

# **Hili Properties p.l.c.**

**C 57954  
Interim Financial Report (Unaudited)**

**For the period 1 January 2017 to 30 June  
2017**

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## **Hili Properties p.l.c.**

### **Interim Directors' Report Pursuant to Listing Rules 5.75.2**

For the period ended 30 June 2017

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The directors present their interim report, together with the unaudited interim condensed financial statements of the Company and its subsidiaries (the “group”) (“the condensed interim financial statements”) for the period from 1 January 2017 to 30 June 2017.

#### **Principal activities**

The principal activity of the Hili Properties group is to hold and rent immovable property. Hili Properties p.l.c. also acts as a holding company.

#### **Business review**

During the period under review, the group has registered an operating profit of €1,837,388 (June 2016: €1,574,286) on revenues of €2,802,657 (June 2016: €2,415,739).

The improvement in the operating profit of the group was mainly a result of rental income generated from the new property in Romania which was acquired on 5 May 2017.

After accounting for finance costs and investment losses, the group registered a profit before tax of €191,886 (June 2016: €488,628), a reduction of 61% from the profit generated from 1 January 2016 to 30 June 2016. This reduction is attributable to the costs incurred in relation to the acquisition of the new property in Romania. The group’s net assets at the end of the period amounted to €28,453,785 compared to €28,222,719 as at 31 December 2016. The increase in net assets is due to the profit registered during the period. The movement in working capital of the group is mainly attributable to bond proceeds still unutilised as at end of year, and represented within Current Assets, being applied in the acquisition of investment property classified as Non-Current Assets as at June 2017. The outlook of the operating activity of the Group is expected to remain positive.

During the period ended 30 June 2017, the Company registered a loss before tax of €1,139,252 (June 2016: €627,807). The net assets of the Company at the end of the period amounted to €20,005,555 compared to €20,817,574 as at 31 December 2016.

The published figures have been extracted from the unaudited management financial statements for the six months ended 30 June 2017 and its comparative period in 2016.

This report is being published in terms of the Listing Rule 5.75 issued by the Malta Financial Services Authority, and has been prepared in accordance with the applicable Listing Rules and International Accounting Standard 34 – Interim Financial Reporting. The financial statements published in this half yearly report have been condensed in accordance with the requirements of IAS 34. In terms of the Listing Rule 5.75.5, the Directors are stating that these condensed interim financial statements have not been audited or reviewed by the company’s independent auditors.

**Hili Properties p.l.c.**

**Interim Directors' Report Pursuant to Listing Rules 5.75.2 (continued)**  
For the period ended 30 June 2017

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Approved by the board of directors and signed on its behalf on 29 August 2017 by:



*Margrith Lutschg-Emmenegger*  
Chairman



*Martin Xuereb*  
Director

## Hili Properties p.l.c.

### Condensed Statement of Profit or Loss and other Comprehensive Income

For the period ended 30 June 2017

	Group		Holding company	
	1 January to 30 June 2017 Unaudited	1 January to 30 June 2016 Unaudited	1 January to 30 June 2017 Unaudited	1 January to 30 June 2016 Unaudited
	€	€	€	€
Revenue	2,802,657	2,415,739	21,249	31,873
Other operating income	79,280	-	56,904	28,452
Administrative expenses	(1,044,549)	(841,453)	(411,286)	(399,742)
<b>Operating profit/(loss)</b>	<b>1,837,388</b>	<b>1,574,286</b>	<b>(333,133)</b>	<b>(339,417)</b>
Investment losses	(434,258)	-	(57,948)	-
Finance income	135,883	135,007	214,193	620,135
Finance costs	(1,347,127)	(1,220,665)	(962,364)	(908,525)
<b>Profit/(loss) before taxation</b>	<b>191,886</b>	<b>488,628</b>	<b>(1,139,252)</b>	<b>(627,807)</b>
Income tax credit/(expense)	17,393	(53,934)	327,233	217,754
<b>Profit/(loss) for the period</b>	<b>209,279</b>	<b>434,694</b>	<b>(812,019)</b>	<b>(410,053)</b>
<b>Other comprehensive income for the period:</b>				
Currency translation difference	21,787	-	-	-
<b>Total comprehensive income for the period</b>	<b>231,066</b>	<b>434,694</b>	<b>(812,019)</b>	<b>(410,053)</b>
<i>Profit attributable to:</i>				
Owners of the company	211,585	425,557		
Non-controlling interests	19,481	9,137		
	<b>231,066</b>	<b>434,694</b>		

## Hili Properties p.l.c.

### Condensed Statement of Financial Position

As at 30 June 2017

	Notes	Group		Holding company	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
		Unaudited	Audited	Unaudited	Audited
		€	€	€	€
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Goodwill	4	3,215,030	3,215,030	-	-
Intangible assets		16,391	10,231	14,711	8,336
Property, plant and equipment		367,781	415,835	3,093	4,442
Investment property	5	98,660,528	67,655,127	4,167,548	4,092,436
Investment in subsidiaries		-	-	32,550,729	32,550,729
Deposit on acquisition of investment		12,500,000	12,500,000	12,500,000	12,500,000
Assets under construction		313,609	-	-	-
Other receivables	6	350,000	-	-	-
Loans and receivables		2,322,974	2,322,974	11,336,876	4,798,329
Deferred tax asset		376,096	376,096	9,918	9,918
		<b>118,122,409</b>	<b>86,495,293</b>	<b>60,582,875</b>	<b>53,964,190</b>
<b>Current assets</b>					
Property held for sale		215,000	215,000	-	-
Loans and receivables		208,214	6,068,525	1,563,045	3,494,728
Trade and other receivables	6	1,649,641	1,217,686	682,826	927,664
Current tax asset		447,969	137,767	405,172	77,939
Cash at bank and on hand		1,203,295	2,907,319	-	2,410,937
		<b>3,724,119</b>	<b>10,546,297</b>	<b>2,651,043</b>	<b>6,911,268</b>
<b>Total assets</b>		<b>121,846,528</b>	<b>97,041,590</b>	<b>63,233,918</b>	<b>60,875,458</b>
<b>Current liabilities</b>					
Trade and other payables	7	3,162,023	1,758,070	1,347,052	487,951
Other financial liabilities		940,739	151,032	1,020,456	263,679
Bank overdraft		141,889	65,301	34,656	-
Bank loans	8	2,675,838	1,898,549	-	-
Current tax liabilities		280,736	524,702	-	-
		<b>7,201,225</b>	<b>4,397,654</b>	<b>2,402,164</b>	<b>751,630</b>
<b>Non-current liabilities</b>					
Other financial liabilities		2,466,486	1,721,802	4,459,879	2,979,934
Bank loans	8	42,408,301	21,422,684	-	-
Debt securities in issue	9	36,366,320	36,326,320	36,366,320	36,326,320
Deferred tax liabilities		4,950,411	4,950,411	-	-
		<b>86,191,518</b>	<b>64,421,217</b>	<b>40,826,199</b>	<b>39,306,254</b>
<b>Total liabilities</b>		<b>93,392,743</b>	<b>68,818,871</b>	<b>43,228,363</b>	<b>40,057,884</b>
<b>Net assets</b>		<b>28,453,785</b>	<b>28,222,719</b>	<b>20,005,555</b>	<b>20,817,574</b>

## Hili Properties p.l.c.

### Condensed statement of financial position (continued)

As at 30 June 2017

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	Group		Holding company	
	30 June 2017 Unaudited €	31 December 2016 Audited €	30 June 2017 Unaudited €	31 December 2016 Audited €
<b>EQUITY</b>				
Share capital	<b>21,600,000</b>	21,600,000	<b>21,600,000</b>	21,600,000
Loss offset reserve	<b>748,427</b>	748,427	<b>748,427</b>	748,427
Currency translation reserve	<b>21,787</b>	-	-	-
Retained earnings/ (accumulated losses)	<b>5,972,048</b>	5,782,250	<b>(2,342,872)</b>	(1,530,853)
Equity attributable to owners of the company	<b>28,342,262</b>	28,130,677	<b>20,005,555</b>	20,817,574
Non-controlling interests	<b>111,523</b>	92,042	-	-
<b>Total equity</b>	<b>28,453,785</b>	28,222,719	<b>20,005,555</b>	20,817,574

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## Hili Properties p.l.c.

### Condensed Statement of Changes in Equity

For the period ended 30 June 2017

Group	Share capital €	Currency translation reserve €	Loss offset reserve €	Retained earnings €	Attributable to owners of the company €	Non - controlling interests €	Total €
Balance at 1 January 2016	21,600,000	-	748,427	3,899,868	26,248,295	66,921	26,315,216
Profit and total comprehensive income for the period	-	-	-	425,557	425,557	9,137	434,694
Balance at 30 June 2016	21,600,000	-	748,427	4,325,425	26,673,852	76,058	26,749,910
Balance at 1 January 2017	21,600,000	-	748,427	5,782,250	28,130,677	92,042	28,222,719
Profit for the period	-	-	-	189,798	189,798	19,481	209,279
Other comprehensive income: Currency translation reserve	-	21,787	-	-	21,787	-	21,787
Balance at 30 June 2017	21,600,000	21,787	748,427	5,972,048	28,342,262	111,523	28,453,785



## Hili Properties p.l.c.

### Condensed Statement of Changes in Equity

For the period ended 30 June 2017

#### Holding Company

	Share capital €	Loss offset reserve €	Accumulated losses €	Total €
<b>Balance at 1 January 2016</b>	21,600,000	748,427	(503,307)	21,845,120
Loss and total comprehensive expense for the period	-	-	(410,053)	(410,053)
<b>Balance at 30 June 2016</b>	<u>21,600,000</u>	<u>748,427</u>	<u>913,360</u>	<u>21,435,067</u>
<b>Balance at 1 January 2017</b>	21,600,000	748,427	(1,530,853)	20,817,574
Loss and total comprehensive expense for the period	-	-	(812,019)	(812,019)
<b>Balance at 30 June 2017</b>	<u><u>21,600,000</u></u>	<u><u>748,427</u></u>	<u><u>(2,342,872)</u></u>	<u><u>20,005,555</u></u>

## Hili Properties p.l.c.

### Condensed Statement of Cash Flows

For the period ended 30 June 2017

	Group		Holding company	
	1 January to 30 June 2017 Unaudited €	1 January to 30 June 2016 Unaudited €	1 January to 30 June 2017 Unaudited €	1 January to 30 June 2016 Unaudited €
<b>Cash flows from operating activities</b>				
Cash generated from operations	1,945,748	1,198,773	(813,482)	624,802
Interest received	186,224	-	-	-
Interest paid	(328,523)	(306,790)	99,808	-
(Income taxes paid) / income tax refund received	(536,775)	(81,701)	-	7,950
<b>Net cash inflow from operating activities</b>	<b>1,266,674</b>	<b>810,282</b>	<b>(713,674)</b>	<b>632,752</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	-	(44,378)	(430)	(1,443)
Proceeds from disposal of property, plant and equipment	105,170	-	-	-
Additions to investment property	(31,319,011)	(220,112)	(75,112)	(10,403)
Additions to intangible assets	(6,160)	-	(6,375)	-
Loans granted to related parties	(2,000,000)	(2,739,098)	(10,300,000)	(696,039)
Repayment of loans granted to related parties	7,750,000	-	4,750,000	-
<b>Net cash flows (used in)/ generated from investing activities</b>	<b>(25,470,001)</b>	<b>(3,003,588)</b>	<b>(5,631,917)</b>	<b>(707,883)</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank loans	22,630,000	2,321,118	-	-
Proceeds from loans granted by related party	750,000	-	3,900,000	392
Repayment of bank loans	(945,242)	(54,154)	-	-
Repayment of related party loans	-	(388,852)	-	(277,638)
<b>Net cash flows generated from/ (used in) financing activities</b>	<b>22,434,758</b>	<b>1,878,112</b>	<b>3,900,000</b>	<b>(277,246)</b>
<b>Net movement in cash and cash Equivalents</b>	<b>(1,768,569)</b>	<b>(315,194)</b>	<b>(2,445,591)</b>	<b>(352,377)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,842,018</b>	<b>1,128,069</b>	<b>2,410,937</b>	<b>424,337</b>
Effects of translation from functional currency to presentation currency	(12,043)	-	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>1,061,406</b>	<b>812,875</b>	<b>(34,654)</b>	<b>71,960</b>

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

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#### 1. Basis of preparation

The condensed interim financial statements for the six months ending on 30 June 2017 have been extracted from the unaudited management accounts of the Group and the Company and have been prepared in accordance with IAS 34 - Interim Financial Reporting.

#### 2. Significant accounting policies

The condensed interim financial statements have been prepared under the historic cost convention, except for financial instruments at fair value through profit or loss and available-for-sale financial assets which are stated at their fair values. The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's and Company's annual financial statements for the year ended 31 December 2016.

#### 3. Segmental Reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The segment reporting of the group is made in terms of the location which it conducts its business in, as the risks and rates of return are affected predominantly by differences in the services provided in the different locations. The group is currently organised into five main business segments: Malta, Latvia, Estonia, Lithuania and Romania. Each of these operating segments is managed separately as each of these lines requires local resources. All inter segment transfers for management services are carried out on a cost basis.

Revenue reported below represents revenue generated from external customers. There were no intersegment sales in the period. The group's reportable segments under IFRS 8 are direct sales attributable to each line of business.

##### *Measurement of operating segment profit or loss, assets and liabilities*

Segment profit represents the profit earned by each segment after allocation of central administration costs based on services provided. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the reportable segments are the same as the group's accounting policies.

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 3. Segmental reporting (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to consolidated totals are reported below:

##### Profit before taxation

	1 January to 30 June 2017 Unaudited €	1 January to 30 June 2016 Unaudited €
Total profit for reportable segments	1,462,921	1,476,560
Elimination of inter segment profits	(354,350)	(127,703)
Unallocated amounts:		
Finance costs	(872,500)	(832,500)
Other unallocated amounts	(44,185)	(27,729)
	<u>191,886</u>	<u>488,628</u>

##### Assets

	30 June 2017 Unaudited €	31 December 2016 Audited €
Total assets for reportable segments	140,533,690	103,752,965
Elimination of inter segment receivables	(18,786,818)	(6,724,180)
Unallocated amounts:		
Other unallocated amounts	99,656	12,805
	<u>121,846,528</u>	<u>97,041,590</u>

##### Liabilities

	30 June 2017 Unaudited €	31 December 2016 Audited €
Total liabilities for reportable segments	66,472,808	40,861,677
Elimination of inter segment payables	(9,499,327)	(8,381,970)
Unallocated amounts:		
Debt securities in issue	36,366,320	36,326,320
Other unallocated amounts	52,942	12,844
	<u>93,392,743</u>	<u>68,818,871</u>

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

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#### 3. Segmental reporting (continued)

Included in revenue arising from rental of investment property in Latvia of €1,434,245 are revenues of €571,181 which arose from the group's largest customer. No other single customers contributed 10% or more to the group's revenue.

The Group's revenue and results from continuing operations and information about its net assets by reportable segment are detailed below:

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 3. Segmental reporting (continued)

2017

	Malta €	Latvia €	Estonia €	Lithuania €	Romania €	Total €	Unallocated €	Eliminations and Adjustments €	Consolidated €
<b>For the period ended</b>									
<b>30 June 2017 (unaudited)</b>									
Revenue	1,024,484	1,434,245	54,998	128,345	374,030	3,016,102	-	(213,445)	2,802,657
Profit before taxation	485,664	680,133	44,113	76,876	176,135	1,462,921	(916,685)	(354,350)	191,886
Depreciation and amortisation	(54,849)	(2,266)	-	-	-	(57,115)	-	-	(57,115)
Investment losses	-	-	-	-	(20,027)	(20,027)	(57,948)	(356,283)	(434,258)
Finance costs	(213,076)	(293,639)	-	(20,784)	(169,218)	(696,717)	(872,500)	222,090	(1,347,127)
Income tax credit/ (expense)	140,914	(91,851)	-	(11,318)	(20,352)	17,393	-	-	17,393
<b>As at 30 June 2017</b>									
<b>(unaudited)</b>									
Segment assets	65,743,847	36,786,775	1,807,425	3,157,043	33,038,600	140,533,690	99,656	(18,786,818)	121,846,528
Investment property	34,995,022	28,566,066	1,699,100	2,850,862	30,549,478	98,660,528	-	-	98,660,528
Segment liabilities	17,483,559	24,963,934	23,922	1,665,962	22,335,431	66,472,808	36,419,262	(9,499,327)	93,392,743

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 3. Segmental reporting (continued)

2016

For the period ended  
30 June 2016 (unaudited)

	Malta €	Latvia €	Estonia €	Lithuania €	Romania €	Total €	Unallocated €	Eliminations and adjustments €	Consolidated €
Revenue	956,232	1,279,905	54,997	124,605	-	2,415,739	-	-	2,415,739
Profit before taxation	701,336	667,842	37,921	69,461	-	1,476,560	(860,229)	(127,703)	488,628
Depreciation and amortisation	(1,395)	(6,651)	-	-	-	(8,046)	-	-	(8,046)
Finance costs	(454,147)	(323,385)	-	(30,406)	-	(807,938)	(832,500)	419,773	(1,220,665)
Income tax credit/ (expense)	35,399	(75,713)	-	(13,620)	-	(53,934)	-	-	(53,934)
<b>As at 31 December 2016 (audited)</b>									
Segment assets	64,956,353	33,815,383	1,764,124	3,191,505	25,600	103,752,965	12,805	(6,724,180)	97,041,590
Investment property	34,857,121	28,248,044	1,699,100	2,850,862	-	67,655,127	-	-	67,655,127
Segment liabilities	16,490,135	22,560,824	24,735	1,765,983	-	40,861,677	36,339,164	(8,381,970)	68,818,871

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 4. Goodwill

	€
Cost as at 1 January 2016	3,815,030
Impairment loss	(600,000)
Net book amount as at 31 December 2016 (audited)	<u>3,215,030</u>
<b>Net book amount as at 30 June 2017 (unaudited)</b>	<b><u><u>3,215,030</u></u></b>

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Determining whether the carrying amounts of these assets can be realised requires an estimation of the recoverable amount of the cash generating units. The calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Goodwill arising on a business combination is allocated to the cash-generating units (“CGUs”) that are expected to benefit from that business combination.

Goodwill of €3,215,030 (2016: €3,215,000) was allocated to Apex Investments SIA and Tukuma Projekts SIA which are situated in Latvia, hold investment property and were acquired during 2015.

The goodwill arising on acquisition was in relation to the synergies of having an operating base in Latvia, which synergies were expected to yield additional benefits in the technical and financial operations of the management of the property arising from the centralisation of the operational and technical teams, to reduce direct costs attributable to property facilities and customer management activities and to enhance the possibility of tax planning opportunities. The expected synergies did not fully materialise during 2016 thus leading to an impairment loss of €600,000.

Management assessment of goodwill is detailed in the group’s annual financial statements for the year ended 31 December 2016.



## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 5. Investment property

##### Group

	Retail/ commercial properties €	Office properties €	Other properties €	Total €
At 1 January 2016 (audited)	34,301,376	28,574,597	1,600,000	64,475,973
Additions	12,457	188,021	8,418	208,896
Disposals	(25,742)	-	-	(25,742)
Increase in fair value	4,127,000	-	-	4,127,000
Decrease in fair value	(1,361,500)	-	-	(1,361,500)
Transfer from held for sale	230,500	-	-	230,500
At 1 January 2017 (audited)	37,284,091	28,762,618	1,608,418	67,655,127
Additions	17,327,399	9,262,559	4,261,684	30,851,642
Investment property under construction	153,759	-	-	153,759
<b>At 30 June 2017 (unaudited)</b>	<b>54,765,249</b>	<b>38,025,177</b>	<b>5,870,102</b>	<b>98,660,528</b>

##### Holding company

	Office properties €	Other properties €	Total €
At 1 January 2016 (audited)	2,471,645	1,600,000	4,071,645
Additions	12,372	8,419	20,791
At 1 January 2017 (audited)	2,484,017	1,608,419	4,092,436
Additions	75,112	-	75,112
<b>At 30 June 2017 (unaudited)</b>	<b>2,559,129</b>	<b>1,608,419</b>	<b>4,167,548</b>

The fair value of investment properties amounting to €98,660,528 (2016: €67,655,127) has been arrived at on the basis of internal assessments to reflect market conditions at the end of the reporting period. These internal assessments also considered independent external valuations obtained for all the group's properties during 2015 together with independent external valuations obtained during 2016 for a selection of retail/commercial properties in the Baltics covering 20% of the group property portfolio. The external valuations were carried out by external independent valuers having recent experience in the location and type of property being valued. Based on this assessment, the directors are of the opinion that the fair value determined is an appropriate estimate of the fair value at 30 June 2017. In estimating the fair value of the property, the highest and best use of the property is its current use.

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 5. Investment property (continued)

Investment property is classified as level 3. All the properties located in the Baltics amounting to €28,566,066 (2016: €28,248,044) are classified as retail commercial properties. On 5 May 2017, the Group acquired new property in Romania for €30,549,478 of which €17,163,135 is classified as retail commercial property, €9,124,654 is classified as office property, with the remaining being classified as other property. This new property is expected to derive a rental yield of 8%.

#### 6. Trade and other receivables

	Group		Holding company	
	30 June 2017 Unaudited €	31 December 2016 Audited €	30 June 2017 Unaudited €	31 December 2016 Audited €
<b>Non-current</b>				
Guarantee deposits held with financial institutions	<b>350,000</b>	-	-	-
<b>Current</b>				
Trade receivables	<b>307,136</b>	188,754	<b>1,076</b>	15,019
Other receivables	<b>549,300</b>	597,095	<b>509,276</b>	631,005
Amounts due from other related companies	<b>94,250</b>	185,197	-	-
Amounts due from parent company	<b>13,812</b>	20,960	-	-
Amounts due from subsidiaries	-	-	-	189,150
Prepayments and accrued income	<b>685,143</b>	225,680	<b>172,474</b>	92,490
	<b>1,649,641</b>	1,217,686	<b>682,826</b>	927,664

No interest is charged on trade and other receivables.

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 7. Trade and other payables

	Group		Holding company	
	30 June 2017 Unaudited €	31 December 2016 Audited €	30 June 2017 Unaudited €	31 December 2016 Audited €
Trade payables	223,413	359,988	47,255	88,494
Amounts due to other related companies	30,131	30,128	-	1,322
Amounts due from parent company	127,123	-	-	-
Other payables	768,492	700,687	44,132	-
Accruals and deferred income	2,012,864	667,267	1,255,665	398,135
	<u>3,162,023</u>	<u>1,758,070</u>	<u>1,347,052</u>	<u>487,951</u>

No interest is charged on trade and other payables.

#### 8. Bank loans

	Group		Holding company	
	30 June 2017 Unaudited €	31 December 2016 Audited €	30 June 2017 Unaudited €	31 December 2016 Audited €
Bank loans	45,084,139	23,321,233	-	-
	<u>45,084,139</u>	<u>23,321,233</u>	<u>-</u>	<u>-</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(2,675,838)</u>	<u>(1,898,549)</u>	<u>-</u>	<u>-</u>
Amount due for settlement after 12 months	<u>42,408,301</u>	<u>21,422,684</u>	<u>-</u>	<u>-</u>

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 8. Bank loans (continued)

Bank overdraft and loans are payable as follows:

	Group		Holding company	
	30 June 2017 Unaudited €	31 December 2016 Audited €	30 June 2017 Unaudited €	31 December 2016 Audited €
On demand or within one year	2,675,838	1,898,549	-	-
Between one and five years	22,162,880	8,786,640	-	-
After five years	20,245,421	12,636,044	-	-
	<u>45,084,139</u>	<u>23,321,233</u>	<u>-</u>	<u>-</u>

The group's bank loans facilities bear effective interest at the rates of 2.5% to 4.85% p.a. The group's bank borrowings facilities amount to €45,084,139 (2016: €23,321,233). The facilities are secured by special hypothecs over the investment property of the group, a general hypothec over the assets of the group, guarantees provided by other related party and a pledge over rent receivable from the company's tenants.

During the period ended 30 June 2017, the Group obtained a further €22,630,000 in bank loans in order to finance the new property acquired in Romania on 5 May 2017 (see note 5).

#### 9. Debt securities in issue

	Group and holding company	
	30 June 2017 Unaudited €	31 December 2016 Audited €
4.5% unsecured bonds redeemable 2025	<u>36,366,320</u>	<u>36,326,320</u>

In October 2015, the company issued 370,000 4.5% unsecured bonds of a nominal value of €100 per bond. The bonds are redeemable at their nominal value in 2025.

Interest on the bonds is due and payable annually on 16 October of each year.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bond is net of direct issue costs of €766,271 which are being amortised over the life of the bond. The market value of debt securities on the last trading day before the statement of financial position date was €38,850,000.

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 9. Debt securities in issue (continued)

The bond is guaranteed by Harbour (APM) Investments Limited and Hili Estates Limited. The full terms of the guarantee are disclosed in the bond prospectus.

#### 10. Related party transactions

During the period, the company and the group entered into transactions with related parties set out below.

##### Group

	Related party activity €	2017 Total activity €	%	Related party activity €	2016 Total activity €	%
Revenue:						
<i>Related party transactions with:</i>						
Parent company	60,096			44,347		
Other related parties	884,437			908,986		
	<u>944,533</u>	<u>2,802,657</u>	<u>34</u>	<u>953,333</u>	<u>2,415,739</u>	<u>39</u>
Other operating income:						
<i>Related party transactions with:</i>						
Parent company	2,355			-		
Other related parties	15,690			-		
	<u>18,045</u>	<u>79,280</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>
Administrative expenses:						
<i>Related party transactions with:</i>						
Parent company	180,000			180,000		
Other related parties	32,874			29,461		
	<u>212,874</u>	<u>1,044,549</u>	<u>20</u>	<u>209,461</u>	<u>841,453</u>	<u>25</u>
Finance income:						
<i>Related party transactions with:</i>						
Parent company	106,535			60,137		
Other related parties	29,348			74,870		
	<u>135,883</u>	<u>135,883</u>	<u>100</u>	<u>135,007</u>	<u>135,007</u>	<u>100</u>
Finance costs:						
<i>Related party transactions with:</i>						
Parent company	5,973			-		
Other related parties	42,691			42,691		
	<u>48,664</u>	<u>1,347,127</u>	<u>4</u>	<u>42,691</u>	<u>1,220,665</u>	<u>3</u>

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 10. Related party transactions (continued)

##### Holding Company

	Related party activity	2017 Total activity	%	Related party activity	2016 Total activity	%
	€	€		€	€	
Administrative expenses:						
<i>Related party transactions with:</i>						
Parent company	<u>180,000</u>	<u>411,286</u>	<u>44</u>	<u>180,000</u>	<u>399,742</u>	<u>45</u>
Finance income:						
<i>Related party transactions with:</i>						
Parent company	<u>65,849</u>			<u>54,795</u>		
Subsidiaries	<u>132,165</u>			<u>503,729</u>		
Other related parties	<u>16,179</u>			<u>61,611</u>		
	<u>214,193</u>	<u>214,193</u>	<u>100</u>	<u>620,135</u>	<u>620,135</u>	<u>100</u>
Finance costs:						
<i>Related party transactions with:</i>						
Parent company	<u>5,252</u>			<u>-</u>		
Subsidiaries	<u>41,920</u>			<u>23,891</u>		
Other related parties	<u>42,692</u>			<u>42,692</u>		
	<u>89,684</u>	<u>962,364</u>	<u>9</u>	<u>66,583</u>	<u>908,525</u>	<u>7</u>

No expense has been recognised in the period for bad or doubtful debts in respect of amounts due by related parties and there are no provisions for doubtful debts in respect of outstanding amounts due by related parties.

#### 11. Fair values of financial assets and financial liabilities

At 30 June 2017 and 31 December 2016, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of the debt securities in issue are disclosed in note 9. The fair values of the other non-current financial liabilities and the non-current financial assets are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year end. The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories below have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 11. Fair values of financial assets and financial liabilities (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the company and the group determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

The following table provides an analysis of financial instruments that are not measured subsequent to initial recognition at fair value, other than those with carrying amounts that are reasonable approximations of fair value, and other than investments in subsidiaries, associates and jointly controlled entities, grouped into Levels 1 to 3.

#### Group

	Level 1	Level 2	Level 3	Total	Carrying amount
	€	€	€	€	€
<b>2017</b>					
<i>Financial assets</i>					
Deposit on acquisition of investment	-	12,500,000	-	12,500,000	12,500,000
Other receivables	-	350,000	-	350,000	350,000
<i>Loans and receivables</i>					
- receivables from related parties	-	208,214	2,322,974	2,531,188	2,531,188
<b>Total (unaudited)</b>	<b>-</b>	<b>13,058,214</b>	<b>2,322,974</b>	<b>15,381,188</b>	<b>15,381,188</b>
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	940,739	2,466,486	3,407,225	3,407,225
- bank loans	-	45,084,139	-	45,084,139	45,084,139
- debt securities	38,850,000	-	-	38,850,000	36,366,320
<b>Total (unaudited)</b>	<b>38,850,000</b>	<b>46,024,878</b>	<b>2,466,486</b>	<b>87,341,364</b>	<b>84,857,684</b>

## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 11. Fair values of financial assets and financial liabilities (continued)

##### Group

	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
<b>2016</b>					
<i>Financial assets</i>					
Deposit on acquisition of investment	-	12,500,000	-	12,500,000	12,500,000
<i>Loans and receivables</i>					
- receivables from related parties	-	6,068,525	2,322,974	8,391,499	8,391,499
<b>Total (audited)</b>	<b>-</b>	<b>18,568,525</b>	<b>2,322,974</b>	<b>20,891,499</b>	<b>20,891,499</b>
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	151,032	1,721,802	1,872,834	1,872,834
- bank loans	-	23,321,233	-	23,321,233	23,321,233
- debt securities	38,850,000	-	-	38,850,000	36,326,320
<b>Total (audited)</b>	<b>38,850,000</b>	<b>23,472,265</b>	<b>1,721,802</b>	<b>64,044,067</b>	<b>61,520,387</b>

##### Holding Company

	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
<b>2017</b>					
<i>Financial assets</i>					
Deposit on acquisition of investment	-	12,500,000	-	12,500,000	12,500,000
<i>Loans and receivables</i>					
- receivables from related parties	-	1,563,045	11,336,876	12,899,921	12,899,921
<b>Total (unaudited)</b>	<b>-</b>	<b>14,063,045</b>	<b>11,336,876</b>	<b>25,399,921</b>	<b>25,399,921</b>
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	1,020,456	4,459,878	5,480,334	5,480,334
- debt securities	38,850,000	-	-	38,850,000	36,366,320
<b>Total (unaudited)</b>	<b>38,850,000</b>	<b>1,020,456</b>	<b>4,459,878</b>	<b>44,330,334</b>	<b>41,846,654</b>



## Hili Properties p.l.c.

### Notes to the condensed interim financial statements

For the period ended 30 June 2017

#### 11. Fair values of financial assets and financial liabilities (continued)

##### Holding Company

	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
<b>2016</b>					
<i>Financial assets</i>					
Deposit on acquisition of investment	-	12,500,000	-	12,500,000	12,500,000
<i>Loans and receivables</i>					
- receivables from related parties	-	3,494,728	4,798,329	8,293,057	8,293,057
Total (audited)	-	15,994,728	4,798,329	20,793,057	20,793,057
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	263,679	2,979,934	3,243,613	3,243,613
- debt securities	38,850,000	-	-	38,850,000	36,366,320
Total (audited)	38,850,000	263,679	2,979,934	42,093,613	39,609,933

#### 12. Events after the reporting period

Subsequent 30 June 2017, the Group obtained a new loan facility of €7,000,000 out of which €6,000,000 was withdrawn up to the date of approval of these interim financial statements. This new loan facility bears an interest rate at 3-month Euribor plus 4% p.a. and is secured by a general hypothec over the assets of the group, a special hypothec over the property of the ultimate parent company of the group, guarantees provided by other related party and a pledge over rent receivable by the ultimate parent company generated from the hypothecated property.

Out of the withdrawn facility, €5,000,000 was used as an additional deposit in relation to the promise of share purchase agreement entered into on 25 August 2015 to acquire 100% shareholding in Harbour (APM) Investments Limited for the sum of €25,000,000. Harbour (APM) Investments Limited is the company that owns the land at Benghajsa measuring circa 92,000m<sup>2</sup>.

The residual €1,000,000 of the withdrawn amount was utilised on capital expenditure and acquisition costs.

**Hili Properties p.l.c.**

**Statement Pursuant to Listing Rule 5.75.3 issued by the Listing Authority**

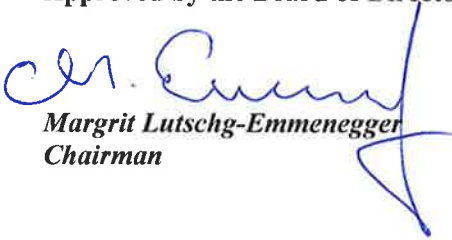
For the period ended 30 June 2017

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**We confirm that to the best of our knowledge:**

- a) The condensed interim financial statements give a true and fair view of the financial position of Hili Properties p.l.c. (the “company”) and its subsidiaries (the “group”) as at 30 June 2017, and the financial performance and cash flows of the company and the group for the six month period then ended, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 – Interim Financial Reporting); and
- b) The interim Directors’ report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

**Approved by the Board of Directors on 29 August 2017 and signed on its behalf by:**



*Margrit Lutschg-Emmenegger*  
Chairman



*Martin Xaereb*  
Director