Hili Finance Company p.l.c.

C 85692

Report and Financial Statements

31 December 2021

Contents

Directors, officers and other information

Directors:	Carmelo sive Melo Hili (resigned on 7 January 2022) Jacqueline Camilleri Mario Vella Geoffrey Camilleri Dorian Desira Keith Busuttil (appointed on 7 January 2022)
Secretary:	Melanie Miceli Demajo (resigned on 31 January 2022) Dorian Desira (appointed on 31 January 2022)
Registered office:	Nineteen Twenty-Three Valletta Road Marsa MRS 3000 Malta
Company registration number:	C 85692
Auditor:	Grant Thornton Malta, Fort Business Centre, Triq L-Intornjatur, Zone 1 Central Business District Birkirkara CDB 1050 Malta
Principal banker:	HSBC Bank Malta plc. HSBC Head Office Mill Street Qormi Malta
Legal advisor:	GVZH Advocates, 192, Old Bakery Street, Valletta, Malta

Corporate governance statement

Introduction

Pursuant to the Listing Rules as issued by the Listing Authority of the Malta Financial Services Authority, Hili Finance Company p.l.c. (the 'company') is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance (the 'Principles') contained in Appendix 5.1 of the Listing Rules.

The Board acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. Nonetheless, the Board strongly believes that the Principles are in the best interest of the shareholders and other stakeholders since they ensure that the Directors, Management and employees of the company adhere to internationally recognised high standards of Corporate Governance.

The company currently has a corporate decision-making and supervisory structure that is tailored to suit the company's requirements and designed to ensure the existence of adequate checks and balances within the company, whilst retaining an element of flexibility, particularly in view of the size of the company and the nature of its business. The company adheres to the Principles, except for those instances where there exist particular circumstances that warrant non-adherence thereto, or at least postponement for the time being.

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.8.

The Board of Directors

The Board of Directors of the company is responsible for the overall long-term direction of the company, in particular in being actively involved in overseeing the systems of control and financial reporting and that the company communicates effectively with the market.

The Board of Directors meets regularly, with a minimum of four times annually, and is currently composed of five members, two of which are completely independent from the company or any other related companies.

Mr Mario Vella and Ms Jacqueline Camilleri are independent non-executive directors of the company.

Chairman

Geoffrey Camilleri

Executive Director

Dorian Desira
Carmelo sive Melo Hili (resigned on 7 January 2022)

Non-Executive Director

Keith Busuttil (appointed on 7 January 2022)

Independent Non-Executive Directors

Mario Vella
Jacqueline Camilleri

The remuneration of the Board is reviewed periodically by the shareholders of the company.

The company ensures that it provides Directors with relevant information to enable them to effectively contribute to Board decisions.

The Directors are fully aware of their duties and obligations, and whenever a conflict of interest in decision making arises, they refrain from participating in such decisions.

Audit Committee

The Terms of Reference of the Audit Committee are modelled on the principles set out in the Listing Rules 5.117 – 5.134A. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the company financial statements and disclosures, monitoring the system of internal control established by management as well as the audit processes.

The Board of Directors established the Audit Committee, which meets regularly, with a minimum of four times annually, and is currently composed of the following individuals:

Mario Vella (Chairman)
Jacqueline Camilleri
Keith Busuttil (appointed on 7 January 2022)
Dorian Desira (resigned on 7 January 2022)

Satisfying the requirement established by the Listing Rules that the Audit Committee is composed of non-executive directors, the majority of which being independent. Mr Keith Busuttil is a Non-Executive Director and holds the position of Chief Executive Officer of a related company of the issuer.

The Board considers Ms Jacqueline Camilleri to be competent in accounting and/or auditing in terms of the Listing Rules. Furthermore, the Board considers that the Audit Committee, as a whole, to have relevant competence in the sector the company is operating.

The Audit Committee met seven times during 2021. Communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

Internal Control

The company's system of internal controls is designed to manage all the risks in the most appropriate manner. However, such controls cannot provide an absolute elimination of all business risks or losses. Therefore, the Board, inter alia, reviews the effectiveness of the company's system of internal controls in the following manner:

1. Reviewing the company's strategy on an on-going basis as well as setting the appropriate stakeholders;
2. Implementing an appropriate organisational structure for planning, executing, controll achieve company objectives;
3. Identifying and ensuring that significant risks are managed satisfactorily; and
4. Company policies are being observed.

Relations with the market

The market is kept up to date with all relevant information, and the company regularly publishes such information on its website to ensure consistent relations with the market.

Non-compliance with the code

Principle 7: Evaluation of the board's performance
Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the Board's performance is always under scrutiny of the shareholders of the company.

Principle 8: Committees
Under the present circumstances the Board does not consider it necessary to appoint a remuneration committee and a nomination committee as decisions on these matters are taken at shareholder level.

Principle 10: Institutional shareholders
This principle is not applicable since the company has no institutional shareholders.

Remuneration Statement

Pursuant to the company's Memorandum and Articles of Association, the maximum annual aggregate emoluments that may be paid to the directors is determined by the company in General Meeting, and any notice convening the General Meeting during which the proposed aggregate emoluments or an increase in the maximum limit of such aggregate emoluments shall be proposed. Furthermore, the remuneration of directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits. During the year under review, the directors received emoluments amounting in total to €27,000 (2020: €27,000).

Signed on behalf of the Board of Directors on 2 6 April 2022 by Geoffrey Camilleri (Chairman) and Dorian Desira (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Directors' report

31 December 2021

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021.

Principal activities

Hili Finance Company p.l.c. (the 'company') was incorporated on the 6 th April 2018 with the purpose of acting as a company to provide financial resources to group companies to finance their projects.

Performance review

During the year under review the company registered a net interest earned of Eur835,090 (2020 – Eur813,719). After accounting for finance income and finance costs, the company registered a pre-tax profit of Eur786,441 (2020 – Eur772,861) from continuing operations.

Results and dividends

The results for the year ended 31 December 2021 are shown in the statement of profit and loss and other comprehensive income on page 9. The company's profit for the year after taxation was Eur497,369 (2020 – Eur491,157). During this period, the directors did not declare any dividend.

Post Balance Sheet Events

In March 2022, the company issued Eur50,000,000 4% unsecured bonds of a nominal value of Eur100 per bond. Unless previously re-purchased or cancelled, the bonds are redeemable at their nominal value on 11 th March 2027.

The bonds are listed on the Official List of the Malta Stock Exchange and trading commenced on 22 March 2022.

Other than the above, no adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Likely future business development

In June 2021, the intergovernmental Financial Action Task Force (FATF) place d Malta on its so-called grey list of jurisdictions under increased monitoring. Though this has not led to any immediate and direct impact on the company, t he directors keep monitoring the situation to be able to act expediently as necessary in order to safeguard the interest of the company and its stakeholders.
The directors consider that the year-end financial positions were 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 year were:

Carmelo sive Melo Hili (resigned on 7 January 2022)
Jacqueline Camilleri
Mario Vella
Geoffrey Camilleri
Dorian Desira
Keith Busuttil (appointed on 7 January 2022)
In accordance with the company's articles of association all the directors are to remain in office.

Disclosure of information to auditors

At the date of making this report the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Conflict between Russia and Ukraine

The Board of Directors is actively following the conflict and the resulting humanitarian crisis in Ukraine. While the guarantor has no direct interest vested in the country, it is monitoring the effects of the situation on its operations in neighboring countries Romania, the Baltics and Poland. Inflationary pressures, supply chain disruption and heightened utility costs are presently being experienced by certain operations within the group. It is challenging to quantify and differentiate what extent of such pressures emanate from the unrest in Ukraine and the concurrent Covid-induced events which may have a compounded effect on the footprint of the guarantor is potentially material. The guarantor's projections continue to show stable performance despite the uncertainty of the current state of affairs on its operations and it remains vigilant in monitoring restrictions on the conduct of business with sanctioned entities and individuals.

Going concern

The directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements in accordance with Listing Rule 5.62.

Auditors

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its re-appointment will be put to the Annual General Meeting.

Signed on behalf of the Board of Directors on 2 6 April 2022 by Geoffrey Camilleri (Chairman) and Dorian Desira (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Statement of directors' responsibilities
31 December 2021

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 European Union (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 are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business as a going concern;
- account for income and charges relating to the accounting period on the accrual basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those 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 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.

Statement of responsibility pursuant to the listing rules issued by the Listing Authority

We confirm that to the best of our knowledge:

a. In accordance with the Listing Rule 5.68, the financial statements give a true and fair vie December 2021 and of their financial performance and cash flows for the year then ended, Standards as adopted by the European Union (EU); and
b. In accordance with the Listing Rules, the Directors' report includes a fair review of the perf and the undertakings included in the consolidation taken as a whole, together with a descrip face.

Statement of profit or loss and other comprehensive income

Year ended 31 December 2021

	Notes	2021 Eur	202 Eu
Finance income	5	5,508,890	5,495,743
Finance costs	6	(4,673,800)	(4,682,024)
Net interest earned		**835,090**	**813,719**
Administrative expenses		(48,649)	(40,858
Profit before tax	7	**786,441**	**772,861**
Income tax expense	9	(289,072)	(281,704
Total profit and other comprehensive income for the year after tax		**497,369**	**491,157**

Statement of financial position

Year ended 31 December 2021

	Notes	2021 Eur	202 Eu
ASSETS AND LIABILITIES			
Non-current assets			
Loans and receivables	*10*	122,410,958	122,480,958
		122,410,958	**122,480,958**
Current assets			
Loans and receivables	*10*	2,564,838	2,254,849
Other receivables	*11*	83,764	43,709
Cash and cash equivalents	*16*	126,072	2,608
		2,774,674	**2,301,166**
Total assets		**125,185,632**	**124,782,124**
Current liabilities			
Other payables	*12*	1,759,932	1,758,873
Other financial liabilities	*13*	321	-
Current tax liability		143,016	238,258
		1,903,269	**1,997,131**
Non-current liabilities			
Debt securities in issue	*14*	120,000,000	120,000,000
		120,000,000	**120,000,000**
Total liabilities		**121,903,269**	**121,997,131**
Net assets		**3,282,363**	**2,784,993**
EQUITY			
Share capital	*15*	2,000,000	2,000,000
Retained earnings		1,282,363	784,993
Total equity		**3,282,363**	**2,784,993**

Signed on behalf of the Board of Directors on 2 6 April 2022 by Geoffrey Camilleri (Chairman) and Dorian Desira (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Statement of changes in equity

31 December 2021

	Share capital Eur	Retained earnings Eur	Tota equity Eu
Balance at 1 January 2020	2,000,000	293,837	2,293,837
Total comprehensive income for the year	-	491,157	491,157
Balance at 1 January 2021	2,000,000	784,994	2,784,994
Total comprehensive income for the year	-	497,369	497,369
Balance at 31 December 2021	**2,000,000**	**1,282,363**	**3,282,363**

Statement of cash flows

31 December 2021

	2021	202(
	Eur	Eu
Cash flows from operating activities		
Operating profit before working capital movement	786,441	772,861
Adjustments for:		
Interest Income	(5,508,890)	(5,495,743
Interest expense on debt securities issued	4,580,000	4,580,012
Operating loss before working capital movement	**(142,449)**	**(142,870)**
Movement in other receivables	(40,055)	168
Movement in loans and receivables	(1,099)	202,269
Movement in other payables	510	18,431
Movement in other financial liabilities	321	(200,118
Income tax paid	(384,314)	(180,813
Net cash flows used in operating activities	**(567,086)**	**(302,933**
Cash flows from investing activities		
Loans advanced to parent company	-	(620,000
Repayments of loan by parent company	70,000	70,000
Advances from parent company	-	8,006
Interest received from parent company	5,200,000	5,400,000
Net cash flows from investing activities	**5,270,000**	**4,858,006**
Cash flow from financing activities		
Interest paid	(4,579,450)	(4,570,396
Net cash flows used in financing activities	**(4,579,450)**	**(4,570,396**
Net movement in cash and cash equivalents	**123,464**	**(15,323**
Cash and cash equivalents at the beginning of the year	**2,608**	**17,930**
Cash and cash equivalents at the end of the year (note 16)	**126,072**	**2,607**

Notes to the financial statements

31 December 2021

1. Company information, statement of compliance with IFRS, and going concern assumption

Hili Finance Company p.l.c. (the 'company') is a public limited liability company incorporated in Malta with registration number C 85692. The registered address is Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000, Malta.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Companies Act, Cap 386. The financial statements have been prepared under the assumption that the company operates on a going concern basis.

The financial statements are presented in Euro (Eur), which is also the functional currency of the company. The amounts presented have been rounded to the nearest euro.

2. New or revised Standards or Interpretations

New standards adopted as at 1 January 2021

Some accounting pronouncements which have become effective from 1 January 2021 have therefore been adopted do not have significant impact on the company's financial results or position. Accordingly, the company has made no changes to its accounting policies in 2021.

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

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

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations 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.

3. Significant accounting policies

Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the entity 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 substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and initial measurement of financial assets

Financial assets and financial liabilities are initially recognised at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in the profit and loss.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

In the years presented, the company did not have any financial assets categorised FVTPL or FVOCI.

The classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

(iii) Subsequent measurement of financial assets

The financial assets held by the company are measured at amortised cost, provided the following conditions are met (and are not designated as FVTPL):

- these financial assets are held within a business model whose objective is to hold the
  and,

- the contractual terms of the financial assets give rise to cash flows that are solely payr
  outstanding.

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

(iv) Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and trade receivables.

The company considers a broader 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.

For financial assets at amortised cost, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the assets’ carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly. At year end, there was no objective evidence in this respect.

In the case of financial assets that are carried at amortised cost objective evidence of impairment includes observable data about the following loss events – significant financial difficulty of the issuer (or counterparty) or a breach of contract or it becoming probable that the borrower will enter bankruptcy or other financial reorganization or the company, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the company would not otherwise consider.

The company makes use of a simplified approach in accounting for loans and 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 other receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

Impairment losses are recognised immediately in profit or loss.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

(v) Classification and measurement of financial liabilities

The company’s financial liabilities include debt securities in issue, other payables and other financial liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated 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.

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.

Revenue recognition

Interest income

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

Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing.

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

Income taxes

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise of demand deposits with bank.

Equity

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

Retained earnings include current and prior period results as disclosed in the statement of profit or loss and other comprehensive income.

4. Significant management judgement in applying accounting policies and estimation of uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

5. Finance income

	2021	2020
	Eur	Eur
Interest receivable on loan to parent company	5,508,890	5,495,743

6. Finance costs

	2021	202
	Eur	E
Interest on debt securities in issue	4,580,000	4,580,01
Processing fees	93,800	102,01
	4,673,800	**4,682,02**

7. Profit before tax

	2021	20
	Eur	E
The profit is stated after charging:		
Auditor's remuneration	9,169	8,8
Directors' remuneration	27,000	27,0

8. Key management personnel compensation

	2021	20
	Eur	E
Directors' compensation:		
Short-term benefits:		
Directors' remuneration	**27,000**	**27,0**

9. Income tax expense

	2021	202
	Eur	Eu
Current tax expense	**289,072**	**281,704**

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

	2021	202
	Eur	Eu
Profit before tax	786,441	772,86
Tax at the applicable rate of 35%	275,254	270,50
Tax effect of :		
Disallowable expenses	13,818	11,20
Income tax expense	**289,072**	**281,70**

10. Loans and receivables

	2021	20
	Eur	E
Loans to parent company	124,975,796	124,735,80
	124,975,796	**124,735,80**
Less: amounts expected to be settled within 12 months representing Interest receivable (shown under current assets)	**(2,564,838)**	**(2,254,84**
Amounts expected to be settled after 12 months	**122,410,958**	**122,480,95**

The loans advanced to parent company bear interest of 4.5% and are unsecured. Eur41,930,958, Eur80,000,000 and Eur480,000 non-current loans and receivables have to be repaid in full, together with any accrued interest, by not later than 30 June 2028, 4 September 2029 and 31 December 2025, respectively, in one single repayment or within such other terms as the parties may agree upon in writing.

11. Other receivables

	2021	20
	Eur	E
Prepayments	**83,764**	**43,70**

12. Other payables

	2021	20
	Eur	E
Accrued interest on debt securities in issue	1,728,892	1,728,3
Accruals	30,108	29,3
Other payables	932	1,2
	1,759,932	**1,758,8**

The carrying amount of other payables is considered a reasonable approximation of fair value.

13. Other financial liabilities

	2021	20
	Eur	E
Amounts owed to parent company	321	-

Amounts owed to parent company are unsecured, interest free and repayable on demand.

14. Debt securities in issue

	2021	20
	Eur	E
3.85% unsecured bonds redeemable 2028	40,000,000	40,000,00
3.80% unsecured bonds redeemable 2029	80,000,000	80,000,00
	120,000,000	**120,000,00**

In July 2018, the company issued Eur40,000,000 3.85% unsecured bonds of a nominal value of Eur100 per bond. Unless previously re-purchased or cancelled, the bonds are redeemable at their nominal value on 24th July 2028.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is Eur40,000,000. The market value of debt securities on the last day before the statement of financial position date was Eur40,600,000.

Interest is repayable on the 24th July of each year at the rate of 3.85% per annum, payable annually in arrears on each interest payment date.

Transaction costs of Eur653,301 (Eur472,343 paid out of bond proceeds and Eur180,958 paid out of company's funds) directly related to the bond issuance were recharged and borne by the parent company Hili Ventures Ltd.

The net proceeds from the bond issuance of Eur39,527,657 and the transaction costs were all advanced to the parent company and are part of the loans and receivables in note 10.

Furthermore, in August 2019, the company issued Eur80,000,000 3.80% unsecured bonds of a nominal value of Eur100 per bond. Unless previously re-purchased or cancelled, the bonds are redeemable at their nominal value on 27 August 2029.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is Eur80,000,000. The market value of debt securities on the last day before the statement of financial position date was Eur80,000,000.

Interest is repayable on the 27th August of each year at the rate of 3.80% per annum, payable annually in arrears on each interest payment date.

Transaction costs of Eur1,057,907 (Eur755,333 paid out of bond proceeds and Eur302,574 paid out of company's funds) directly related to the bond issuance were recharged and borne by the parent company Hili Ventures Ltd.

The net proceeds from the bond issuance of Eur79,244,667 and the transaction costs were all advanced to the parent company and are part of the loans and receivables in note 10.

Both of the bonds are guaranteed by Hili Ventures Limited.

15. Share capital

	Authorised	Issued a
		called
	Eur	E
2,000,000 Ordinary shares of Eur1 each,		
all of which have been issued and called up	2,000,000	2,000,0

In 2018, the company issued 2,000,000 ordinary A shares at Eur1 each which were all called up. All shares in the company shall grant the right to one (1) vote for every share held and rank pari-passu in all respects, particularly, but not limited to, dividend and capital repayment rights, independently of the letter by which they are denoted, if any.

16. Cash and cash equivalents

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

	2021	20
	Eur	E
Cash at bank	126,072	2,60

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

The company's cash at bank do not have restrictions as at year-end.

17. Related party transactions

Hili Ventures Limited is the parent company of Hili Finance Company p.l.c.

The directors consider the ultimate controlling party to be Carmelo Hili, who is the indirect owner of more than 50% of the issued share capital of Hili Ventures Limited.

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

2020	Related party activity Eur	Related Total activity Eur	%
Finance income:			
Related party transactions with parent company	**5,495,743**	5,495,743	100%

2021	Related party activity Eur	Related Total activity Eur	%
Finance income:			
Related party transactions with parent company	**5,508,890**	5,508,890	100%

No expense has been recognised during the year arising from bad and doubtful debts in respect of amounts due by related parties.

The amounts loaned and due from parent company at year-end are disclosed in notes 10 and 13. Other than as disclosed in the respective note, no guarantees have been given or received. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement.

18. Fair values of financial assets and financial liabilities

At 31 December 2021, 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 were measured using Level 3 techniques.

19. 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.

Where possible, the company aims to reduce and control risk concentrations of financial risk areas when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

Credit risk

Financial assets which potentially subject the company to concentrations of credit risk, consist principally of loans and receivables and cash at bank, as summarised below:

	Notes	2021 Eur	2020 Eur
Classes of financial assets			
Loans and receivables	10	124,975,796	124,735,807
Cash and cash equivalents	16	126,072	2,608
		125,101,868	**124,738,415**

Loans and receivables comprise amounts due from parent company. The company's concentration to credit risk arising from these receivables are considered limited as there were no indications that the counterparty is unable to meet its obligations. The company reviews loans and receivables to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable. This is done by assessing the financial soundness of the parent company and its subsidiaries through referring to group cash flow projections and forecasts.

Cash at bank is placed with reliable financial institutions. The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

Management considers the credit quality of these financial assets as being acceptable. Management does not consider the financial assets 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.

Liquidity risk

The company monitors and manages its risk to a shortage of funds by maintaining sufficient cash, by matching the maturity of both their financial assets and financial liabilities and by monitoring the availability of raising funds to meet financial obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month period, which is adjusted monthly and monitored on a weekly basis, to ensure that any additional financing requirements are addressed in a timely manner.

The company is exposed to liquidity risk in relation to meeting the future obligations associated with their financial liabilities, which comprise principally of other payables, other financial liabilities, and debts securities in issue (refer to notes 12, 13, and 14). 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 Eur871,405 (2020 – Eur304,035) . This net current asset position is mainly due to net interest receivable.

The directors have reviewed cash flow projections that have been prepared for the next 12 months. The company budgets and cash flow forecasts assume that the company continues to operate with its current funding. Based on continued operating profitability, the directors are confident that the company will have no difficulty to continue to meet its commitments as and when they fall due.

From time to time the directors may also consider raising additional finance from various sources to continue to finance projects of group companies.

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.

Liquidity analysis

Year 2020	On demand or within 1 year Eur	Within 2-5 years Eur	More than 5 years Eur	To[illegible] E[illegible]
Non-derivatives financial liabilities				
Non-interest bearing	1,758,873	-	-	1,758,8[illegible]
Fixed Interest-bearing	4,580,000	18,320,000	136,780,000	159,680,0[illegible]
	6,338,873	18,320,000	136,780,000	161,438,8[illegible]

Year 2021	On demand or within 1 year Eur	Within 2-5 years Eur	More than 5 years Eur	To[illegible] E[illegible]
Non-derivatives financial liabilities				
Non-interest bearing	1,760,253	-	-	1,760,2[illegible]
Fixed Interest-bearing	4,580,000	18,320,000	132,200,000	155,100,0[illegible]
	6,340,253	18,320,000	132,200,000	156,860,2[illegible]

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 securities in issue as disclosed in note 14 and cash and cash equivalents as disclosed in note 16 and of items presented within equity in the statement of financial position.

The directors manage the capital structure and adjust it, considering changes in economic conditions. The capital structure is reviewed on an ongoing basis.

20. Post-reporting date events

In March 2022, the company issued Eur50,000,000 4% unsecured bonds of a nominal value of Eur100 per bond. Unless previously re-purchased or cancelled, the bonds are redeemable at their nominal value on 11th March 2027.

The bonds are listed on the Official List of the Malta Stock Exchange and trading commenced on 22 March 2022.

The Board of Directors is actively following the conflict and the resulting humanitarian crisis in Ukraine. While the group has no direct interest vested in the country, it is monitoring the effects of the situation on its operations in neighboring countries Romania, the Baltics and

Poland. Inflationary pressures, supply chain disruption and heightened utility costs are presently being experienced by certain operations within the group. It is challenging to quantify and differentiate what extent of such pressures emanate from the unrest in Ukraine and the concurrent Covid-induced events but the compounded effect on the footprint of managed restaurants is potentially material. The group's projections continue to show stable performance despite the uncertainty of the current state of affairs on its operations and it remains vigilant in monitoring restrictions on the conduct of business with sanctioned entities and individuals.

Other than the above, no adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Independent auditor's report
to the members of

To the shareholders of Hili Finance Company p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hili Finance Company p.l.c. (the 'company') which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386 (the "Act").

Our opinion is consistent with our additional report to the audit committee.

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. In conducting our audit, we have remained independent of the company and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. The non-audit services that we have provided to the company during the year ended 31 December 2021 consisted of tax compliance services for which we charged €600.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described in the succeeding page to the key audit matters to be communicated in our report.

Recoverability of loans advanced to parent company

Key audit matter

Loans and receivables pertain to amounts advanced to parent company, Hili Ventures Limited (HVL), amounting to € 124,975,796 as at 31 December 2021 (2020: €124,735,807). The loans represent the most significant asset of the company and has arisen because of the principal reason for which the company was incorporated, to act as a financing company for HVL and its subsidiaries. Included in the total amount of the loans advanced to HVL is the net proceeds of €118,772,324 (2020: €118,772,324) from the bonds issued as disclosed in note 14 to the financial statements.

How the key audit matter was addressed in our audit

We have examined and agreed the balances and terms of the loans to the supporting loan agreements. We have also agreed the outstanding balances as at yearend with the parent company. The recoverability of the loans was ascertained by assessing the financial soundness of HVL, who is also the guarantor of the bonds issued by the company. To ascertain the recoverability of the loans, we referred to the latest available financial information of HVL from the consolidated financial statements of the Group, cash flow projections and forecasts.

On the basis of our work, we determined that management's assessment that the loans and receivables are recoverable is reasonable.

Other information

The directors are responsible for the other information. The other information comprises (i) Directors, officers and other information, (ii) Corporate governance statement, (iii) Directors' report, and (iv) Statement of directors' responsibilities, 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, including the Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the directors' report has been prepared in accordance with the Act.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Report on other legal and regulatory requirements

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Report and Financial Statements of Hili Finance Company p.l.c. for the year ended 31 December 2021, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The Directors are responsible for the preparation of the Report and Financial Statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Report and Financial Statements, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Report and Financial Statements, in accordance with the requirements of the ESEF RTS.
- Obtaining the Report and Financial Statements and performing validations to determine whether the Report and Financial Statements have been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Report and Financial Statements for the year ended 31 December 2021 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Report on the Statement of Compliance with the Code of Principles of Good Corporate Governance

The Capital Markets Rules issued by the Malta Listing Authority require the Directors to prepare and include in their Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Capital Markets Rules also require us, as the auditor of the Company, to include a report on the Statement of Compliance with the Code of Principles of Good Corporate Governance prepared by the Directors.

We read the Statement of Compliance with the Code of Principles of Good Corporate Governance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance with the Code of Principles of Good Corporate Governance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance with the Code of Principles of Good Corporate Governance has been properly prepared in accordance with the requirements of the Capital Markets Rules.

Other matters on which we are required to report by exception

We also have responsibilities

- under the Companies Act, Cap 386 to report to you if, in our opinion:
  - adequate accounting records have not been kept
  - the financial statements are not in agreement with the accounting records
  - we have not received all the information and explanations we require for our audit
  - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- in terms of Capital Markets Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

Auditor tenure

We were first appointed as auditors of the c ompany following its registration on 6 April 2018 . Our appointment has been renewed annually by a shareholders' resolution representing a total period of uninterrupted engagement appointment of four years.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

26 April 2022