parent company	**707,743**	-
Amounts due from group companies	**42,366**	4,012
Amounts due from related party	**531,098**	1,365,829
	1,281,207	1,369,841
Less: amount due for settlement within 12 months (shown under current liabilities)	**(42,366)**	(1,369,841)
Amount due for settlement within 12 months (shown under current liabilities)	**1,238,841**	-

The above loans are unsecured, and have no fixed date of repayment, except for *€42,366* (2014: *€1,369,841*) which are repayable within twelve months from the end of the reporting period. Interest at the rate of 5% per annum is charged on the amounts due from intermediate parent company and on the amounts due from related companies of *€707,743* and *€531,098* respectively. No interest is charged on the amounts due from group companies and on prior year loans.

17. Trade and other payables

	2015	2014
	€	€
Trade payables	**37,728**	154,550
Other payables	**16,215**	-
Amounts due to related party	**32,288**	44,520
Amounts due to intermediate parent	**77,800**	-
Accruals	**92,566**	86,046
	256,597	285,116

No interest is charged on trade and other payables.

18. Bank loans

	2015	2014
	€	€
Bank loans	-	5,795,662
Less: amount due for settlement within 12 months (shown under current liabilities)	-	(2,009,704)
Amount due for settlement after 12 months (shown under non-current liabilities)	-	3,785,958

Bank loans are repayable as follows:

	2015	2014
	€	€
On demand or within one year	-	2,009,704
In the second year	-	528,073
In the third year	-	547,099
In the fourth year	-	566,806
In the fifth year	-	587,218
After five years	-	1,556,762
	-	5,795,662

In 2014, the bank loans bore interest at one month Euribor plus a margin of 350 basis points over the bank's base rate. The interest rate was 3.5% per annum. These facilities were secured by a special hypothec over the investment property of the company, a general hypothec over all the company's present and future assets, a guarantee provided by a related party and a pledge over rent receivable from the company's tenants. The bank loans were repaid in full in 2015.

19. Other financial liabilities

	2015	2014
	€	€
Amounts due to related parties	-	151
Amounts due to ultimate parent	**38,273**	216,303
Amounts due to intermediate parent	-	619,715
Amounts due to parent company	-	997,238
	38,273	1,833,407

The other financial liabilities are unsecured and interest-free. Though 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.

20. Deferred taxation

	Opening balance	Recognised in profit or loss	Closing balance
	€	€	€
2015			
Arising on:			
Temporary differences			
Increase in fair value of investment property	**1,560,000**	**(480,000)**	**1,080,000**
2014			
Arising on:			
Temporary differences			
Increase in fair value of investment property	1,560,000	-	1,560,000

As at 31 December 2015, due to changes in tax law a different tax treatment on the transfer of immovable property started to be applied. The system consisting of both a 12% final withholding tax on the transfer value and 35% tax on the profit or gain was replaced by one final withholding tax of 8%/10% on the value of the property transferred. This resulted in a reduction in deferred tax liability of €480,000 in 2015.

21. Share capital

	2015	
	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% redeemable preference shares of €2.329373 each, all of which have been issued and called up	**8,051,340**	**8,051,340**
	9,216,027	**9,216,027**

	2014	
	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

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% 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.

22. Revaluation reserve

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

23. 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:

	2015	2014
	€	€
Cash at bank and in hand	**91,435**	82,677

24. Related party disclosures

The parent company and ultimate parent of Hili Estates Limited are Hili Estates Holdings Company Limited and Hili Ventures Limited respectively which are both incorporated in Malta. Hili Ventures Limited produces consolidated financial statements available for public use.

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

	2015			2014		
	Related party activity	**Total activity**		Related party activity	Total activity	
	€	**€**	**%**	€	€	%
Revenue:						
Related party transactions with:						
Other related parties	**71,435**			73,726		
Group companies	**605,332**			576,575		
	676,767	**676,767**	**100**	650,301	650,301	100
Finance costs:						
Related party transactions with:						
Ultimate parent	**5,565**	**191,648**	**3**	905	240,745	-
Interest income:						
Related party transactions with:						
Other related party	**26,482**			-		
Intermediate parent company	**51,646**			-		
	78,128	**78,128**	**100**	-	-	-

25. Operating leases – the company as lessee

	2015 €	2014 €
Minimum lease payments under operating leases recognised as an expense for the year	-	-

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

	2015 €	2014 €
Within one year	27,500	-
Between one and five years	120,000	-
Over five years	2,500	-
	150,000	-

26. Fair values of financial assets and financial liabilities

At 31 December 2015 and 2014 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.

27. 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.

27. 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.

Credit risk with respect of receivables is internally contained as the receivables are due from related undertakings.

Cash at bank is placed with reliable financial institutions.

Interest rate risk

In 2014, the company had bank facilities to finance its operations as disclosed in note 18. The effective interest rate on financial liabilities measured at amortised cost is disclosed in note 18.

The company was exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest rate. These facilities were fully repaid during 2015.

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.

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:

27. Financial risk management (continued)

Liquidity risk (continued)

	On demand or within current €	2 – 5 years €	5+ years €	Total €
2015				
Non-derivative financial liabilities				
Non-interest bearing	**294,870**	-	-	**294,870**
2014				
Non-derivative financial liabilities				
Non-interest bearing	2,118,523	-	-	2,118,523
Variable rate instruments	2,190,602	2,641,718	1,652,798	6,485,118
	4,309,125	2,641,718	1,652,798	8,603,641

Capital risk management

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

The capital structure of the company consists of debt, which includes the borrowings disclosed in note 18, other financial liabilities in note 19, cash and cash equivalents as disclosed in note 23, 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.

28. Comparative figures

Certain comparative figures have been reclassified in order to comply with the current year's presentation of financial statements.

Deloitte.

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Independent auditor's report
to the members of

Hili Estates Limited

We have audited the accompanying financial statements of Hili Estates Limited set out on pages 4 to 27, which comprise the statement of financial position of the company as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more fully in the statement of directors' responsibilities on page 3, the directors of the company is responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act (Cap. 386), and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 internal control of the company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Independent auditor's report (continued)
to the members of

Hili Estates Limited

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Hili Estates Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Annabelle Zammit Pace as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Mriehel, Malta

27 April 2016