Financial Analysis Summary

28 June 2016

Issuer

Hili Properties p.l.c.

Guarantors

Harbour (APM) Investments Limited

Hili Estates Limited

WEALTH MANAGEMENT ▪ CORPORATE BROKING

The Directors
Hili Properties p.l.c.
Nineteen Twenty Three
Valletta Road
Marsa MRS 3000

28 June 2016

Dear Sirs

Hili Properties p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the 2016 Financial Analysis Summary (the "Analysis") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Hili Properties p.l.c. (the "**Group**" or the "**Company**"), and Harbour (APM) Investments Limited and Hili Estates Limited (the "**Guarantors**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the period 23 October 2012 to 31 December 2013 and for the years ended 31 December 2014 and 31 December 2015 has been extracted from the audited consolidated financial statements of Hili Properties p.l.c.

(b) Historical financial data for the period 4 December 2012 to 31 December 2013 and for the years ended 31 December 2014 and 31 December 2015 has been extracted from the audited financial statements of Harbour (APM) Investments Limited.

(c) Historical financial data for the years ended 31 December 2013 to 31 December 2015 has been extracted from the audited financial statements of Hili Estates Limited.

(d) The forecast data of the Company and Guarantors for the year ending 31 December 2016 has been provided by management of the respective companies.

(e) Our commentary on the results of the Company and the Guarantors, and on their respective financial position is based on the explanations provided by the Company.

(f) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.

(g) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Company's securities and potential investors by summarising the more important financial data of the Company and the Guarantors. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Company and should not be interpreted as a recommendation to invest in any of the Company's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Company's securities.

Yours faithfully,

Wilfred Mallia
Director

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PART 1 – INFORMATION ABOUT THE COMPANY AND GUARANTORS

1. KEY ACTIVITIES

THE COMPANY

The principal object of Hili Properties p.l.c. (the "**Company**" or the "**Group**") is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, both locally and overseas.

The Company was registered on 23 October 2012 as a private limited liability company and was subsequently converted into a public limited liability company on 22 June 2015. It is a wholly-owned subsidiary of Hili Ventures Limited and is the parent company of the property division of the Hili Ventures Group.

The Company's strategy is to create a property portfolio consisting primarily of commercial and retail property in Europe, to deliver income and capital growth through active asset management. The Company relies on active asset management to maximise operating efficiency and profitability at the property level. At present, the Company holds, directly and indirectly through subsidiary companies, *circa* 46,900m^2 of rentable real estate, of which, approximately half consists of real estate area that is rented out to companies within the Hili Ventures Group.

THE GUARANTORS

Harbour (APM) Investments Limited ("**HIL**") was registered on 4 December 2012 as a private limited liability company. It is a wholly-owned subsidiary of APM Holdings Company Limited. The principal object of HIL is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, both locally and overseas.

HIL owns one property which comprises a parcel of land measuring *circa* 92,000m^2 in Benghajsa, Malta. In virtue of a promise of share purchase agreement entered into by and between APM Holdings Limited, the Company and Hili Ventures Limited on 25 August 2015, the Company agreed to acquire from APM Holdings Limited all of the ordinary shares held by APM Holdings Limited in HIL, in consideration of the total price of €25 million. The final deed of acquisition of the shares in question is to be executed by not later than three (3) years from the date of such agreement.

Hili Estates Limited ("**HEL**") was registered on 30 August 1996 as a private limited liability company and forms part of the Group. The principal object of HEL is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, both locally and overseas.

HEL owns and manages one property, the Hili Building situated in Luqa, Malta, and includes *circa* 5,015m^2 of office and warehouse space. The property is fully leased to companies forming part of the Hili Ventures Group and other related parties.

2. DIRECTORS AND KEY EMPLOYEES

THE COMPANY

The Company is managed by a Board consisting of seven directors entrusted with its overall direction and management.

Board of Directors

Margrith Lütschg-Emmenegger	Chairperson and independent non-executive Director
Karl Naudi	Executive Director
Carmelo *sive* Melo Hili	Non-executive Director
Richard Abdilla Castillo	Non-executive Director
Victor Tedesco	Non-executive Director
David Aquilina	Independent non-executive Director
Martin Xuereb	Independent non-executive Director

The executive Director of the Issuer is entrusted with the Company's day-to-day management and is also a director or officer of other companies within the Hili Ventures Group. He is supported in this role by several consultants and benefits from the know-how gained by members and officers of the HP Group.

Senior Management

Karl Naudi	Managing Director
Albert Galea	Chief Financial Officer
Sandra Murniece	Country Manager Baltics

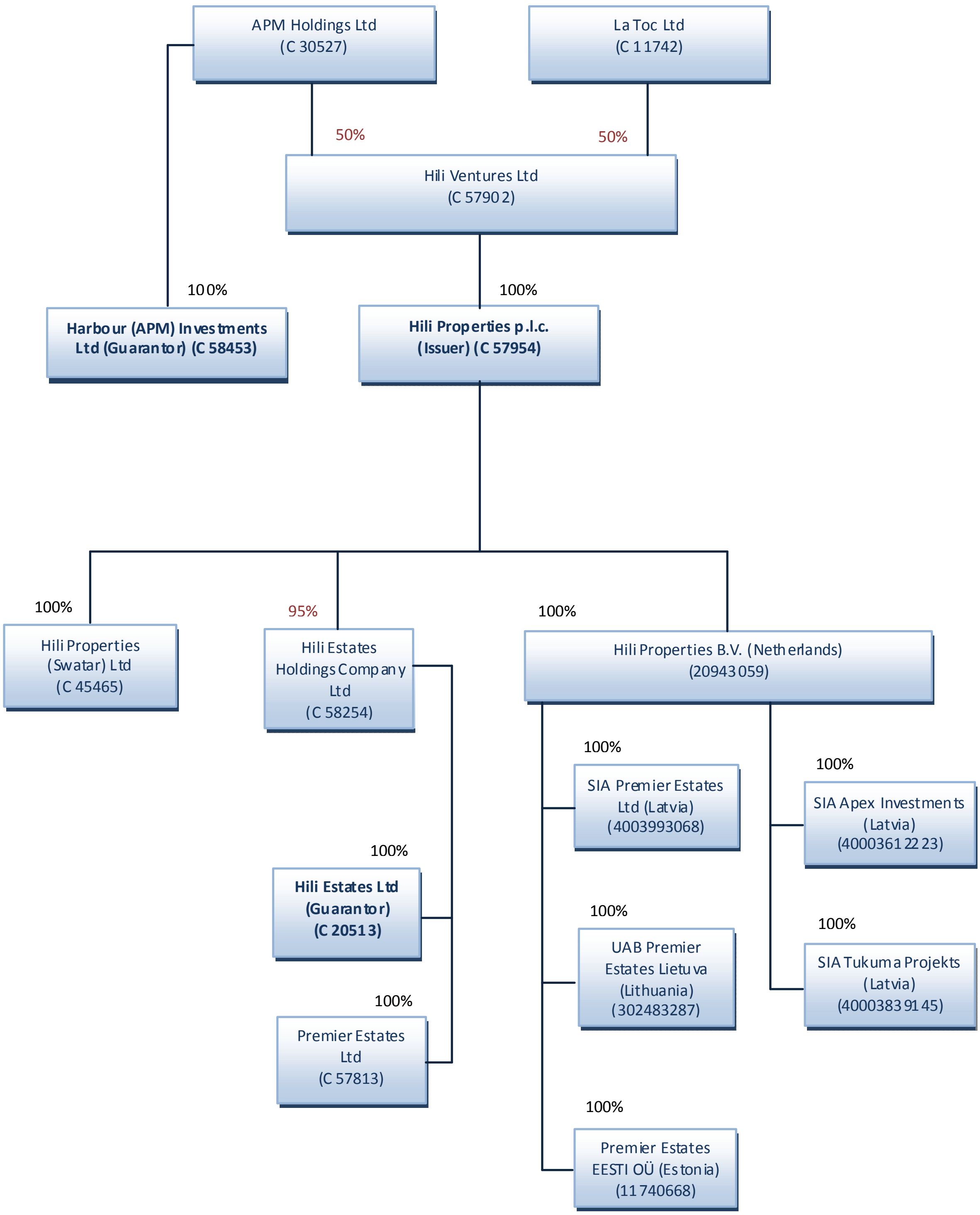
THE GUARANTORS

Each of the Guarantors is managed by a Board consisting of two directors entrusted with its overall direction and management.

Karl Naudi	Executive Director
Richard Abdilla Castillo	Non-executive Director

3. ORGANISATIONAL STRUCTURE

The organisational structure of the group is illustrated in the diagram below:



A summary table of properties held by the respective companies is provided in section 4 of this report.

4. REAL ESTATE PORTFOLIO

THE COMPANY (INCLUDING HILI ESTATES LIMITED)

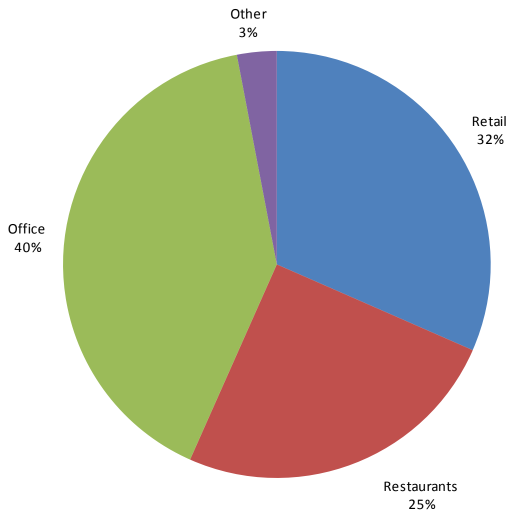
The table below provides an overview of the 24 properties held by the Group (including the Company and Hili Estates Limited) as at the date of this report, valued at €65.0 million (47,353m^2 of rentable space). A number of properties were acquired in 2015 (detailed in section 5 "Investments" below) and therefore a full year of rental income in relation to the Group's current property portfolio is expected to be generated as from 2016. Aggregate rental income for the aforesaid financial year is projected at €5.6 million.

Name of Property	Location	Description	Rentable Area (m^2)	Valuation as at 31.12.15 (€'000)	Annualised Rent (€'000)	Occupancy rate (%) as at 31.12.15	WALT (in years)	Contracted rental yield, gross %	Ownership
Imanta Restaurant	Riga, Latvia	McDonald's restaurant (with drive thru)	2,709	1,553	126	100	15.4	8.1	Freehold
Vienibas Restaurant	Riga, Latvia	McDonald's restaurant (with drive thru)	3,497	1,514	123	100	15.9	8.1	Freehold
Ulmana Restaurant	Riga, Latvia	McDonald's restaurant (with drive thru)	2,000	1,267	99	100	19.0	7.8	Freehold
Daugavpils Restaurant	Daugavpils, Latvia	Vacant (previously a McDonald's restaurant)	1,692	320	42	0	n/a	13.1	Freehold
Apartment 79, Duntes	Riga, Latvia	Apartment	65	115	6	100	1.9	5.2	Freehold
Apartment 84, Duntes	Riga, Latvia	Apartment	131	230	0	100	n/a	0.0	Freehold
Dainava Restaurant	Kaunas, Lithuania	McDonald's restaurant (with drive thru)	3,021	1,321	124	100	14.7	9.4	Freehold
Svajone Restaurant	Vilnius, Lithuania	McDonald's restaurant (in a building complex)	580	1,529	127	100	14.9	8.3	Land is leased, building is freehold
Parnu Restaurant	Parnu, Estonia	McDonald's restaurant (with drive thru)	1,803	1,999	110	100	14.0	5.5	Freehold
M DIY Retails Centre	Tukums, Latvia	Retail	3,370	2,585	300	100	1.7	11.6	Freehold
Wholesale & Retail Trade Building	Nicgales Street 2, Riga, Latvia	Retail	3,680	4,880	546	98	2.6	11.2	Freehold
Supermarket and Retail Centre	Augusta Dombrovska Street 23, Riga, Latvia	Retail	4,211	4,300	474	95	4.8	11.0	Freehold (277m^2 is leased)
Supermarket and Retail Centre	Vienibas Ave. 95, Riga, Latvia	Retail	1,300	1,520	134	100	6.2	8.8	Freehold
Supermarket and Retail Centre	Kremienu Street 4A, Riga, Latvia	Retail	952	1,069	102	100	4.0	9.5	Freehold
Shopping Centre	Dzelzavas Street 78, Riga, Latvia	Retail	1,230	1,896	169	100	2.0	8.9	Freehold

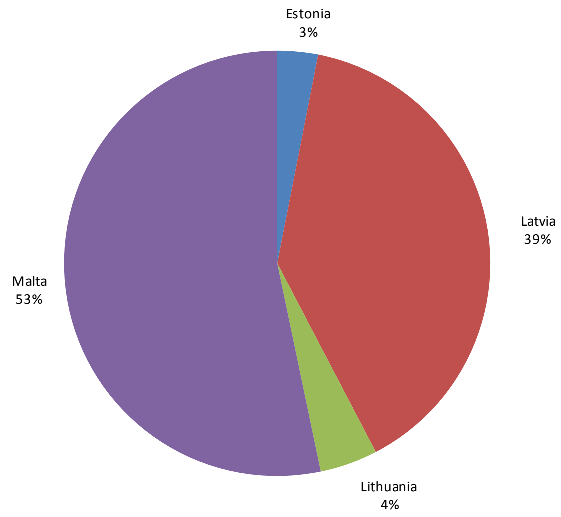
Name of Property	Location	Description	Rentable Area (m^2)	Valuation as at 31.12.15 (€'000)	Annualised Rent (€'000)	Occupancy rate (%) as at 31.12.15	WALT (in years)	Contracted rental yield, gross %	Ownership
Supermarket and Retail Centre	Smilšu Street, 92B Daugavpils, Latvia	Retail	1,068	1,097	121	100	7.7	11.0	Freehold
Hypermarket and Retail Centre	Viestura Street, 10 Daugavpils, Latvia	Retail	2,602	2,314	253	100	3.5	10.9	Leased
Supermarket and Retail Centre	Spidolas Street, Aizkraukle, Latvia	Retail	964	871	115	100	5.6	13.2	Leased
Hili Building	Luqa, Malta	Office space/ Warehousing facilities	5,015	13,522	803	100	9.6	5.9	Freehold
APCO Building	B'Kara, Malta	Office space	415	720	64	100	0.7	8.9	Freehold (71m^2 is subject to ground rent)
Tower Business Centre	Swatar B'Kara, Malta	Office space	4,630	10,250	605	100	8.9	5.9	Freehold
McDonald's Sliema	Sliema, Malta	Restaurant and office space	1,518	6,805	455	100	15.5	6.7	Freehold
Transport House	Floriana, Malta	Office space	900	1,750	80	0	n/a	4.6	Freehold
Villa Marika	Madliena, Malta	Private residence	n/a	1,600	n/a	n/a	n/a	n/a	Freehold
TOTAL			**47,353**	**65,027**	**4,978**	**94**	**7.9**	**7.7**	

The portfolio is diversified by geography and by asset type (as analysed below). Occupancy was 94% as at 31 December 2015, with a weighted average unexpired lease term (WALT) of 7.9 years and a current gross rental yield of 7.7%. From an annualised rent of €5.0 million, an amount of €2.2 million (*circa* 43%) is generated from Hili Ventures Group companies and other related parties.

Split of fair value by asset type



Geographical split of fair value



A brief description of each property is included hereunder:

(i) McDonald's Imanta, Riga, Latvia

The Imanta property consists of a land plot and a building constructed thereon. The site is located in Kurzemes Prospekts, Imanta, a residential neighbourhood of Riga inhabited by approximately 40,000 residents. Kurzemes Prospekts is a large street with a dual carriageway and a number of supermarkets (Maxima, Prisma and Rimi) located in the vicinity. The building is provided with six guest and staff entrances and has an internal seating capacity of 98 persons. The external areas within the site consist of an external terrace with a seating capacity of 44 persons and a car park with the capacity to hold 16 motor vehicles.

(ii) McDonald's Vienibas, Riga, Latvia

The Vienibas property consists of a land plot and a building constructed thereon. The site is located at 115A Vienibas Avenue, which is situated outside the centre of Riga and on one of the busiest exit streets (A8/E77), and is around 7km away from the centre and old town of Riga. The neighbourhood is a residential area inhabited by approximately 30,000 residents, with a number of supermarkets (Maxima and Rima) located in the vicinity. The building comprises six entrances and has an internal seating capacity of 105 persons. The external areas within the site consist of an external seating space with a capacity of 48 persons and a parking area with the capacity to hold 18 motor vehicles.

(iii) McDonald's Ulmana, Riga, Latvia

The Ulmana property consists of a land plot and a building constructed thereon. The site is located at 88, Karla Ulmana Street, which is situated outside the centre of Riga and on one of the busiest exit streets (A10/E22), and is around 8km away from the centre and old town of Riga. Karla Ulmana is a large street with a dual-carriageway and the site has excellent visibility from the road. The site benefits from high traffic volume, particularly due to its close proximity to a number of supermarkets and retail shops, a shopping mall (2km), Riga International Airport (4km) and a popular highway leading to the Jurmula sea-side resort. The restaurant commenced its operations on 2 July 2015. The building provides an internal seating capacity of 78 persons, whilst the external area provides seating space for an additional 40 persons, as well as an area with the capacity to hold 16 motor vehicles.

(iv) Former McDonald’s Daugavpils, Latvia

The Daugavpils property consists of a land plot and a building constructed thereon. The site is located at 42, 18, Novembra Street, Daugavpils and is next to the largest road in the city. However, the area does not enjoy significant levels of pedestrian traffic. The permitted use of the land is designated as commercial development territory whilst the permitted use of the building is designated as a restaurant building. Since the discontinuation of the operation of McDonald’s drive-thru restaurant in December 2013, the property has remained vacant.

(v) Apartments 79 and 84, Duntes Street, Riga, Latvia

The properties are located in a residential multi-apartment building located at 28, Duntes Street, Riga, Latvia. The large apartment block, set in a neighbourhood on the outskirts of the centre of Riga, comprises 17 floors and a total number of 208 apartments.

(vi) McDonald’s Dainava, Kaunas, Lithuania

The Dainava property consists of a land plot, a building structure constructed thereon and an ancillary building that operates as a car park. The site is located in Pramones Ave. 8B, Kaunas, which is in the vicinity of three shopping centres, a petrol station, and a fast food restaurant. Furthermore, the site is adjacent to a busy two-lane road approximately 7km away from the city centre. The building comprises of five entrances and has an internal seating capacity of 130 persons. The external areas within the site consist of external seating space with a capacity of 44 persons as well as a car park with the capacity to hold 22 motor vehicles.

(vii) McDonald’s Svajone, Vilnius, Lithuania

The Svajone property consists of a property located within a larger building complex with the intended use of providing catering services. The building is constructed on a state-owned land plot and is located at 15, Gedimino Avenue, a favourable and prestigious location in the centre of Vilnius in V. Kurika’s square. The property is in the heart of the city and in close proximity to Lithuania’s Government Building, the National opera and Ballet Theatre and other important state institutions. The site is located in an area that enjoys a heavy pedestrian traffic flow and within a mixed residential and commercial area of high density, surrounded by a large number of shops and restaurants. The restaurant has an internal seating capacity of 128 persons, whilst the external areas consist of external seating space with a capacity for an additional 12 persons, and there is also a take away window to the sidewalk. The building enjoys exclusive views of one of the main streets of Vilnius.

(viii) McDonald's Parnu, Estonia

The Parnu property consists of a land plot and a building constructed thereon. The property is located at 74, Tallinna Maante, Parnu, an area outside the city centre next to a two-lane road at the entrance to Parnu from Tallinn. The restaurant is in the vicinity of office buildings, a large supermarket and several car dealerships. The building comprises six entrances and has an internal seating capacity of 130 persons, whilst the external areas consist of external seating space with a capacity for an additional 30 persons and a car park with a capacity to hold 16 motor vehicles.

(ix) M DIY Retails Centre, Tukums, Latvia

The property is constructed on a 13,284m^2 plot and is rented out to one anchor tenant, Rautakesko AS (the single tenant). The property is located in Tukums, a small city located in Tukama district with a population of 19,729 inhabitants. The main use of the land, buildings or parts thereof for this site, is commercial including retail and service buildings.

(x) Wholesale & retail trade building, Nicagles Street, Riga, Latvia

The property is constructed on a 9,561m^2 plot. The property is located in a zone of Riga called Purvciems, on the east bank of the Paugava River. The property is currently used as a retail and shopping centre. The anchor tenant is a major supermarket chain, occupying 71% of the total leasable areas. Other tenants occupy 27% of the lettable areas with 2% currently vacant.

(xi) Supermarket and Retail Centre, Augusta Dombrovska Street, Riga, Latvia

The property is constructed on a 6,720m^2 plot. The property is located in a part of Riga known as Vecmīlgravīs in the northern part of the city, near the mouth of the Daugava River. The property is currently used as a retail and shopping centre with 33 tenants and enjoys significant footfall. The anchor tenant is a high profile supermarket chain, occupying 38% of the total leasable areas. Other tenants occupy 57% of the lettable areas with 5% currently vacant.

(xii) Supermarket and Retail Centre, Vienibas Street, Riga, Latvia

The property is constructed on a 6,670m^2 plot. The property is located in Atgāzene in the south of Riga, on the west bank of the Daugava River. The property was refurbished in 2013 and is currently used as a supermarket and retail centre. The anchor tenant is a high profile supermarket chain, occupying 86% of the total leasable areas. The remaining floor space is leased to another 5 tenants apart from small units like ATM's. The occupancy rate of this property is 100%.

(xiii) Supermarket and Retail Centre, Kremieņu Street, Riga, Latvia

The property is constructed on a 3,733m^2 plot. The property is located in Vecmīlgrāvis, a town in the North of Riga near the mouth of the Daugava River. The building consists of one floor, and 81% thereof is rented out to an anchor tenant being a high profile supermarket chain in the Baltics. The remaining area is rented out to a second tenant gambling hall.

(xiv) Shopping Centre, Dzelzavas Street, Riga, Latvia

The property is constructed on an 8,062m^2 plot. The property is located in Purvciems, in the west of Riga on the east bank of the Daugava River. The property is 100% leased out to three tenants, of which a high profile supermarket chain occupies 91% of the lettable area, whilst the remaining area is occupied by two other tenants.

(xv) Supermarket and Retail Centre, Smilšu Street, Daugavpils, Latvia

The property is constructed on a 2,770m^2 plot. The property is located in the north-east part of the city of Daugavpils, the second largest city in Latvia, about 230km to the North West. The property is 100% leased out to a well-established hypermarket chain that occupies 71% of the lettable area whilst another three tenants occupy the remaining area.

(xvi) Hypermarket and Retail Centre, Viestura Street, Daugavpils, Latvia

The property is constructed on a 2,011m^2 plot. The property is located in the centre of Daugavpils. This property has an occupancy rate of 100% - the anchor tenant is a well-established hypermarket chain which rents and occupies 28% of the area at ground floor level, with 10 other tenants taking up the remaining rental area.

(xvii) Supermarket and Retail Centre, Spidolas Street, Aizkraukle, Latvia

The property is constructed on a 4,000m^2 plot. The property is located in the centre of Aizkraukle, a small city located about 110km East of Riga and plays a significant role in the daily trading activity of the city. This property is 100% leased out. The anchor tenant of the property is a well-renowned hypermarket chain which rents and occupies 70%, and 6 other tenants taking up the remaining rental area.

(xviii) Hili Building, Nineteen Twenty Three, Valletta Road, Luqa, Malta

The property, built on a plot area of 2,585m^2, is developed mainly as an office block with part of the premises at ground and intermediate levels used as a warehouse/storage area. The building is sited at the periphery of the industrial park in Luqa/Marsa. The property is 100% leased out, predominantly to a number of subsidiary companies forming part of the Hili Ventures Group.

(xix) APCO Building, 213, Psaila Street, Birkirkara, Malta

The property is centrally located in Psaila Street, Birkirkara built on a site of *circa* 210m^2. The building includes one basement level with three overlying floors currently used as office space. The entire building is leased to third parties.

(xx) Tower Business Centre, Tower Street, Swatar, Birkirkara, Malta

The property is located within a prime commercial and office area in Swatar, in the vicinity of Mater Dei Hospital and the University of Malta. The business centre is an office block with six floors comprising underground parking, a semi-basement level used as a training centre with some office space, and three floors and the penthouse level utilised as office space.

(xxi) McDonald's Restaurant and overlying office, Sliema, Malta

The property in Sliema is leased as a McDonald's outlet at ground and mezzanine levels, and the first floor is completed as office space and rented out to a third party. The premises form part of a development block overlooking two streets, namely The Strand, Sliema at the Waterfront and Sqaq il-Fawwara, Sliema at the back of the property.

(xxii) Transport House, Triq San Frangisk, Floriana, Malta

The property is located in a central area in Floriana and comprises of a three storey building, a receded penthouse, and two interconnected apartments at the first and second floors, all for use as office space. The property is currently vacant.

(xxiii) Villa Marika, High Ridge, Madliena

The property consists of a fully detached bungalow located at a prime location at High Ridge, Madliena with a superficial area of *circa* 1,250m^2. The site is developed with a detached bungalow including a basement garage and external soft and hard landscaping including a swimming pool. The bungalow is laid out in two unequal wings on either side of the entrance hall which overlooks the swimming pool. This property is held for resale.

HARBOUR (APM) INVESTMENTS LIMITED (GUARANTOR)

Harbour (APM) Investments Limited owns land at Benghajsa, Malta, valued at *circa* €25 million. The property comprises a number of sites at Benghajsa and is flanked by the Freeport and its service road to the Northeast, by Hal Far Road to the Northwest, by the new LPG depot & Fort Benghajsa to the South and by agricultural fields, Benghajsa Village and Hal Far Industrial Estate beyond to the South. The sites mainly consist of undeveloped agricultural fields having a cumulative total area of approximately 92,000m^2. No income is currently generated from the aforementioned land and as such the company is ultimately dependent on the support provided by its shareholder.

Planning Considerations and Site Potential

The sites at Benghajsa are predominantly located within the 'Reserved Area' in accordance to the respective Marsaxlokk Bay Local Plan. The strategy for this zone as outlined in the respective local plan issued in 1995 is detailed as follows:

> *"The area between Hal Far and the Freeport was designated as a Primary Development Area in the sixties for possible eventual industrial use. The Structure Plan confirms the designation subject however to Policy IND1 which delays the use of this land until needs arise which cannot be accommodated elsewhere. On available evidence, it is unlikely that the area will be required for such purpose within the ten-year period of the Local Plan. It is therefore proposed that the current status of the area is retained and is also to be referred to as a Reserved Area."*

From research undertaken by Architects Bencini & Associates (valuation report dated 10 September 2015), it appears that over the past 20 years since the issue of the above mentioned Local Plan the footprint of the Freeport has generally been developed to its full capacity with respect to its key activities that comprise the container terminal, the oil terminal and the ancillary warehousing facilities. The location of the Benghajsa sites that fall within this 'Reserved Area', particularly those contiguous to the Freeport, form a natural extension of the Freeport area as envisaged by both the Structure & Local Plans. Architects Bencini & Associates also noted that an LPG terminal has since been developed within the said 'Reserved Area' duly covered by Malta Environment & Planning Authority (“MEPA”) permit PA 867/09, while outline applications for the development of an Oil Tanking & Warehousing Facility along the Freeport access road have also been submitted to MEPA (PA 1504/10 & PA 2071/10).

A number of the Benghajsa sites are situated within the boundaries of the aforesaid outline applications (that are pending processing by MEPA). During the course of the above mentioned applications a Tender for the 'Preparation of an Action Plan for Benghajsa' was issued with the scope of considering the said 'Reserved Area' for the following:

- Provide sufficient expansion space for Freeport Activities;
- Provide for long term expansion of the Hal Far Industrial Estate;
- Provide for the warehousing/distribution depots for both the local and transhipment markets;
- Provide for fuel storage facilities and ancillary services that are required or may be required considering the country's economic development;
- Promote financial investment in the private sector;
- Generate employment opportunities.

Considering the above, Architects Bencini & Associates conclude that, while currently schemed as a 'Reserved Area', the Benghajsa sites offer significant medium to long term commercial/investment opportunities.

5. INVESTMENTS

During the financial year ending 31 December 2015, the Group carried out the following investment transactions:

(a) In January 2015, the Group concluded the acquisition of two Latvian companies: SIA Apex Investments and Tukuma Projekts SIA (see section 4 above for details on the respective properties). The said companies between them own nine shopping centres in Latvia. The transaction amounted to €22.1 million and was principally funded through bank borrowings and Bond proceeds;

(b) In May 2015, the Group acquired Tal-Herba Developments Ltd, a company which owns the Tower Business Centre in Swatar, Malta (further information is provided in section 4 above). Subsequent to the transaction, the name of the company was changed to Hili Properties (Swatar) Limited. The acquisition was funded through an €8 million bank loan which was refinanced thereafter with Bond proceeds;

(c) On 25 August 2015, APM Holdings Limited, the Company and Hili Ventures Limited entered into a promise of share purchase agreement, whereby the Company agreed to acquire from APM Holdings Limited 100% shareholding of HIL (currently held by APM Holdings Limited) for the sum of €25 million. HIL is the company that owns the land at Benghajsa described in section 4 above. The share purchase agreement provides for a 50% deposit payable in 2015, which will be funded as to €6 million from Bond Issue proceeds and €6.5 million through an increase in equity. The remaining balance of €12.5 million will be settled by 2018 through equity. It is the intention of the Group to sell the property in the near to medium term so as to fund further investment in rental-yielding properties in accordance with the Group's strategy. As at the date of the Prospectus, such prospective acquisitions have not been identified.

6. BUSINESS DEVELOPMENT STRATEGY

It is the objective of the Group to continue to act as the property holding vehicle of the Hili Ventures Group. In this regard, the Group aims to continue to manage existing properties, and to acquire and dispose of properties as necessary to meet the needs of the Group's business operations. The rents chargeable by the Group to the Hili Ventures Group companies are based on commercial rental rates and respective lease agreements are entered into on an arms-length basis.

With respect to the remaining portfolio, the Group's strategy is to create a property portfolio consisting primarily of attractively-located, institutional and high quality, income-producing investment properties in Malta, Estonia, Latvia, Lithuania and other developed countries (the "Target Countries") to deliver income and capital growth through active asset management. The Company believes that its Board of Directors, with the support of external advisors and property experts, has distinct knowledge of and competence within, the immovable property markets of the Target

Countries, thereby placing the Group in an appropriate position to capitalise on the opportunities presented by current and expected market conditions.

The Company intends to source its investment opportunities primarily through the Board of Directors' extensive network of relationships within the immovable property markets of the Target Countries, which include the corporate and private landlords, brokers, domestic banks and others. The Board of Directors expects to create both sustainable income and strong capital returns for the Group.

In carrying out its functions, the Board of Directors aims to focus its investment decisions on the acquisition of primarily investment properties in the Target Countries with some of the following characteristics:

- Retail properties in city centres and certain suburban areas (shopping centres and high street retail outlets);
- Office properties that the Board of Directors expects to be in demand by high demand tenants;
- Other selected commercial real estate properties, for example, warehousing, industrial and distribution facilities;
- Such other specialist building or property that the Board of Directors considers will give attractive investor return.
- In line with the current property portfolio available for rent which presently reflects an overall average occupancy rate of 94%, the Board of Directors shall aim to maintain a similar high level of occupancy rates for future investment properties.

When investing in property, the Board of Directors shall concentrate on assets priced at significant discounts to fair value or assets with active asset management opportunities, for example through repositioning, rental extension or rental optimisation, and adopt a conservative approach with regard to development opportunities in the context of the whole portfolio as the Company's primary focus is on cash flow and active asset management.

The intention of the Board of Directors is, where appropriate, to improve income profiles and add value to the Group's property portfolio through asset management techniques which include:

- Renegotiating or surrendering leases;
- Improving lease terms/duration and tenant profile;
- Undertaking physical improvements when and where considered appropriate;
- Improving layouts and space efficiency of specific assets;
- Changing the tenant mix of certain properties;
- Maintaining dialogue with tenants to assess their requirements;
- Taking advantage of planning opportunities where appropriate; and
- Repositioning and upgrading assets.

In the implementation of the above strategy, the Company shall seek to use prudent levels of leverage to enhance equity returns over the long-term. The indicative aggregate borrowing as a percentage of gross asset value of the Group is expected not to exceed 70%. The Group may modify the leverage policy from time to time in light of then-current economic conditions, the relative costs of debt and equity capital, the fair value of the Group's assets, growth and acquisition opportunities or other factors it deems appropriate.

7. PROPERTY MARKET

European Commercial Property[1]

A total of €64.5 billion was invested in European commercial property in Q4 2015, which took volumes for the full year to €238.5 billion, a 25.0% increase on 2014. However, the Q4 total was only slightly up, by 0.5%, on the same quarter of 2014, indicating that investment growth lost a little momentum towards the year-end. Increases in investment activity were widespread in 2015, with the core markets of the UK, Germany and France all seeing transactions rise by more than 20%. Among peripheral markets, investment volumes grew particularly strongly in Italy and Portugal, both fuelled by surging demand from international investors. The strength of investor demand kept European prime yields under downward pressure throughout 2015, although the pace of yield compression slowed in Q4.

With large amounts of capital continuing to target European property, strong investment activity is expected to continue in 2016. However, the exceptional growth in transaction volumes seen in 2015 is unlikely to be repeated. Knight Frank's forecast is that European investment in 2016 will be broadly in line with 2015 volumes. Many of the factors that supported the investment market in 2015 – including the stabilising Eurozone economy, low interest rates and wide yield spreads to other asset types – look set to remain favourable to property investors throughout 2016. Eurozone GDP growth is forecast to improve modestly to around 1.7%, following an increase of 1.5% in 2015. The European Central Bank has indicated that it may be prepared to make further interest rate cuts to support economic growth.

Supported by the stabilisation of the Eurozone economy, European occupier market activity improved healthily in 2015. On an annual basis, aggregate take-up in the major markets monitored by Knight Frank rose by 10%. This was despite falling take-up in Europe's two largest markets, London and Paris, and was driven by the strong performance of German, Iberian and CEE markets. Dublin, Frankfurt, London (City), Madrid and Stockholm all registered increases in prime rents in Q4 2015, whilst rents remained stable in the majority of other European markets. Rental growth may spread to a wider range of cities in 2016 with Paris, for example, expected to see prime office rents increase following more than two years of stability.

[1] European Quarterly Commercial Property Outlook Q4 2015 (Knight Frank)

Latvian Real Estate Investment Market[2]

In 2015, the Latvian real estate investment market was at its most active since 2007. The year closed with a total investment volume of €394.4 million, compared to €316.9 million in 2014. It should be noted that 60% of investment volume was driven by acquisition of the Alfa, Mols and Dole shopping centres by the world's leading alternative asset management company – Blackstone, as part of the acquisition of ten Nordic real estate funds managed by Obligo Investment Management.

During 2015, 71% of total investment volume was generated by transactions exceeding €20 million – a significant increase compared to 26% a year ago. Additionally, 2015 was marked by comparably higher activity among end-users acquiring properties for their own business or occupation needs (*circa* €120 million).

The share of investment in retail, office and industrial commercial properties increased from 48% in the previous year to 97% in 2015. Such a change in composition of the weight of these property segments was driven mainly by a noticeable decrease in demand for historic buildings acquired for development, or buildings with no clear concept and existing cash flow (for example properties in the residential segment). Changes in the immigration law regarding the temporary residence permit programme, which came into force in September 2014, as well as a decrease in demand from Russian buyers, made the residential sector relatively less attractive and had an immediate effect on respective investment volume.

The retail segment became a dominant investment target in 2015, generating 77% of total investment volume for the period. The share of office investment deals accounted for 15%, whilst the industrial segment continued to be less active compared to the office and retail sectors.

Prime asking yields continued to show improvement and this was driven by several factors. Among these was the general improvement in the Latvian economy, reducing the country's risk profile, a favourable interest rate environment and availability of leverage, as well as demand for good quality cash flow generating buildings. By the end of 2015, prime yield for industrial objects reached 8.75%, with prime retail and office yields experiencing a decline to 7% and 7.25% respectively.

It is expected that 2015 trends in investment activity will be carried forward to 2016 and the transaction pipeline is projected at a y-o-y comparable volume. Prime yields are expected to experience further downward pressure in 2016 with quality supply as the main limiting factor. As such, due to lack of cash flow properties, the market should start to enter the commercial property development stage.

[2] Real Estate Market Overview 2016 (Colliers International, Sorainen, KPMG)

Lithuanian Real Estate Investment Market[2]

Continuous economic development, positive trends in foreign policy together with integration in the Euro zone from 1 January 2015 made an impact on the Lithuanian real estate market, which gained more confidence not only from local investors but from international funds as well. Its growing attractiveness was confirmed by total investment volume, which amounted to €444 million in 2015 and surpassed the previous year by 48%. In terms of number of transactions closed, 2015 produced 154 transactions, exceeding 2014 by 81%.

During 2015, a significant increase was observed in investment transactions over €20 million, with growth of 23% compared to 2014. This showed that large, experienced investors prevailed in the market, mainly targeting prime properties. The key investors included Nordic, Baltic and major international investors, the latter displacing previously active Russian funds.

In contrast to the previous year, when the main focus of investors was dedicated to the Vilnius office market, during 2015 the Lithuanian retail market attracted the highest share at 50% of total investment volume (+28% compared to 2014). The office market investment share decreased significantly to 27% (a decline of 29% over 2014) and the industrial sector remained stable at 18% of total investment.

The compression of prime investment yields continued in 2015 due to lack of attractive investment properties and increased confidence in the Lithuanian economy related to integration in the Euro Zone. As a result, during 2015 investment yields fluctuated within the range of 7% and 8.75% depending on property type and location. The lowest yields were recorded among prime retail and office properties, while the highest yields remained in the industrial segment.

As lack of attractive investment alternatives together with high interest in office and retail properties are expected to continue in 2016, yields will continue their downward trend, reaching less than 7% for prime office and retail properties. On the other hand, no significant changes in investment yields are expected for industrial properties in the short term.

Estonian Real Estate Investment Market[2]

Total investment volume in 2015 amounted to €544 million, exceeding the total record level achieved in 2007 and showing a more than two-fold increase over the previous year's €240 million. Investment activity in 2015 was driven by several large single deals and portfolio sales, including the acquisition of Radisson Blu Sky hotel, the Police and Border Guard Board building, the new Eesti Energia HQ and purchase of a portfolio of municipal rental apartments, BPT Optima fund portfolio, amongst others. The latter transaction related to the sale of a portfolio of eight buildings with 1,200 apartments to LCN Capital Partners for €100 million.

Investment activity in 2015 was dominated by retail and office segments, each attracting 29% of total volume in 2015. Despite the fact that deals concerning industrial properties accounted for one third of the total number of transactions in 2015, investment activity in the industrial segment remained rather low in Estonia throughout the year. At €51 million, investment in the industrial/warehouse property segment accounted for less than 10% of total volume (down from 34% in 2014).

Prime yields started to move downwards in 2014 and continued to do so in 2015, driven by cheap financial capital, shortage of investment grade properties and strengthening demand from smaller investors. The investment market is projected to continue to be active also in 2016 with an expected transaction volume exceeding €350 million. Yields in 2016 are forecasted to remain broadly stable when compared to 2015. Sector-wise, the office and retail sectors will remain the most favoured by investors, international and local alike.

Maltese Real Estate Investment Market

National statistics relating to commercial property in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business related services, notably in the financial, i-gaming, back-office services, information technology, aircraft registration and maritime has continued to generate a positive trend in the commercial property sector, in particular office space. In addition, Malta’s highly skilled and competitive labour costs have also been vital in sustaining this success. This view is substantiated when assessing the lack of availability of large office and commercial space, as well as, the number of projects earmarked for development and set to commence in the near future.

PART 2 – PERFORMANCE REVIEW

The projected financial statements detailed below relate to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

The following financial information is extracted from the audited consolidated financial statements of Hili Properties p.l.c. (the "**Company**") for the financial periods ended 31 December 2013 to 2015. The financial information for the year ending 31 December 2016 has been provided by Group management.

8. FINANCIAL INFORMATION – THE GROUP

Hili Properties Group Income Statement for the year ended 31 December	**2013 Actual €'000**	**2014 Actual €'000**	**2015 Actual €'000**	**2016 Forecast €'000**
Revenue	1,717	1,678	4,126	5,560
Net operating expenses	(287)	(760)	(1,472)	(1,724)
EBITDA	**1,430**	**918**	**2,654**	**3,836**
Depreciation & amortisation	(9)	(6)	(11)	(100)
Net investment income/(losses)	(1,801)	(149)	1,079	1,200
Net finance costs	(743)	(687)	(1,767)	(2,459)
Profit/(loss) before tax	**(1,123)**	**76**	**1,955**	**2,477**
Taxation	(333)	113	127	(371)
Profit/(loss) after tax	**(1,456)**	**189**	**2,082**	**2,106**
Total comprehensive income/(expense)	**(1,456)**	**189**	**2,082**	**2,106**

Hili Properties Group Cash Flow Statement for the year ended 31 December	**2013 Actual €'000**	**2014 Actual €'000**	**2015 Actual €'000**	**2016 Forecast €'000**
Net cash from operating activities	722	933	1,077	3,743
Net cash from investing activities	(8,657)	233	(36,471)	(30,102)
Net cash from financing activities	8,830	(2,016)	36,477	25,948
Net movement in cash and cash equivalents	**895**	**(850)**	**1,083**	**(411)**
Cash and cash equivalents at beginning of year	-	895	45	1,128
Cash and cash equivalents at end of year	**895**	**45**	**1,128**	**717**

Hili Properties Group Balance Sheet as at 31 December	2013 Actual €'000	2014 Actual €'000	2015 Actual €'000	2016 Forecast €'000
ASSETS				
Non-current assets				
Goodwill	-	-	3,815	3,815
Investment properties	32,965	33,217	64,476	95,943
Other financial assets	-	-	12,500	12,500
Loans and receivables	-	-	1,745	-
Other non-current assets	422	544	642	118
	33,387	33,761	83,178	112,376
Current assets				
Property for resale	805	150	551	201
Loans and other receivables	2,897	2,048	4,663	2,720
Other assets	161	717	1,347	1,287
Cash and cash equivalents	895	92	1,128	717
	4,758	3,007	7,689	4,925
Total assets	**38,145**	**36,768**	**90,867**	**117,301**
EQUITY				
Equity and reserves				
Called up share capital	15,000	15,000	21,600	21,600
Loss offset reserve	-	-	748	748
Retained earnings/(accumulated losses)	(1,499)	(1,333)	3,900	6,071
Non-controlling interests	43	66	67	-
	13,544	**13,733**	**26,315**	**28,419**
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	13,525	10,804	51,024	75,887
Other financial liabilities	5,115	5,919	1,722	2,771
Deferred tax liabilities	1,560	1,560	4,408	4,077
	20,200	18,283	57,154	82,735
Current liabilities				
Bank loans	1,421	2,815	4,799	3,995
Other financial liabilities	2,569	1,125	389	-
Other current liabilities	411	812	2,210	2,152
	4,401	4,752	7,398	6,147
	24,601	**23,035**	**64,552**	**88,882**
Total equity and liabilities	**38,145**	**36,768**	**90,867**	**117,301**

Key Accounting Ratios	**FY2013**	**FY2014**	**FY2015**	**FY2016**
Operating profit margin *(EBITDA/revenue)*	83%	55%	64%	69%
Interest cover (times) *(EBITDA/net finance cost)*	1.92	1.34	1.50	1.56
Net profit margin *(Profit after tax/revenue)*	-85%	11%	50%	38%
Earnings per share (€) *(Profit after tax/number of shares)*	-0.10	0.01	0.10	0.10
Return on equity *(Profit after tax/shareholders' equity)*	-11%	1%	8%	7%
Return on capital employed *(Operating profit/total assets less current liabilities)*	4%	3%	3%	3%
Return on assets *(Profit after tax/total assets)*	-4%	1%	2%	2%
Liquidity ratio (times) *(Current assets/current liabilities)*	1.08	0.63	1.04	0.80
Value to loan ratio (times) *(Investment property/net debt)*	2.35	2.46	1.18	1.21
Gearing ratio *(Net debt/net debt and shareholders' equity)*	43%	42%	71%	74%

Source: Charts Investment Management Service Limited

The Company was incorporated on 23 October 2012 and therefore, the initial reportable financial period covered the 14 months from incorporation to 31 December 2013. During the historical financial period under review (23 October 2012 to 31 December 2014), the Group generated rental income from 11 investment properties located in Malta, Latvia, Lithuania and Estonia, the majority of which are leased to related parties. The said investment properties comprise the assets detailed in section 4 above, but exclude those properties which were acquired during the current financial year (2015) and which are described in section 5.

At 31 December 2014, the Company owned the following properties which did not yield any rental income:

- Ulmana restaurant in Latvia – this was under construction until June 2015. Thereafter, the property commenced yielding a rent of €99,000 annually;
- Transport House, Floriana – management is in the process of concluding a lease agreement with a prospective tenant based on a rental of *circa* €70,000 per annum;
- Madliena property – this villa is being held for resale.

In 2015, the Company generated rental income of €4.1 million, an increase of €2.4 million when compared to 2014. During the said year (FY2015), the Issuer commenced earning income from the newly acquired properties – SIA Tukuma, SIA Apex and Swatar Business Centre. Revenue for FY2016 is projected to increase by €1.4 million to €5.6 million mainly as a result of the effect of a full year's rent receivable on properties acquired during the prior year.

Net investment losses in 2013 mainly comprised a write-down in the cost of acquisitions amounting to €2.9 million, which was partly off-set by an increase in fair value of investment property of €1.1 million. The amount of €0.1 million registered in 2014 related to a net impairment in the fair value of its properties. In FY2015, net increase in investment income amounting to €1.1 million principally comprised the gain on acquisition of the Swatar property company of €1.9 million. As for FY2016, it is assumed that the valuation of the property portfolio will increase by a net amount of €1.2 million.

Finance costs represent interest payable on bank loans, related party borrowings and Bonds (as from 16 October 2015). In FY2015, net interest payable amounted to €1.8 million (FY2014: €0.7 million) and is expected to increase to €2.5 million in FY2016. The Company achieved a net profit after tax in FY2015 of €2.1 million, an increase of €1.9 million from a year earlier. In comparison to FY2015, profit for FY2016 is projected to remain stable at €2.1 million.

In FY2016, the Group is projecting to acquire further properties amounting to *circa* €30 million, which are expected to be funded on a 30% equity/70% borrowings ratio.

Other than equity, the Group is principally financed through bank loans and Bonds. The Group's bank borrowings are secured by general hypothecs, pledges and guarantees provided by Group companies, by companies forming part of the Hili Ventures Group and by the Company's ultimate shareholders. The Bonds constitute unsecured obligations of the Company, and rank equally without priority or preference with all other present and future unsecured and unsubordinated obligations of the Company.

VARIANCE ANALYSIS

Hili Properties Group Income Statement for the year ended 31 December	2015 Actual €'000	2015 Forecast €'000	Variance €'000
Revenue	4,126	4,293	(167)
Net operating expenses	(1,472)	(1,314)	(158)
EBITDA	**2,654**	**2,979**	**(325)**
Depreciation & amortisation	(11)	(5)	(6)
Net investment income/(losses)	1,079	1,741	(662)
Net finance costs	(1,767)	(1,875)	108
Profit before tax	**1,955**	**2,840**	**(885)**
Taxation	127	(944)	1,071
Profit after tax	**2,082**	**1,896**	**186**

As presented in the above table, the Group's revenue for FY2015 was marginally lower than forecasted by €167,000. In addition, net operating expenses were higher by €158,000 which resulted in a €325,000 decrease in EBITDA. Net investment income is analysed in further detail hereunder. After factoring a positive movement in actual taxation as compared to forecast amounting to €1.1 million, actual profit after tax was higher than forecasted by €186,000 to €2.1 million.

Hili Properties p.l.c. Investment Income	2015 Actual €'000	2015 Forecast €'000	Variance €'000
Investment gain	2,752	3,896	(1,144)
Investment loss	(1,673)	(2,155)	482
Net movement	**1,079**	**1,741**	**(662)**

Net investment income was lower by €662,000 mainly as a consequence of the different accounting treatment used in the audited financial statements as compared to the forecast with respect to the acquisition in FY2015 of the Swatar property. In the audited financial statements, the fair value of the aforesaid property was included in the acquisition transaction and as such, investment gain of €2.75 million comprised a net gain on bargain purchase amounting to €1.95 million. In comparison, the forecast amount of €3.90 million includes the estimated increase in fair value of the property of €3.05 million. The aforementioned different accounting treatment was the main contributor for the €1.1 million positive tax variance registered as at year end.

The positive difference in investment loss of €0.48 million includes net movement in the valuations of all properties and acquisition costs accounted for through the income statement.

9. FINANCIAL INFORMATION - HARBOUR (APM) INVESTMENTS LTD

The projected financial statements detailed below relate to events in the future and are based on assumptions which Harbour (APM) Investments Limited ("HIL") believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

The following financial information is extracted from the audited financial statements of HIL for the financial periods ended 31 December 2013 to 2015. The financial information for the year ending 31 December 2016 has been provided by Group management.

Harbour (APM) Investments Ltd Income Statement for the year ended 31 December	**2013 Actual €'000**	**2014 Actual €'000**	**2015 Actual €'000**	**2016 Forecast €'000**
Administrative expenses	(2)	(7)	(13)	(5)
Investment gain	-	-	5,887	86
Net finance costs	-	(103)	(80)	(54)
Profit/(loss) before tax	**(2)**	**(110)**	**5,794**	**27**
Taxation	-	-	(2,000)	(9)
Profit/(loss) after tax	**(2)**	**(110)**	**3,794**	**18**

Harbour (APM) Investments Ltd Cash Flow Statement for the year ended 31 December	**2013 Actual €'000**	**2014 Actual €'000**	**2015 Actual €'000**	**2016 Forecast €'000**
Net cash from operating activities	(1)	(3)	(76)	(5)
Net cash from investing activities	-	-	(7)	86
Net cash from financing activities	2	3	83	(54)
Net movement in cash and cash equivalents	**1**	**-**	**-**	**27**
Cash and cash equivalents at beginning of year	-	1	1	1
Cash and cash equivalents at end of year	**1**	**1**	**1**	**28**

Harbour (APM) Investments Ltd Balance Sheet as at 31 December	2013 Actual €'000	2014 Actual €'000	2015 Actual €'000	2016 Forecast €'000
ASSETS				
Non-current assets				
Investment property	18,483	19,174	25,007	25,007
Loans and other receivables	-	-	1,722	1,722
	18,483	19,174	26,729	26,729
Current assets				
Loans and other receivables	91	92	213	213
Cash and cash equivalents	1	1	1	28
	92	93	214	241
Total assets	**18,575**	**19,267**	**26,943**	**26,970**
EQUITY				
Equity and reserves	(1)	(111)	22,985	23,002
LIABILITIES				
Non-current liabilities				
Bank borrowings and other financial liabilities	18,574	19,370	1,740	1,740
Deferred tax liabilities	-	-	2,000	2,000
	18,574	19,370	3,740	3,740
Current liabilities				
Other payables	2	8	5	15
Bank loans	-	-	213	213
	2	8	218	228
	18,576	**19,378**	**3,958**	**3,968**
Total equity and liabilities	**18,575**	**19,267**	**26,943**	**26,970**

Key Accounting Ratios	**FY2013**	**FY2014**	**FY2015**	**FY2016**
Value to loan ratio (times) *(Investment property/net debt)*	1.00	0.99	12.81	12.99
Gearing ratio *(Net debt/net debt and shareholders' equity)*	1.00	1.01	0.08	0.08

Source: Charts Investment Management Service Limited

The company is the owner of land at Benghajsa, Malta which does not generate an income stream. As at 31 December 2014 the property had a book value of *circa* €19 million.

As detailed in section 5 of this document, the above property was subject to a share purchase agreement in 2015 whereby the Company undertook to acquire HIL for €25 million by 2018. In view of this transaction, the fair value of the property was increased to €24.9 million. Furthermore, the equity of HIL was increased on 24 August 2015 to €22,330,000 through the capitalisation of shareholder’s loans, revaluation reserves and retained earnings of €18,574,351, €3,753,441 and €2,208 respectively. No significant activities are being projected for FY2016.

10. FINANCIAL INFORMATION - HILI ESTATES LIMITED

The projected financial statements detailed below relate to events in the future and are based on assumptions which Hili Estates Limited (“HEL”) believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

The following financial information is extracted from the audited financial statements of HEL for the financial years ended 31 December 2013 to 2015. The financial information for the year ending 31 December 2016 has been provided by Group management.

Hili Estates Ltd Income Statement for the year ended 31 December	**2013 Actual €’000**	**2014 Actual €’000**	**2015 Actual €’000**	**2016 Forecast €’000**
Revenue	695	650	677	1,161
Net operating expenses	(40)	(24)	(5)	(442)
EBITDA	**655**	**626**	**672**	**719**
Investment income/(losses)	1,115	-	(507)	274
Net finance costs	(247)	(241)	(191)	26
Profit/(loss) before tax	**1,523**	**385**	**(26)**	**1,019**
Taxation	(354)	(29)	381	(236)
Profit/(loss) after tax	**1,169**	**356**	**355**	**783**

Hili Estates Ltd Cash Flow Statement for the year ended 31 December	**2013 Actual €'000**	**2014 Actual €'000**	**2015 Actual €'000**	**2016 Forecast €'000**
Net cash from operating activities	(544)	1,522	545	782
Net cash from investing activities	(646)	180	(796)	(822)
Net cash from financing activities	1,322	(1,766)	259	353
Net movement in cash and cash equivalents	**132**	**(64)**	**8**	**313**
Cash and cash equivalents at beginning of year	15	147	83	91
Cash and cash equivalents at end of year	**147**	**83**	**91**	**404**

Hili Estates Ltd Balance Sheet as at 31 December	**2013 Actual €'000**	**2014 Actual €'000**	**2015 Actual €'000**	**2016 Forecast €'000**
ASSETS				
Non-current assets				
Investment property	13,531	13,351	13,522	14,568
Property, plant and equipment	-	-	41	-
Loans and other receivables	-	-	1,239	-
	13,531	13,351	14,802	14,568
Current assets				
Loans and other receivables	2,508	1,650	497	1,889
Cash and cash equivalents	147	83	91	404
	2,655	1,733	588	2,293
Total assets	**16,186**	**15,084**	**15,390**	**16,861**
EQUITY				
Equity and reserves	5,253	5,609	14,015	14,805
LIABILITIES				
Non-current liabilities				
Bank borrowings and loans	5,796	3,786	-	334
Deferred tax liabilities	1,560	1,560	1,080	1,102
	7,356	5,346	1,080	1,436
Current liabilities				
Bank overdraft and loans	483	2,010	-	101
Other financial liabilities	2,890	1,877	38	-
Other payables	204	242	257	519
	3,577	4,129	295	620
	10,933	**9,475**	**1,375**	**2,056**
Total equity and liabilities	**16,186**	**15,084**	**15,390**	**16,861**

Key Accounting Ratios	FY2013	FY2014	FY2015	FY2016
Value to loan ratio (times) *(Investment property/net debt)*	1.50	1.76	n/a	469.94
Gearing ratio *(Net debt/net debt and shareholders' equity)*	0.54	0.50	-0.01	0.00

Source: Charts Investment Management Service Limited

During the period under review, HEL was principally engaged in the management of one property – the Hili Building in Luqa, Malta. As such, its revenue relates to the generation of rental income (2015: €0.68 million, 2014: €0.65 million, 2013: €0.70 million).

Finance costs represent interest payable on bank loans.

It is projected that revenue will increase from €0.7 million in FY2015 to €1.1 million in FY2016. Overall, profit is expected to amount to €783,000 in FY2016 (FY2015: €355,000).

11. THE BOND GUARANTEE

For the purposes of the Guarantee, the Guarantors irrevocably and unconditionally guarantee to each Bondholder that if for any reason the Company fails to pay any sum payable by it to such Bondholder pursuant to the terms and conditions of the Bonds as and when the same shall become due under any of the foregoing, the Guarantors will pay to such Bondholder on demand the amount payable by the Company to such Bondholder. The obligations of the Guarantors under the Guarantee shall remain in full force and effect until no sum remains payable to any Bondholder pursuant to the issue of the Bonds.

The Guarantors undertake that so long as any Bond remains outstanding, the Guarantors shall collectively ensure that their aggregate net asset value (being the value of an entity's assets minus the value of its liabilities) will amount to not less than €37 million on each Financial Reporting Date (being 30 June and 31 December in each year as from 31 December 2015). As at 31 December 2015, the aggregate net asset value of the Guarantors amounted to €37.0 million.

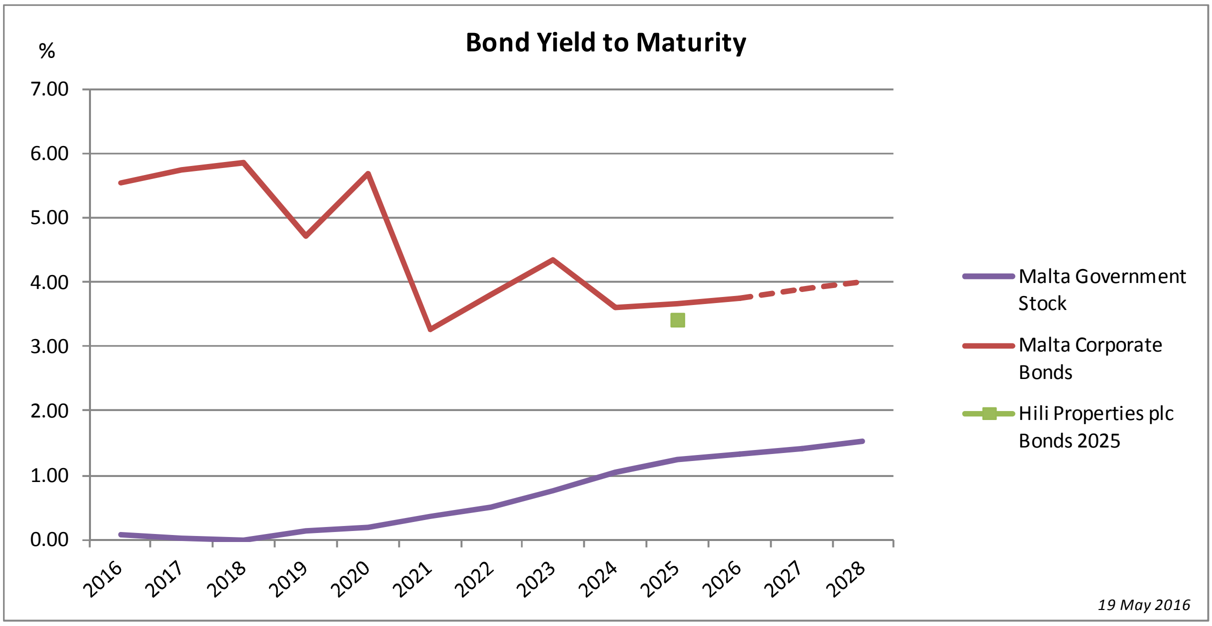
PART 3 - COMPARABLES

The table below compares the Company and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
6.8% Premier Capital plc € Bond 2017-2020	24,641,000	5.73	4.58	72,208	17,739	64.59
6.6% Eden Finance plc 2017-2020	13,984,000	5.68	3.10	145,427	76,648	38.42
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.28	n/a	58,098	11,734	61.87
5.8% International Hotel Investments plc 2023	10,000,000	4.04	1.45	1,159,643	608,288	36.49
6% AX Investments Plc € 2024	40,000,000	4.02	2.88	206,038	111,482	36.65
6% Island Hotels Group Holdings plc € 2024	35,000,000	3.80	0.58	145,140	54,053	53.19
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.76	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.61	0.05	81,842	31,150	55.46
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	3.97	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	**37,000,000**	**3.43**	**1.50**	**90,867**	**26,315**	**71.30**
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.76	1.13	1,357,869	641,031	41.81

19 May'16

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2026 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including rent receivable and related services.
Net operating expenses	Net operating expenses include the direct expenses and administrative costs.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.

Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Such assets of the Group principally comprise of investment properties.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, and cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity. For the purposes of calculating gearing, related party balances have been treated as equity.
Value to loan ratio	The value to loan ratio is calculated by dividing the fair value of the Group's properties by the borrowings used to finance such properties.