Hili Properties p.l.c.

Financial Analysis Summary

18 September 2015

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

18 September 2015

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 2015 Financial Analysis Summary 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 year ended 31 December 2014 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 year ended 31 December 2014 has been extracted from the audited financial statements of Harbour (APM) Investments Limited.
(c) Historical financial data for the years ended 31 December 2013 and 31 December 2014 has been extracted from the audited financial statements of Hili Estates Limited.
(d) The forecast data of the Company and Guarantors for the years ending 31 December 2015 and 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 Financial Analysis Summary 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

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
Daniel Mangion	Chief Financial Officer

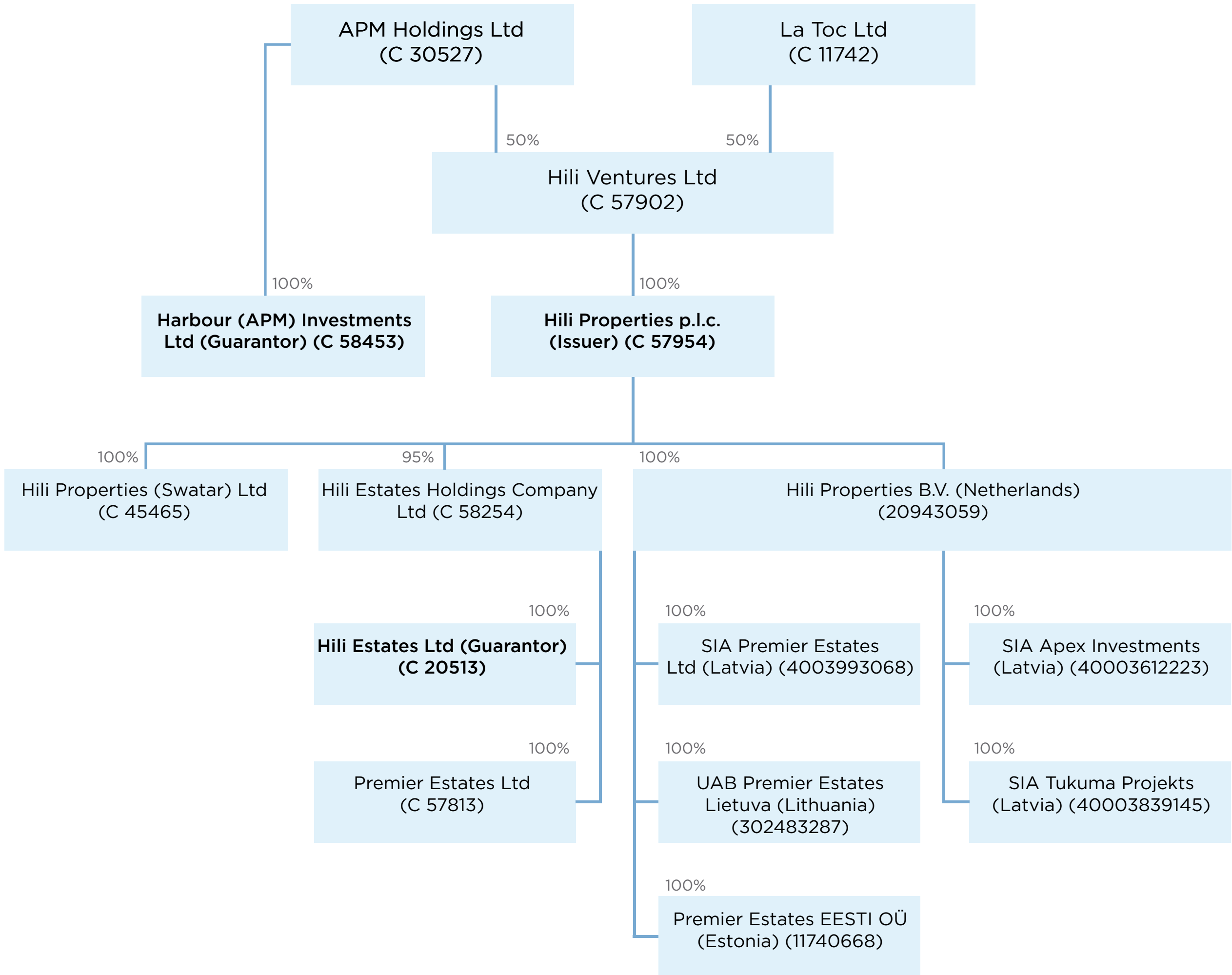
THE GUARANTORS

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)

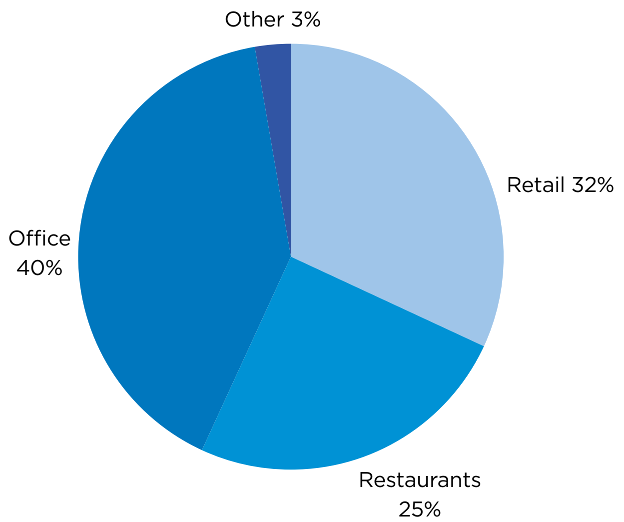
The table below provides an overview of the 24 properties held by the Group (including the Company and Hili Estates Limited) as at the date of this report, valued at €64.9 million (46,900m^2 of rentable space). A number of properties were acquired in 2015 (detailed in section 5 “Investments” below) and 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 €4.8 million.

Name of Property	Location	Description	Rentable Area (m^2)	Valuation as at 12.08.15 (€’000)	Annualised Rent (€’000)	Occupancy rate (%) as at 31.08.15	WALT (In years)	Contracted rental yield,gross %	Ownership
Imanta Restaurant	Riga, Lativa	McDonald’s restaurant (with drive thru)	2,709	1,553	126	100	16.2	8.1	Freehold
Vienibas Restaurant	Riga, Lativa	McDonald’s restaurant (with drive thru)	3,497	1,514	121	100	16.6	8.0	Freehold
Ulmana Restaurant	Riga, Lativa	McDonald’s restaurant (with drive thru)	2,000	1,267	99	100	19.8	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, Lativa	Apartment	65	115	6	100	n/a	5.2	Freehold
Apartment 84, Duntes	Riga, Lativa	Apartment	131	230	10	100	n/a	4.3	Freehold
Dainava Restaurant	Kaunas, Lithuania	McDonald’s restaurant (with drive thru)	3,021	1,321	121	100	15.4	9.2	Freehold
Svajone Restaurant	Vilnius, Lithuania	McDonald’s restaurant (in a building complex)	580	1,526	124	100	15.7	8.1	Land is leased, building is freehold
Parnu Restaurant	Parnu, Estonia	McDonald’s restaurant (with drive thru)	1,803	1,999	105	100	14.7	5.3	Freehold
M DIY Rentails Centre	Tukums, Latvia	Retail	3,370	2,585	306	100	1.7	11.8	Freehold
Wholesale & Retail Trade Building	Nicgales Street 2, Riga, Lativa	Retail	3,680	4,880	527	98	3.8	10.8	Freehold
Supermarket and Retail Centre	Augusta Dombrovska Street 23, Riga, Lativa	Retail	4,211	4,300	472	95	5.7	11.0	Freehold (277m^2 is leased)
Supermarket and Retail Centre	Vienibas Ave. 95, Riga, Lativa	Retail	1,300	1,520	137	96	7.6	9.0	Freehold
Supermarket and Retail Centre	Kreimeņu Street 4A, Riga, Latvia	Retail	952	1,069	111	100	3.9	10.4	Freehold
Shopping Centre	Dzelzavas Street 78, Riga, Lativa	Retail	1,230	1,820	169	100	2.5	9.3	Freehold

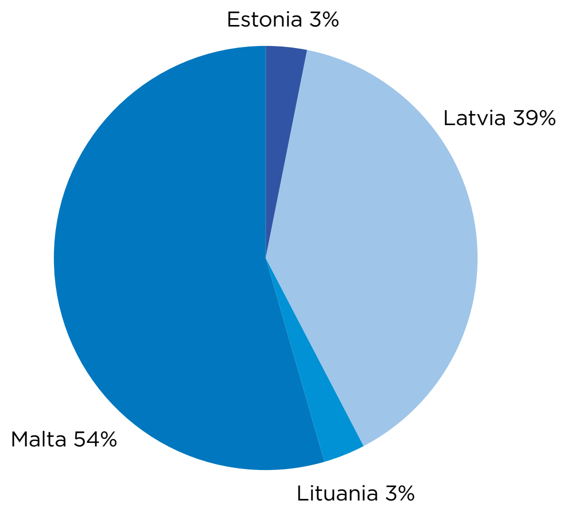
Name of Property	Location	Description	Rentable Area (m^2)	Valuation as at 12.08.15 (€'000)	Annualised Rent (€'000)	Occupancy rate (%) as at 31.08.15	WALT (In years)	Contracted rental yield,gross %	Ownership
Supermarket and Retail Centre	Smilšu Street, 92B Daugavpils, Latvia	Retail	1,068	1,097	111	100	7.6	10.1	Freehold
Hypermarket and Retail Centre	Viestura Street, 10 Daugavpils, Latvia	Retail	2,602	2,306	248	100	4.3	10.8	Leased
Supermarket and Retail Centre	Spidolas Street, Aizkraukle, Latvia	Retail	964	871	113	100	0.7	13.0	Leased
Hili Building	Luqa, Malta	Office space/ Warehousing facilities	5,015	13,500	677	100	11.0	5.0	Freehold
APCO Building	B'Kara, Malta	Office space	415	720	63	100	7.8	8.8	Freehold ($71m^2$ is subject to ground rent)
Tower Business Centre	Swatar B'Kara, Malta	Office space	4,630	10,250	598	100	4.0	5.8	Freehold
McDonald's Sliema	Sliema, Malta	Restaurant/ Office space	1,065	6,800	413	50	18.0	6.1	Freehold
Transport House	Floriana, Malta	Office space	900	1,750	70	0	n/a	4.0	Freehold
Villa Marika	Madliena, Malta	Private residence	n/a	1,600	n/a	n/a	n/a	n/a	Freehold
	TOTAL		**46,900**	**64,913**	**4,769**	**93**	**8.0**	**7.3**	

The portfolio is diversified by geography and by asset type (as analysed below). Occupancy was 93% as at 31 August 2015, with a weighted average unexpired lease term (WALT) of 8.0 years and a current gross rental yield of 7.3%. From an annualised rent of €4.8 million, an amount of €2.0 million (*circa* 41%) 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 Rimi) 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, Kreimeņu 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. Two floors are rented out to APCO Limited, a company forming part of the Hili Ventures Group, and the remaining two floors are leased to a third party company.

(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, ix- Xatt ta' Tigne', Sliema, Malta

The property in Sliema is leased as a McDonald's outlet at ground and mezzanine levels, and the first floor is completed for office use. The latter area is currently vacant, but is in a finished state ready for immediate occupation. 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 dependant on the support provided by its shareholder.

PLANNING CONSIDERATIONS AND SITE POTENTIAL

The sites at Benghajsa are predominantly located within the 'Reserved Area' 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 current 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 SIA Tukuma Projekts (see section 4 above for details on the respective properties). The said companies between them own nine shopping centres in Latvia. The transaction was principally funded through bank borrowings totalling €22.1 million;

(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;

(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 share capital. 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, inter alia, Malta, Estonia, Latvia, Lithuania and other developed countries (the "Target Countries") to deliver income and capital growth through active asset management. Although the Company's current investment properties as well as the identified future property acquisitions as described in Section 4.1 paragraph (iii) of the Securities Note are all located within European countries, the Board of Directors shall particularly seek to focus its development strategy on property markets that develop and offer the most attractive investment opportunities which may be located outside the European market. As at the date of this Prospectus the Company has not identified specific investment opportunities in Target Countries outside Europe however it may consider to expand its property portfolio to countries outside Europe whilst fully adhering to the parameters set out in Section 4.7 of the Registration Document.

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 Company 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 93%, 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]

After a year of tentative economic growth in 2014, the first quarter of 2015 brought increased optimism for Europe as Eurozone GDP grew by 0.4%. Economic activity improved, aided by low oil prices, the European Central Bank's quantitative easing programme and the weak Euro, which has boosted the competitiveness of European exports. However, the Eurozone's modest economic recovery suffered a setback in Q2 as Eurozone GDP slowed to 0.3% (from 0.4% in Q1). Consensus forecasts suggest that the single currency area will see annual growth of around 1.3% in 2015.

The improving economic outlook has provided further support for the European investment market. The market maintained its positive momentum in Q1 2015, with a total of €50.1 billion invested in commercial real estate across Europe. This was a 44% increase compared with Q1 2014 and the strongest first quarter since 2007.

Investors continue to display an increased willingness to explore opportunities across a wide range of geographies and sectors, and investment volumes have remained on an upward trend in many secondary cities and peripheral markets. Given the healthy start to the year, 2015 is set to be another strong year for the investment market, and transaction volumes may approach the levels seen during the 2006/07 market peak. The ECB's QE programme should help to preserve favourable conditions for property investment throughout the year, and the weak Euro will boost the attractiveness of European property prices to many overseas buyers, particularly US Dollar denominated investors.

Latvian Real Estate Investment Market[2]

In 2014, the real estate investment market continued to be active. The year closed with a total investment volume of €316.9 million, compared to €331.5 million in 2013. The total number of investment deals closed during 2014 amounted to 112, exceeding the 2013 level by 19%.

The key players responsible for the major part of 2014 annual investment volume can be divided into three general groups: Nordic investors, investors from CIS countries and Russia in particular, and local Baltic investors. Each group has its own investment preferences and targets specific investment properties. Nordic investors are mostly represented by investment funds and fund managers, which target cash flow yielding properties with long term income potential and tend to place investments not only on a single asset transaction base but also on a cross Baltic portfolio base. Investors from CIS countries and Russia aim at more risky projects, compared to institutional investors, as well as considering properties with development opportunities.

An improving investment climate and positive market expectations contributed to slight yield compression in 2014. The prime yield to industrial properties remained on the 2013 level of 9%, while prime retail and office yields experienced a decline to 7.5% and 7.75% respectively. In 2015, the investment market is expected to remain active with investment volumes remaining on the 2014 level. Office and retail commercial properties will become the main investment focus of 2015, while activity in the mixed-use and residential segment is expected to decrease. Prime yields are expected to remain stable in 2015.

Lithuanian Real Estate Investment Market[2]

After the improvement in investment market activity registered in Lithuania in 2013, the performance in 2014 was even more positive. The situation was encouraged not only by a positive performance from the Lithuanian economy, with growing internal consumption and the retail trade, but also by increased activity from Shared Service Centres and ICT companies, which have been actively expanding in the country. Besides, positive expectations related to Euro integration in 2015 gave an additional impulse to attract investment in the Lithuanian property market. Despite some speculation about the negative impact of the Russia – Ukraine conflict in terms of attracting investment in Lithuania, especially from Russia, those fears have not materialised and investors from Russia have remained interested in the Lithuanian real estate investment market.

During 2014 investment volume in Lithuania reached €298 million, an increase of 24.8% compared to 2013. The majority of investment deals were executed in the office segment (45%), but activity in the retail segment was also strong at 22.4% of total deals transacted. In 2014, the market was dominated by investors from the Baltic and Nordic countries, and Russia.

1 *European Quarterly Commercial Property Outlook Q1 2015 (Knight Frank), Eurostat*
2 *Real Estate Market Overview 2015 (Colliers International, Sorainen, PricewaterhouseCoopers)*

Market stabilisation during 2013 – 2014, with a decrease of uncertainty and a positive performance by the Lithuanian economy, gradually compressed investment yields. In 2014, prime investment yields in Vilnius ranged between 7.5% (for prime retail and office properties) and 9% (in the industrial segment). Other Lithuanian cities remained quite inactive in terms of investment in real estate due to weak regional economies and lower levels of business concentration. A possible exception is the industrial segment in Kaunas and Klaipeda where several deals were concluded.

After integration with the Euro Zone, Lithuania is expected to become even more attractive to investors not only from the usual regions, but also from Western countries. Main investment targets are expected to remain office and retail properties located in Vilnius with strong cash flow and core locations.

Estonian Real Estate Investment Market[2]

Total 2014 investment volume stood at €240 million, thus surpassing the previous year level by more than 12%, and showing strongest results in terms of investment turnover since 2008. Nordic investors, investors from the CIS countries and Russia in particular, together with local Baltic investors continue to dominate the investment market in Estonia. Domestic spend made up one third of acquisitions, while Russian capital represented more than 36% of invested volume in 2014.

Notable yield compression by 50 bps was recorded in Estonia in 2014. Low-cost financing, shortage of investment grade properties, positive performance by corresponding sectors, and strengthening demand from both highly capitalised and smaller investors resulted in tougher competition and thus lower prime yield levels.

In 2015, the investment market will continue to be active as investors are well capitalised and are constantly looking for good quality cash flow properties. Willingness to take increased risks can be observed among some investors due to the scarcity of investment grade properties. The office and retail sectors will remain the more favoured by investors, international and local alike. Prime yields are expected to remain stable in 2015.

Maltese Real Estate Investment Market

National statistics relating to commercial property in Malta is currently not captured and therefore 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.

[2] *Real Estate Market Overview 2015 (Colliers International, Sorainen, PricewaterhouseCoopers)*

PART 2

8. COMPANY 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 and 2014. The financial information for the years ending 31 December 2015 and 31 December 2016 has been provided by Group management.

8.1 GROUP INCOME STATEMENT

Consolidated Income Statement For the year ended 31 December Amounts in €'000s	2016 (12 months) Projection	2015 (12 months) Forecast	2014 (12 months) Actual	2013 (14 months) Actual
Revenue	**7,270**	**4,293**	**1,678**	**1,717**
Net Operating Expenses	(1,725)	(1,314)	(760)	(287)
EBITDA	**5,545**	**2,979**	**918**	**1,430**
Depreciation and amortisation	(5)	(5)	(6)	(9)
Net investment income/(losses)	1,860	1,741	(149)	(1,801)
Finance costs	(3,057)	(1,875)	(687)	(743)
Profit/(loss) before tax	**4,343**	**2,840**	**76**	**(1,123)**
Taxation	(819)	(944)	113	(333)
Profit/(loss) after tax	**3,524**	**1,896**	**189**	**(1,456)**

The key accounting ratios are set out below:

	FY2016	FY2015	FY2014	FY2013
Revenue growth	69%	156%	-2%	
(Revenue FY1/Revenue FY0)				
Operating Profit Margin	76%	69%	55%	83%
(EBITDA/revenue)				
Interest Cover (times)	1.8	1.6	1.3	1.9
(EBITDA/net finance cost)				
Net profit margin	48%	44%	11%	-85%
(Profit after tax/revenue)				
Return on equity	12%	7%	1%	-11%
(Profit after tax/shareholders' equity)				
Return on capital employed	5%	3%	3%	4%
(Operating profit/total assets less current liabilities)				
Return on assets	3%	2%	1%	-4%
(Profit after tax/total assets)				

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 is expected to generate rental income of €4.3 million, an increase of €2.6 million when compared to 2014. During the said year (FY2015), the Issuer commenced earning income from the newly acquired properties through the acquisition of SIA Tukuma Projekts, SIA Apex Investments and Hili Properties (Swatar) Limited. Revenue for FY2016 is projected to increase by €3.0 million to €7.3 million mainly as a result of further acquisitions assumed to take effect in Q1 2016.

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. As for 2015 and 2016, it is assumed that the valuation of the property portfolio will increase by €1.7 million and €1.9 million respectively.

Finance costs represent interest payable on bank loans, related party borrowings and Bonds (as from 16 October 2015). Overall, the Company is projecting to achieve a net profit of €1.9 million and €3.5 million in 2015 and 2016 respectively (2014: €0.2 million).

8.2 GROUP BALANCE SHEET

Statement of Financial Position Amounts in €'000s	31 Dec'16 Projection	31 Dec'15 Forecast	31 Dec'14 Actual	31 Dec'13 Actual
ASSETS				
Non-current assets				
Property, plant and equipment	28	28	12	15
Investment property	94,025	65,513	33,217	32,965
Other financial assets	12,500	12,500	-	-
Deferred tax assets	584	1,125	532	407
Total non-current assets	**107,137**	**79,166**	**33,761**	**33,387**
Current assets				
Property held for sale	-	-	150	805
Trade and other recivables	1,697	1,617	2,737	3,058
Current tax asset	750	237	7	-
Cash and cash equivalents	186	10,910	92	895
Total current assets	**2,633**	**12,764**	**2,986**	**4,758**
Total assets	**109,770**	**91,930**	**36,747**	**38,145**

Total assets of the Group as at 31 December 2014 amounted to €36.7 million (2013: €38.1 million) and primarily comprise: investment property (€33.2 million, 2013: €33.0 million), deferred tax assets (€0.5 million, 2013: €0.4 million), and receivables (€2.7 million, 2013: €3.1 million). As at 31 December 2015, investment property will increase by €32.3 million to €65.5 million, as a result of the acquisitions detailed in section 5 above. Furthermore, the deposit of €12.5 million settled upon signing of the share purchase agreement in relation to the Benghajsa transaction is recorded as 'other financial assets'. Cash balances is projected to increase to €10.9 million, being the balance of net Bond proceeds earmarked to part finance new property acquisitions in Q1 2016.

Statement of Financial Position Amounts in €'000s	31 Dec'16 Projection	31 Dec'15 Forecast	31 Dec'14 Actual	31 Dec'13 Actual
EQUITY AND LIABILITIES				
Equity	**30,407**	**25,983**	**13,733**	**13,544**
LIABILITIES				
Non-current liabilities				
Bank loans	34,326	22,364	10,804	13,525
Other financial liabilities	36,313	36,233	5,919	5,115
Deferred tax liability	2,842	2,565	1,560	1,560
Total non-current liabilities	**73,481**	**61,162**	**18,283**	**20,200**
Current liabilities				
Trade and other payables	2,883	2,851	791	337
Other financial liabilities	-	-	1,125	2,569
Bank loans	2,999	1,934	2,815	1,421
Taxation	-	-	-	74
Total current liabilities	**5,882**	**4,785**	**4,731**	**4,401**
Total liabilities	**79,363**	**65,947**	**23,014**	**24,601**
Total equity and liabilities	**109,770**	**91,930**	**36,747**	**38,145**

Total liabilities of the Group principally include bank borrowings amounting to €13.6 million (2013: €14.9 million), amounts due to related parties of €7.0 million (2013: 7.7 million), and deferred tax liabilities amounting to €1.6 million (2013: €1.6 million).

As a result of property acquisitions in 2015 and those projected for 2016, total liabilities are expected to increase from €23.0 million (FY2014) to €79.4 million (FY2016), which will principally consist of bank loans and Bonds. On 19 May 2015, the share capital of the Company was increased through an issue of 100,000 shares of €1 each at a premium of €39 per share. The amount of €4 million was settled by way of capitalisation of shareholders' loans. Furthermore, on 27 August 2015, the issued share capital of the Company was increased by €6,500,000 to €21,600,000 by the capitalisation of shareholders' loans.

The key accounting ratios are set out below:

	FY2016	FY2015	FY2014	FY2013
Gearing ratio (%) *(Net debt/net debt + shareholders' equity)*	70.19%	64.96%	41.94%	43.39%
Value to loan ratio (times) *(Investment property/net debt)*	1.28	1.32	2.46	2.35
Liquidity ratio (times) *(Current assets/current liabilities)*	0.45	2.67	0.63	1.08

Source: Charts Investment Management Service Limited

The gearing ratio demonstrates the degree to which capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. At a projected leverage of 65% and 70% in FY2015 and FY2016 respectively, the Company's capital will be funded to a higher degree from external debt as opposed to shareholders' funds. This gearing level is broadly in accordance with the business development strategy of the Company detailed in section 6 of this document.

The value to loan ratio of the Company is projected at 1.32 times in FY2015. As such, the forecast fair value of the property portfolio, as at 31 December 2015, is expected to be 32% higher than the outstanding borrowings of the Company.

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.

8.3 GROUP CASH FLOW STATEMENT

Consolidated Statements of Cash flows **For the year ended 31 December** **Amounts in €'000s**	**2016** **(12 months)** **Projection**	**2015** **(12 months)** **Forecast**	**2014** **(12 months)** **Actual**	**2013** **(14 months)** **Actual**
Cash flows from operating activities	4,983	2,803	933	722
Cash flows from investing activities	(26,656)	(30,780)	233	(8,657)
Cash flows from financing activities	10,949	38,842	(2,016)	8,830
Net movement in cash and cash equivalents	**(10,724)**	**10,865**	**(850)**	**895**
Opening cash balance	10,910	45	895	-
Closing cash balance	**186**	**10,910**	**45**	**895**

Net cash flows from operating activities principally relate to the receipt of rental income and operating expenses of the Company. Such cash flows are expected to increase substantially as from FY2015 reflecting the expansion in the Group's property portfolio.

In investing activities, the Group used €10.2 million in FY2013 and €1.9 million in FY2014 to acquire properties and investments. On the other hand, cash inflows due to sale of properties and investments amounted to €1.6 million and €2.1 million in FY2013 and FY2014 respectively. As for the projected years, cash outflows relating to the purchase of investment properties are expected to total €55.9 million.

In 2014, net cash used in financing activities related to repayments of €2.0 million to banks and related parties. In comparison, the Group raised a net amount of €8.8 million in the prior year through bank loans and related party borrowings. Financing activities in FY2015 and FY2016 will principally comprise the receipt of Bond proceeds, net movements in bank and related party borrowings, and interest payable.

9. HARBOUR (APM) INVESTMENTS LIMITED - PERFORMANCE REVIEW

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 and 2014. The financial information for the years ending 31 December 2015 and 31 December 2016 has been provided by Group management.

Income Statement **For the year ended 31 December** **Amounts in €'000s**	**2016** **(12 months)** **Projection**	**2015** **(12 months)** **Forecast**	**2014** **(12 months)** **Actual**	**2013** **(13 months)** **Actual**
Administrative expenses	(8)	(4)	(7)	(2)
Investment gain	-	5,747	-	-
Finance costs	(72)	(49)	(103)	-
Profit/(Loss) before tax	**(80)**	**5,694**	**(110)**	**(2)**
Taxation	-	(1,994)	-	-
Profit/(Loss) before tax	**(80)**	**3,700**	**(110)**	**(2)**

Statement of Financial Position Amounts in €'000s	31 Dec'16 Projection	31 Dec'15 Forecast	31 Dec'14 Actual	31 Dec'13 Actual
ASSETS				
Non-current assets				
Investment property	24,921	24,921	19,174	18,483
Total non-current assets	**24,921**	**24,921**	**19,174**	**18,483**
Current assets				
Loans and other receivables	**1,891**	**1,891**	**92**	**91**
Cash and cash equivalents	10	7	1	1
Total current assets	1,901	1,898	93	92
Total assets	**26,822**	**26,819**	**19,267**	**18,575**
EQUITY AND LIABILITIES				
Equity	**22,880**	**22,960**	**(111)**	**(1)**
LIABILITIES				
Non-current liabilities				
Other financial liabilities	1,053	1,342	19,370	18,574
Deferred tax liability	1,994	1,994	-	-
Total non-current liabilities	**3,047**	**3,336**	**19,370**	**18,574**
Current liabilities				
	606	234	8	2
Other payables Bank loans	289	289	-	-
Total current liabilities	**895**	**523**	**8**	**2**
Total liabilities	**3,942**	**3,859**	**19,378**	**18,576**
Total equity and liabilities	**26,822**	**26,819**	**19,267**	**18,575**

Statement of Cash Flows For the year ended 31 December Amounts in €'000s	2016 (12 months) Projection	2015 (12 months) Forecast	2014 (12 months) Actual	2013 (13 months) Actual
Cash flows from operating activities	(8)	(4)	(3)	(1)
Cash flows from financing activities	11	10	3	2
Net movement in cash and cash equivalents	**3**	**6**	**-**	**1**
Opening cash balance	6	-	1	-
Closing cash balance	**9**	**6**	**1**	**1**

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 share cappital of HIL was increased on 24 August 2015 to €22,331,200 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. HILI ESTATES LIMITED - PERFORMANCE REVIEW

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 and 2014. The financial information for the years ending 31 December 2015 and 31 December 2016 has been provided by Group management.

Income Statement For the year ended 31 December Amounts in €'000s	2016 Projection	2015 Forecast	2014 Actual	2013 Actual
Revenue	**723**	**677**	**650**	**695**
Net Operating expenses	(10)	79	(24)	(40)
EBITDA	**713**	**756**	**626**	**655**
Investment income/(losses)	274	(448)	-	1,115
Finance costs	-	(156)	(241)	(247)
Profit/(loss) before tax	**987**	**152**	**385**	**1,523**
Taxation	(22)	480	(29)	(354)
Profit/(loss) after tax	**965**	**632**	**356**	**1,169**

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 (2014: €0.65 million, 2013: €0.70 million).

Finance costs represent interest payable on bank loans.

It is projected that revenue will increase by 4% in 2015 to €677,000 and a further 7% in 2016 to €723,000. Overall, profit is expected to amount to €965,000 in FY2016 (FY2015: €632,000), partly as a result of a projected increase in fair value of the property of €274,000 (FY2015: loss of €448,000).

Statement of Financial Position Amounts in €'000s	31 Dec'16 Projection	31 Dec'15 Forecast	31 Dec'14 Actual	31 Dec'13 Actual
ASSETS				
Non-current assets				
Investment property	13,874	13,601	13,351	13,531
Total non-current assets	**13,874**	**13,601**	**13,351**	**13,531**
Current assets				
Loans and other receivables	2,166	2,166	1,629	2,508
Current tax asset	-	-	21	-
Cash and cash equivalents	469	-	83	147
Total current assets	**2,635**	**2,166**	**1,733**	**2,655**
Total assets	**16,509**	**15,767**	**15,084**	**16,186**
EQUITY AND LIABILITIES				
Equity	**15,248**	**14,283**	**5,609**	**5,253**
LIABILITIES				
Non-current liabilities				
Bank overdraft and loans	-	-	3,786	5,796
Deferred tax liability	1,110	1,088	1,560	1,560
Total non-current liabilities	**1,110**	**1,088**	**5,346**	**7,356**
Current liabilities				
Trade and other payables	151	152	242	161
Other financial liabilities	-	-	1,877	2,890
Bank overdraft and loans	-	244	2,010	483
Current tax liabilities	-	-	-	43
Total current liabilities	**151**	**396**	**4,129**	**3,577**
Total liabilities	**1,261**	**1,484**	**9,475**	**10,933**
Total equity and liabilities	**16,509**	**15,767**	**15,084**	**16,186**

Total assets of HEL as at 31 December 2014 amounted to €15.1 million (2013: €16.2 million) and primarily comprise: investment property (€13.4 million, 2013: €13.5 million), and loans and receivables (€1.6 million, 2013: €2.5 million).

FY2014 total liabilities principally included bank borrowings which amounted to €5.8 million (2013: €6.3 million), amounts due to related parties of €1.9 million (2013: €2.9 million), and deferred tax liabilities of €1.6 million (2013: €1.6 million).

On 16 September 2015, HEL issued €8,051,340 4.5% redeemable preference shares through the capitalisation of related party loans. The said shares were fully allotted as fully paid up preference shares to the Company.

Statement of Cash Flow **For the year ended 31 December** **Amounts in €'000s**	**2016** **Projection**	**2015** **Forecast**	**2014** **Actual**	**2013** **Actual**
Cash flows from operating activities	713	791	1,522	(544)
Cash flows from investing activities	-	(902)	180	(646)
Cash flows from financing activities	-	(216)	(1,766)	1,322
Net movement in cash and cash equivalents	**713**	**(327)**	**(64)**	**132**
Opening cash balance	(244)	83	147	15
Closing cash balance	**469**	**(244)**	**83**	**147**

The primary movements in the cash flows statement refer to movements in working capital (in operating activities) and movements in bank borrowings and financial liabilities (in financing activities).

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 16 September 2015, the aggregate net asset value of the Guarantors amounted to €37.0 million.

12. RELATED PARTY DEBT SECURITIES

Hili Properties p.l.c. is a member of the Hili Ventures Group. Within the same group, Premier Capital p.l.c. and PTL Holdings p.l.c., both sisters company of Hili Properties p.l.c., have the following outstanding debt securities:

Security ISIN	Amount Listed	Security Name	Currency
MT0000511205	24,641,000	6.80% Premier Capital plc Bonds 2017-2020[1]	EUR
MT0000841206	36,000,000	5.10% PTL Holdings plc Unsecured Bonds 2024[1]	EUR

[1]*Debt securities listed on the Malta Stock Exchange*

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

PART 3

13. COMPARABLES

The table below compares the Company and its proposed bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes all issuers (excluding financial institutions) that have listed bonds maturing in the medium term (within eight to ten years), similar to the duration of the Company's bonds. 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 (€'000)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'million)	Net Assets Value (€'million)	Gearing Ratio (%)
5.8% IHI plc 2023	10,000	4.05	2.21	1,012.04	594.81	50.31
5.3% United Finance plc 2023	8,500	4.47	1.14	21.69	2.69	79.86
6.0% AXI plc 2024	40,000	4.09	2.80	188.38	102.17	65.05
6.0% IHG Holdings plc 2024	35,000	4.45	2.65	149.76	40.37	201.23
5.3% Mariner Finance plc 2024	35,000	3.81	4.23	60.03	20.91	62.25
5.0% Tumas Investments plc 2024	25,000	3.60	3.34	281.07	95.10	137.46
5.0% Hal Mann Vella plc 2024	30,000	3.52	0.51	77.29	30.14	55.04
5.1% PTL Holdings plc 2024	36,000	3.68	1.00	72.48	6.13	86.37
5.1% 6PM Holdings plc 2025	13,000	4.00	10.3	9.12	4.12	36.63
4.5% Hili Properties plc 2025	**37,000**	**4.50**	**1.6**	**91.89**	**25.94**	**64.96**

19 August 2015

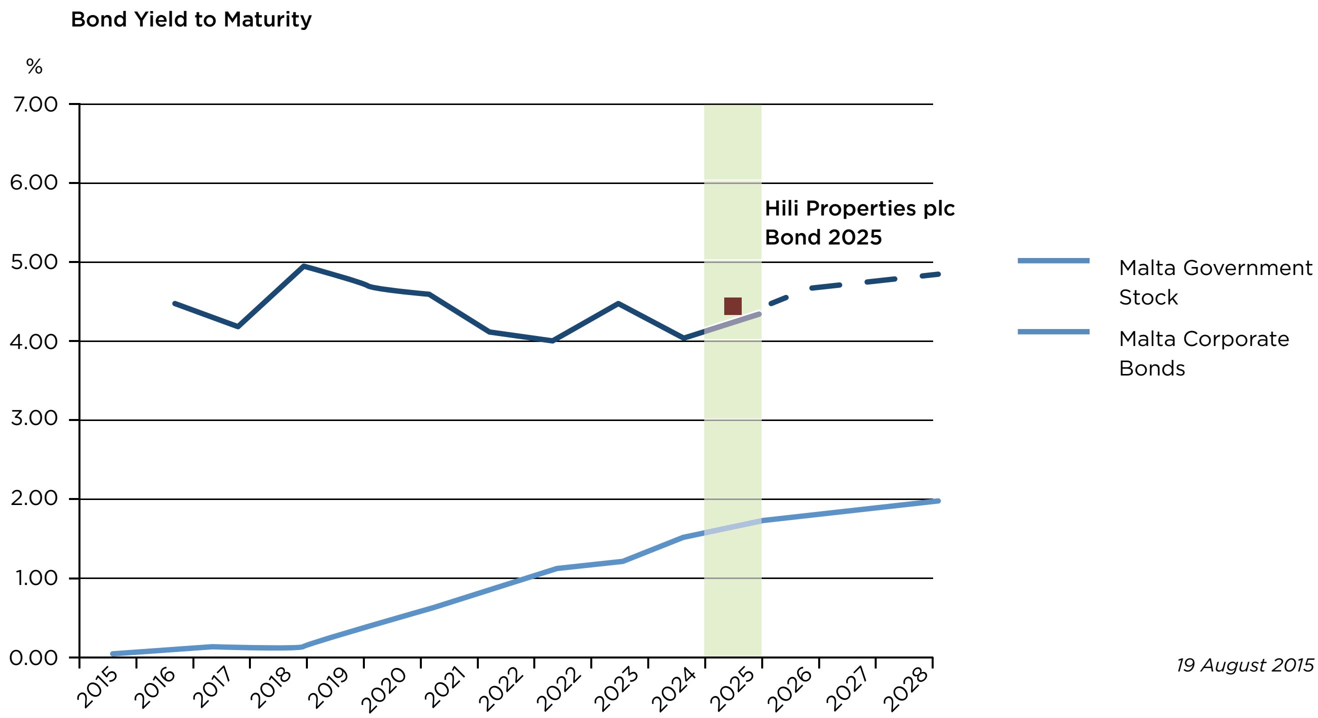
Source: Malta Stock Exchange, Charts Investment Management Service Limited

Annual Accounts: Tumas Group Company Ltd (YE 31/12/2013), International Hotel Investments plc (YE 31/12/2014), Island Hotels Group Holdings plc (YE 31/10/2014), AX Holdings Ltd (YE 31/10/2014), Mariner Finance plc (YE 31/12/2014), PTL Holdings plc (YE 31/12/14), Hal Mann Vella Group plc (YE 31/12/14), 6PM Holdings plc (YE 31/12/14), United Finance plc (YE 31/12/14); Hili Properties plc (Forecast YE 31/12/15)

The interest cover ratio determines the ability of a company to pay interest on its outstanding borrowings. For the financial year ended 31 December 2014, the Group's earnings before depreciation, interest and taxes was 1.3 times above interest expense for the year. Such ratio is expected to improve to 1.6x in FY2015 and 1.8x in FY2016 as a result of additional revenue generated from newly acquired commercial properties in FY2015.

The debt to equity ratio or gearing ratio demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. The gearing ratio of the Group is forecasted to reach 65% by end FY2015, which is in line with management's business development strategy to maintain gearing at 70% or below.

The chart below shows the yield to maturity of the proposed bond as compared to other corporate bonds listed on the Malta Stock Exchange. The Malta Government Stock yield curve has also been included as the benchmark risk-free rate for Malta.



To date, there are no corporate bonds which have a redemption date beyond 2025 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. The premium over Malta Government Stock has been assumed at 287 basis points, which is the average premium for medium term corporate bonds. The Hili Properties plc Bond has been priced at 282 basis points above Malta Government Stock and broadly equal to listed corporate bonds.

PART 4

14. 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
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
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.