

Hili Properties p.l.c.

C 57954

Report and financial statements

31 December 2015

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Hili Properties p.l.c. (formerly Hili Properties Limited)

Directors, officer and other information

Directors: Margrit Lutschg-Emmenegger (Chairman)
Richard Abdilla Castillo
Carmelo (sive) Melo Hili
Victor Tedesco
David Aquilina
Karl Joseph Naudi
Martin Xuereb

Secretary: Karen Coppini

Registered office: Nineteen Twenty-Three,
Valletta Road,
Marsa,
Malta.

Country of incorporation: Malta

Company registration number: C 57954

Auditor: Deloitte Audit Limited,
Deloitte Place,
Mriehel Bypass,
Mriehel,
Malta.

Bankers: Bank of Valletta p.l.c.,
BOV Centre,
St. Venera,
Malta.

HSBC Bank Malta p.l.c.,
HSBC Head Office,
Mill Street,
Qormi,
Malta.

Swedbank AB,
Balasta dambis 1A,
LV-1048 Riga,
Latvia.

Legal advisor: GVTH Advocates,
192, Old Bakery Street,
Valletta,
Malta.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Directors' report

Year ended 31 December 2015

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

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. The details of subsidiaries of the holding company are listed in note 19.

Change in Status

On 3 June 2015, the company ceased to be a Private Limited Liability Company and changed its status to a Public Limited Liability Company.

Performance review

The group has registered an operating profit of €2,643,310 (2014: €911,168).

The improvement in the operating profit of the group was mainly a result of the acquisition of two companies owning and operating nine retail complexes in Latvia on 30 January 2015. This acquisition added 18,500 square metres of footprint to its international commercial real estate portfolio. In May 2015 the group also acquired a Maltese entity which owns and operates a business complex. The group registered a gain on acquisition of this investment of €1,947,513.

In October 2015, the company raised €37,000,000 by issuing bonds to the public. The proceeds raised have been utilised mainly to finance the above mentioned acquisitions.

After accounting for movements in fair value of property, acquisition related costs and finance costs, the group registered a profit before tax of €1,955,078 (2014: €75,688). The group's net assets at the end of 2015 amounted to €26,315,216 (2014: €13,732,833). The increase in net assets is due to increases in capital as well as the profit for the year.

During 2015 the company registered a loss before tax of €950,047 (2014: €439,638). The net assets of the company at the end of the year amounted to €21,845,120 (2014: €12,405,778).

2016 will be a year of consolidation for the Hili Properties group following the acquisitions in 2015. The group has plans to reorganise its business activities including that of the holding company in order to operate in the most optimal way. The outlook for 2016 is expected to be positive.

Results and dividends

The results for the year ended 31 December 2015 are shown in the statements of profit or loss and other comprehensive income on page 10. The group registered profit after taxation of €2,082,383 (2014: €188,772), while the company registered a loss after taxation of €1,060,658 (2014: €282,660).

The directors do not recommend the payment of a dividend.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Directors' report (continued)

Year ended 31 December 2015

Likely future business developments

The directors consider that the financial position at year end was satisfactory and that the group and the company well placed to sustain the present level of activity in the foreseeable future. The directors foresee the group to expand via strategic acquisitions of investment property in Malta and other European countries.

Directors

The directors who served during the year and until the date of authorisation of these financial statements were:

Margrit Lutschg-Emmenegger (Chairman)

Richard Abdilla Castillo

Carmelo (sive) Melo Hili

Victor Tedesco

David Aquilina

(appointed on 1 May 2015)

Karl Joseph Naudi

(appointed on 20 August 2015)

Martin Xuereb

(appointed on 9 September 2015)

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

Going Concern

After reviewing the group's and company's budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor

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

Approved by the board of directors and signed on its behalf on 29 April 2016 by:


Margrit Lutschg-Emmenegger
Chairman


Karl Joseph Naudi
Managing Director

Hili Properties p.l.c. (formerly Hili Properties Limited)

Statement of directors' responsibilities

Year ended 31 December 2015

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of responsibility pursuant to the Listing Rules issued by the Listing Authority

We confirm that to the best of our knowledge:

- a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2015 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and
- b. In accordance with the Listing Rules, the Directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Margrit Lutschg-Emmenegger
Chairman

Hili Properties p.l.c. (formerly Hili Properties Limited)

Corporate Governance Statement

Introduction

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

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

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

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.7.

The Board of Directors

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

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

Ms Margith Lutschg-Emmenegger, Mr David Aquilina and Mr Martin Xuereb are independent non-executive directors of the company.

Executive Director

Karl Naudi

(appointed on 20 August 2015)

Non-Executive Directors

Carmelo (sive) Melo Hili

Richard Abdilla Castillo

Victor Tedesco

Hili Properties p.l.c. (formerly Hili Properties Limited)

Corporate Governance Statement (continued)

The Board of Directors (continued)

Independent Non-Executive Directors (continued)

Margith Lutschg-Emmenegger	(Chairperson)
David Aquilina	(appointed on 1 May 2015)
Martin Xuereb	(appointed on 9 September 2015)

The Board Meetings are attended by the Chief Financial Officer of the company in order for the Board to have direct access to the financial operation of the group. This is intended to, inter alia, ensure that the policies and strategies adopted by the Board are effectively implemented.

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

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

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

Audit Committee

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

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

David Aquilina (Chairman)
Victor Tedesco
Martin Xuereb

Mr David Aquilina is an independent non-executive director of the company who the Board considers to be competent in accounting and/or auditing in the terms of the listing rules. He is also considered to be an expert in the real estate business.

The Chief Financial Officer of the company is also present during the Audit Committee meetings.

The Audit Committee did not meet during the year 2015 and has met twice during 2016. Communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Corporate governance statement (continued)

Internal Control

While the Board is ultimately responsible for the company's internal controls as well as their effectiveness, authority to operate the company is delegated to the Managing Director.

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

1. Reviewing the company's strategy on an on-going basis as well as setting the appropriate business objectives in order to enhance value for all stakeholders;
2. Implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve company objectives;
3. Appointing and monitoring the Managing Director whose function is to manage the operations of the company; and
4. Identifying and ensuring that significant risks are managed satisfactorily.
5. Company policies are being observed.

Corporate Social Responsibility

The Board is mindful of and seeks to adhere to sound principles of Corporate Social Responsibility in their daily management practices, which is also extended throughout the company's subsidiary companies. There is continuing commitment to operate the business ethically at all times, at the same time as contributing to economic development whilst improving the quality of life of its employees and their families together with the local community and society at large.

Relations with the market

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

Hili Properties p.l.c. (formerly Hili Properties Limited)

Corporate governance statement (continued)

Non-compliance with the code

Principle 7: Evaluation of the board's performance

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

Principle 8: Committees

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

Principle 10: Institutional shareholders

This principle is not applicable since the company has no institutional shareholders.

Approved by the Board of Directors and signed on its behalf on 29 April 2016 by:



Margrith Lutschg-Emmenegger
Chairman



Karl Haug
Managing Director

Independent auditor's report on corporate governance statement to the members of

Hili Properties p.l.c.

Pursuant to Listing Authority Listing Rules 5.94 and 5.97 issued by the Malta Financial Services Authority, the directors are required to include in their annual financial report a Corporate Governance Statement to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report on the Corporate Governance Statement.

We read the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information included in the annual financial report.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company's or the group's system of internal control or its corporate governance procedures.

In our opinion, the Corporate Governance Statement set out on pages 5 to 8 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.



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

29 April 2016

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Cassar Torregiani & Associates is a firm of advocates warranted to practise law in Malta and is exclusively authorised to provide legal services in Malta under the Deloitte brand.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Statements of profit or loss and other comprehensive income

Year ended 31 December 2015

	Notes	Group		Holding company	
		2015	2014	2015	2014
		€	€	€	€
Revenue	6	4,126,241	1,678,040	52,354	179,386
Cost of sales		(228,383)	-	-	-
Other operating income	7	74,560	-	22,217	-
Administrative expenses		(1,329,108)	(766,872)	(880,112)	(553,711)
Operating profit/(loss)		2,643,310	911,168	(805,541)	(374,325)
Investment income	8	2,752,389	16,912	-	-
Investment losses	9	(1,673,709)	(165,753)	(71,052)	(21,279)
Net investment income/(losses)		1,078,680	(148,841)	(71,052)	(21,279)
Finance income	10	63,081	-	871,158	647
Finance costs	11	(1,829,993)	(686,639)	(944,972)	(44,681)
Profit/(loss) before taxation	12	1,955,078	75,688	(950,407)	(439,638)
Income tax credit/(expense)	15	127,305	113,084	(110,251)	156,978
Profit/(loss) and total comprehensive income/(expense) for the year		2,082,383	188,772	(1,060,658)	(282,660)
<i>Profit attributable to:</i>					
Owners of the company		2,080,976	166,139		
Non-controlling interests		1,407	22,633		
		2,082,383	188,772		

Hili Properties p.l.c. (formerly Hili Properties Limited)

Statements of financial position

31 December 2015

	Notes	Group		Holding company	
		2015	2014	2015	2014
		€	€	€	€
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	17	3,815,030	-	-	-
Property, plant and equipment	16	80,295	11,902	5,246	2,642
Investment property	18	64,475,973	33,217,447	4,071,645	4,141,052
Investment in subsidiaries	19	-	-	15,593,126	4,968,300
Deposit on acquisition of investment	20	12,500,000	-	12,500,000	-
Loans and receivables	21	1,745,474	-	22,660,859	6,369,660
Deferred tax asset	28	561,592	531,809	8,495	113,106
		83,178,364	33,761,158	54,839,371	15,594,760
Current assets					
Property held for sale	22	550,900	150,000	-	-
Loans and receivables	21	4,663,161	2,047,722	4,967,162	477,627
Trade and other receivables	23	1,260,214	688,381	1,415,004	705,702
Current tax asset		85,971	28,814	2,314	7,954
Cash at bank and on hand	31	1,128,069	92,037	424,337	-
		7,688,315	3,006,954	6,808,817	1,191,283
Total assets		90,866,679	36,768,112	61,648,188	16,786,043
Current liabilities					
Trade and other payables	24	1,826,840	791,003	636,456	316,789
Other financial liabilities	25	388,852	1,125,236	287,375	812,028
Overdrawn bank balance	31	-	47,250	-	47,250
Bank loans	26	4,799,181	2,767,477	-	-
Current tax liabilities		382,123	21,520	-	-
		7,396,996	4,752,486	923,831	1,176,067
Non-current liabilities					
Other financial liabilities	25	1,721,802	5,918,802	2,629,544	3,204,198
Bank loans	26	14,774,647	10,803,991	-	-
Debt securities in issue	27	36,249,693	-	36,249,693	-
Deferred tax liabilities	28	4,408,325	1,560,000	-	-
		57,154,467	18,282,793	38,879,237	3,204,198
Total liabilities		64,551,463	23,035,279	39,803,068	4,380,265
Net assets		26,315,216	13,732,833	21,845,120	12,405,778

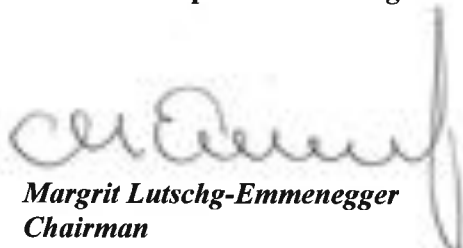
Hili Properties p.l.c. (formerly Hili Properties Limited)

Statements of financial position (continued)

31 December 2015

	Notes	Group		Holding company	
		2015	2014	2015	2014
		€	€	€	€
EQUITY					
Share capital	29	21,600,000	15,000,000	21,600,000	15,000,000
Loss offset reserve		748,427	-	748,427	-
Retained earnings/ (accumulated losses)		3,899,868	(1,332,681)	(503,307)	(2,594,222)
Equity attributable to owners of the company		26,248,295	13,667,319	21,845,120	12,405,778
Non-controlling interests		66,921	65,514	-	-
Total equity		26,315,216	13,732,833	21,845,120	12,405,778

These financial statements were approved by the board of directors, authorised for issue on 29 April 2016 and signed on its behalf by:



Margrit Lutschg-Emmenegger
Chairman



Peter Nussli
Director

Hili Properties p.l.c. (formerly Hili Properties Limited)

Statement of changes in equity

Year ended 31 December 2015

Group	Share capital €	Share premium €	Loss offset reserve €	Retained earnings €	Attributable to owners of the company €	Non - controlling interests €	Total €
Balance at 1 January 2014	15,000,000	-	-	(1,498,820)	13,501,180	42,881	13,544,061
Profit and total comprehensive income for the year	-	-	-	166,139	166,139	22,633	188,772
Balance at 1 January 2015	15,000,000	-	-	(1,332,681)	13,667,319	65,514	13,732,833
Capitalisation of shareholders' loans (note 28)	6,600,000	3,900,000	-	-	10,500,000	-	10,500,000
Amount applied to loss offset reserve (note 28)	-	(3,900,000)	3,900,000	-	-	-	-
Transfer of accumulated losses as at 19 May 2015 against loss offset reserve	-	-	(3,151,573)	3,151,573	-	-	-
Profit and total comprehensive income for the year	-	-	-	2,080,976	2,080,976	1,407	2,082,383
Balance at 31 December 2015	21,600,000	-	748,427	3,899,868	26,248,295	66,921	26,315,216

Hili Properties p.l.c. (formerly Hili Properties Limited)

Statement of changes in equity

Year ended 31 December 2015

Holding Company

	Share capital €	Share premium €	Loss offset reserve €	Accumulated losses €	Total €
Balance at 1 January 2014	15,000,000			(2,311,562)	12,688,438
Loss and total comprehensive expense for the year				(282,660)	(282,660)
Balance at 1 January 2015	15,000,000			(2,594,222)	12,405,778
Capitalisation of shareholders' loans (note 28)	6,600,000	3,900,000		-	10,500,000
Amount applied to loss offset reserve (note 28)		(3,900,000)	3,900,000		
Transfer of accumulated losses as at 19 May 2015 against loss offset reserve			(3,151,573)	3,151,573	-
Loss and total comprehensive expense for the year				(1,060,658)	(1,060,658)
Balance at 31 December 2015	21,600,000		748,427	(503,307)	21,845,120

Hili Properties p.l.c. (formerly Hili Properties Limited)

Statements of cash flows

Year ended 31 December 2015

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Cash flows from operating activities				
Profit/(loss) before tax	1,955,078	75,688	(950,407)	(439,638)
<i>Adjustments for:</i>				
Acquisition costs written off	465,416	-	-	-
Depreciation of property, plant and equipment	11,084	6,310	1,579	1,371
Interest expense	1,697,053	686,639	840,438	44,681
Interest income	(63,090)	-	(871,158)	(647)
Increase in fair value of investment Property	(700,100)	-	-	-
Decrease in fair value of investment Properties	1,208,293	144,474	71,052	-
Amortisation of bond issue costs	15,964	-	15,964	-
(Gain)/loss on disposal of property	(104,767)	21,279	-	21,279
Bargain purchase on acquisition of subsidiary	(1,947,513)	-	-	-
Operating profit before working capital movements	2,537,418	934,390	(892,532)	(372,954)
Movement in trade and other receivables	(550,816)	321,791	(709,302)	(1,341,753)
Movement in trade and other payables	763,709	455,617	(87,581)	1,655,384
Cash flows from operations	2,750,311	1,711,798	(1,689,415)	(59,323)
Interest paid	(1,424,925)	(686,639)	(433,192)	(44,681)
Income tax paid	(248,462)	(92,778)	-	(7,954)
<i>Net cash flows from/(used in) operating activities</i>	1,076,924	932,381	(2,122,607)	(111,958)
Cash flows from investing activities				
Proceeds from sale of investment property	290,000	1,295,588	-	764,490
Additions to investment property	(1,793,994)	(1,863,702)	(1,645)	(759,429)
Acquisition of business	(29,529,593)	-	-	-
Purchase of property, plant and equipment	(57,192)	(3,630)	(4,183)	(2,685)
Purchase of investment in subsidiary	-	-	(2,573,486)	-
Deposit on acquisition of investment	(5,422,500)	-	(5,422,500)	-
Proceeds from sale of assets held for sale	-	804,852	-	-
Interest received	42,073	-	-	647
<i>Net cash flows (used in)/from investing activities</i>	(36,471,206)	233,108	(8,001,814)	3,023

Hili Properties p.l.c. (formerly Hili Properties Limited)

Statements of cash flows (continued)

Year ended 31 December 2015

	Note	Group		Holding company	
		2015 €	2014 €	2015 €	2014 €
Cash flows from financing activities					
Proceeds from bank loans		32,032,237	-	16,000,000	-
Proceeds from bond issue		36,233,729	-	36,233,729	-
Repayment of bank loans		(26,029,877)	(1,375,372)	(16,000,000)	-
Proceeds from related parties		-	803,166	-	-
Proceeds to related parties		(5,758,525)	(1,443,861)	(25,637,721)	-
<i>Net cash flows from/(used in) financing activities</i>		36,477,564	(2,016,067)	10,596,008	-
Net movement in cash and cash equivalents					
		1,083,282	(850,578)	471,587	(108,935)
Cash and cash equivalents at the beginning of the year					
		44,787	895,365	(47,250)	61,685
Cash and cash equivalents at the end of the year					
	31	1,128,069	44,787	424,337	(47,250)

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

1. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for investment properties which are carried at their fair value, and in accordance with International Financial Reporting Standards as adopted by the EU. The significant accounting policies adopted are set out below.

2. Significant accounting policies

Basis of consolidation

Acquisition of subsidiaries

The consolidated financial statements incorporate the financial statements of the holding company and entities controlled by the holding company. The company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The acquisition of subsidiaries is accounted for by applying the acquisition method. The consideration is measured as the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred, except for costs to issue debt or equity securities.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except as specifically required by other IFRS. A contingent liability assumed in a business combination is recognised at the acquisition date if there is a present obligation that arises from past events and its fair value can be measured reliably.

The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by group entities. Intra-group balances, transactions, income and expenses are eliminated on consolidation.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Basis of consolidation (continued)

Goodwill

Goodwill arising in a business combination that is accounted for using the acquisition method is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of (a) the aggregate of: (i) the consideration transferred; (ii) the amount of any non-controlling interests in the acquiree; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

The goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Any gain on a bargain purchase, after reassessment, is recognised immediately in profit or loss.

Non-controlling interest

Non-controlling interests in the acquiree that are present ownership interests and entitle their shareholders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at the present ownership interests proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investment in subsidiaries

The holding company accounts for its investment in subsidiaries on the basis of the direct equity interest and is stated at cost less any accumulated impairment losses. Dividends from the investment are recognised in profit or loss.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Property, plant and equipment

The company's property, plant and equipment are classified into furniture, fixtures and other equipment.

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

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

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

Depreciation

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

Furniture, fixtures and other equipment	10% - 33%
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The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds and the carrying amount and are recognised in profit or loss in the period of derecognition.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Property held for sale

Property is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and if sale is considered highly probable. Property held for sale is measured at the lower of the carrying amount and fair value less costs of selling.

Other financial instruments

Financial assets and financial liabilities are recognised on the group's statement of financial position when the respective entities become party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

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

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

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

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

(i) Trade and other receivables

Trade and other receivables are classified with current assets and are stated at their nominal value unless the effect of discounting is material, in which case trade receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Other financial instruments (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process.

(iii) Bank borrowings

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

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

(iv) Other borrowings

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

(v) Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

(vi) Shares issued by the company

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

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Impairment

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

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

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment and indicates that the cost of the investment in the equity instrument may not be recovered.

Goodwill arising on the acquisition of subsidiaries is tested for impairment annually and whenever there is an indication of impairment.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Impairment (continued)

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

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

In the case of other assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly other comprehensive income and increases the revaluation surplus for that asset, unless an impairment loss on the same asset was previously recognised in profit or loss.

Where an impairment loss for a cash-generating unit subsequently reverses, the impairment loss is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Revenue recognition (continued)

(i) Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

(ii) Rental income

Rental income from operating leases, less the aggregate cost of incentives given to the lessee, is recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss on a straight-line basis over the lease term.

Interest income

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

Borrowing costs

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

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Leased assets are presented in the statement of financial position according to their nature and are tested for impairment in accordance with the company's accounting policy on impairment. Rental income from operating leases, less the aggregate cost of incentives given to the lessee, is recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss on a straight-line basis over the lease term.

Taxation

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Taxation (continued)

Current tax assets and liabilities are offset when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Employee benefits

The group contributes towards the state pension in accordance with local legislation. The only obligation of the group is to make the required contributions. Costs are expensed in the period in which they are incurred.

Currency translation

The financial statements of the company and the group are presented in the company's functional currency, the Euro, being the currency of the primary economic environment in which the company operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at period-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Foreign exchange gains and losses are classified with other operating income or other operating expenses as appropriate, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Cash and cash equivalents

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

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

In the process of applying the group's and company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

Goodwill

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 was allocated as follows:

- € 3,815,030 to the business in the Baltics

The goodwill arising on acquisition is in relation to the synergies of having an operating base in the Baltics, which synergies are 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 recoverable amount of the CGU is determined with reference to the fair value of the respective investment properties using a discounted cash flow method together with the relevant expected synergies and possible tax planning opportunities. The key assumptions for the calculation are those regarding the discount rates and growth rates. The discount rates are market derived and the duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and relate lease up periods, re-letting, redevelopment or refurbishment.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

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

Goodwill (continued)

The assessment of recoverability of the carrying amount of goodwill includes:

- forecasted cash flow projections over the assets life including an exit or terminal value
- growth rates of 2 - 2.5%
- use of 8.5 - 10.4% to discount the projected cash flows to net present values.

Based on the above assessment, management expects the carrying amount of goodwill to be recoverable.

Fair value of Investment Properties

The company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss and other comprehensive income. This is based on market valuations performed by independent professional architects. In a year when market valuations are not performed by the independent professional architect, an assessment of the fair value of investment properties is performed to reflect market conditions at the year-end date. The last market valuation was performed during 2015. The directors have reviewed the fair values of investment properties at the end of the financial year and consider the valuation performed during 2015 to be an appropriate estimate of fair values at the balance sheet date. Movements in fair value are disclosed in note 18.

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

At the date of the approval of these financial statements, a number of International Financial Reporting Standards were in issue but not yet effective. The directors are assessing the potential impact of these International Financial Reporting Standards on the group and company's financial statements.

IFRS 16 Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. These amendments are effective for annual periods beginning on or after 1 January 2019, but as at the date of authorisation of the financial statements, it had not yet been endorsed by the EU.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

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

IAS 1 Amendment Disclosure Initiative, aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. These amendments are effective for annual periods beginning on or after 1 January 2016.

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

5. Segment information

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 four main business segments: Malta, Latvia, Estonia and Lithuania. 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.

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

Revenue reported below represents revenue generated from external customers. There were no intersegment sales in the year. 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 described in note 2.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

5. Segment information (continued)

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

Profit before taxation

	2015 €	2014 €
Total profit for reportable segments	4,132,334	255,919
Elimination of inter segment profits	(1,797,173)	-
Unallocated amounts:		
Finance costs	(351,247)	-
Other unallocated amounts	(28,836)	(180,231)
	<u>1,955,078</u>	<u>75,688</u>

Assets

	2015 €	2014 €
Total assets for reportable segments	113,818,145	45,863,846
Elimination of inter segment receivables	(26,918,649)	(9,096,689)
Unallocated amounts:		
Goodwill	3,815,030	-
Other unallocated amounts	152,153	955
	<u>90,866,679</u>	<u>36,768,112</u>

Liabilities

	2015 €	2014 €
Total liabilities for reportable segments	51,539,343	34,036,264
Elimination of inter segment payables	(23,251,697)	(11,009,607)
Unallocated amounts:		
Debt securities in issue	36,249,693	-
Other unallocated amounts	14,124	8,622
	<u>64,551,463</u>	<u>23,035,279</u>

Included in revenue arising from rental of investment property in Latvia of €2,304,818 are revenues of €1,054,509 which arose from the group's largest customer. Total revenue from rental of investment property in Latvia and Lithuania in 2014 was generated from two external customers, while €350,000 of revenue from rental of investment property in Malta arose from another external customer. No other single customers contributed 10% or more to the group's revenue for both 2015 and 2014.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

5. Segment information (continued)

2015

	Malta €	Latvia €	Estonia €	Lithuania €	Total €	Unallocated €	Eliminations and Adjustments Consolidated €
Revenue	1,469,756	2,304,818	102,914	248,753	4,126,241	-	4,126,241
Profit before taxation	2,355,423	964,960	784,905	27,046	4,132,334	(380,083)	1,955,078
Depreciation	(1,579)	(9,505)	-	-	(11,084)	-	(11,084)
Investment income	3,050,000	-	700,109	104,767	3,854,876	-	2,752,389
Investment losses	(734,917)	(257,676)	-	(215,700)	(1,208,293)	-	(1,673,709)
Finance costs	(1,353,896)	(653,281)	-	(69,038)	(2,076,215)	(351,247)	(1,829,993)
Segment assets	78,995,858	28,792,754	2,463,454	3,566,079	113,818,145	3,967,183	90,866,679
Investment property	34,648,225	24,977,786	1,999,100	2,850,862	64,475,973	-	64,475,973
Segment liabilities	22,731,388	24,747,350	1,299,301	2,761,304	51,539,343	36,263,817	64,551,463
Income tax credit/(expense)	(152,697)	(132,501)	-	54,299	(230,899)	-	127,305

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

5. Segment information (continued)

2014

	Malta €	Latvia €	Estonia €	Lithuania €	Total €	Unallocated €	Eliminations and adjustments €	Consolidated €
Revenue	1,179,687	297,662	100,000	250,691	1,828,040	-	(150,000)	1,678,040
Profit/(loss) before taxation	56,881	(20,379)	86,125	133,292	255,919	(180,231)	-	75,688
Depreciation	(1,371)	(4,939)	-	-	(6,310)	-	-	(6,310)
Investment income	647	-	5,639	10,626	16,912	-	-	16,912
Investment losses	(21,279)	(144,474)	-	-	(165,753)	-	-	(165,753)
Finance costs	(490,606)	(116,318)	-	(79,715)	(686,639)	-	-	(686,639)
Segment assets	35,018,204	5,524,829	1,674,918	3,645,895	45,863,846	955	(9,096,689)	36,768,112
Investment property	24,254,116	4,419,331	1,299,000	3,245,000	33,217,447	-	-	33,217,447
Segment liabilities	26,270,458	3,547,670	1,295,671	2,922,465	34,036,264	8,622	(11,009,607)	23,035,279
Income tax credit/(expense)	113,107	11,332	-	(11,355)	113,084	-	-	113,084

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

6. Revenue

Revenue represents the total invoiced value of services provided during the year, net of any indirect taxes as follows:

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Rent receivable	4,126,241	1,678,040	52,354	29,386
Management fees	-	-	-	150,000
	<u>4,126,241</u>	<u>1,678,040</u>	<u>52,354</u>	<u>179,386</u>

7. Other operating income

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Other operating income	74,560	-	22,217	-
	<u>74,560</u>	<u>-</u>	<u>22,217</u>	<u>-</u>

8. Investment income

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Bank interest receivable	9	-	-	-
Other interest receivable	-	16,912	-	-
Increase in fair value of investment property	700,100	-	-	-
Gain on disposal of property	104,767	-	-	-
Bargain purchase on the acquisition of subsidiary (note 32)	1,947,513	-	-	-
	<u>2,752,389</u>	<u>16,912</u>	<u>-</u>	<u>-</u>

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

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9. Investment losses

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Decrease in fair value of investment properties	1,208,293	144,474	71,052	-
Acquisition related costs	465,416	-	-	-
Loss on disposal of property	-	21,279	-	21,279
	<u>1,673,709</u>	<u>165,753</u>	<u>71,052</u>	<u>21,279</u>

10. Finance income

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Interest on bank balances	4,401	-	-	-
Interest receivable on:				
- amounts due from related parties	44,981	-	17,534	-
- amounts due from group companies	-	-	839,925	647
- amounts due from parent company	13,699	-	13,699	-
	<u>63,081</u>	<u>-</u>	<u>871,158</u>	<u>647</u>

11. Finance costs

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Interest on bank loans and overdrawn bank balance	1,221,772	605,081	315,502	10
Interest on debt securities	351,247	-	351,247	-
Interest payable on:				
- amounts due to related parties	33,819	36,689	33,819	8,452
- amounts due to group companies	-	-	62,374	-
- amounts due to parent company	90,215	44,869	77,496	36,219
Processing fees	116,976	-	88,570	-
Amortisation of bond issue costs	15,964	-	15,964	-
	<u>1,829,993</u>	<u>686,639</u>	<u>944,972</u>	<u>44,681</u>

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

12. Profit/(loss) before taxation

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
<i>This is stated after charging:</i>				
Depreciation	11,084	6,310	1,579	1,371
Provision for doubtful debts	2,507	-	-	-
	<u>11,084</u>	<u>6,310</u>	<u>1,579</u>	<u>1,371</u>

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

Group

Total remuneration payable to the parent company's auditors in respect of the audit of the financial statements and the undertakings included in the consolidated financial statements amounted to €18,500 (2014: €11,000) and the remuneration payable to the other auditors in respect of the audits of undertakings included in the consolidated financial statements amounted to €36,195 (2014: €18,000). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to €15,140 (2014: €5,515) and €61,226 (2014: €10,285) respectively.

Holding company

The remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to €4,650 (2014: €1,500). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to €10,010 (2014: €660) and €60,326 (2014: €8,875) respectively.

13. Key management personnel compensation

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Directors' compensation:				
Fees	27,562	24,000	27,562	24,000
Remuneration	33,227	-	33,227	-
	<u>60,789</u>	<u>24,000</u>	<u>60,789</u>	<u>24,000</u>
Other key management personnel compensation:				
Salaries and social security contributions	40,973	59,684	40,973	59,684
	<u>40,973</u>	<u>59,684</u>	<u>40,973</u>	<u>59,684</u>
Total key management personnel compensation	<u>101,762</u>	<u>83,684</u>	<u>101,762</u>	<u>83,684</u>

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

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14. Staff costs and employee information

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Staff costs:				
Wages and salaries	350,200	174,970	331,628	174,970
Social security costs	17,065	9,156	12,683	9,156
Recharged to subsidiary	-	-	(77,800)	-
Recharged (to)/from related parties	(64,925)	-	5,972	-
	<u>302,340</u>	<u>184,126</u>	<u>272,483</u>	<u>184,126</u>

The average number of persons employed during the year, including executive directors, was made up as follows:

	Group		Holding company	
	2015	2014	2015	2014
	Number	Number	Number	Number
Administration	7	4	5	4
Operations	6	4	6	4
	<u>13</u>	<u>8</u>	<u>11</u>	<u>8</u>

15. Income tax (credit)/expense

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Current tax expense	211,628	11,354	5,640	(43,872)
Deferred tax (credit)/expense (note 28)	(338,933)	(124,438)	104,611	(113,106)
	<u>(127,305)</u>	<u>(113,084)</u>	<u>110,251</u>	<u>(156,978)</u>

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

15. Income tax expense (continued)

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

	Group		Holding company	
	2015 €	2014 €	2015 €	2014 €
Profit/(loss) before taxation	1,955,078	75,688	(950,407)	(439,638)
Tax at the applicable rate of 35%	684,277	26,491	(332,642)	(153,873)
<i>Tax effect of:</i>				
Different tax rates of subsidiaries	(198,401)	(26,658)	-	-
Income taxed under the FRFTC method	(20,775)	-	(20,775)	-
Disallowable expenses	719,524	87,241	441,985	-
Disallowed acquisition costs	162,896	-	-	-
Income not subject to tax	(301,263)	(30,144)	-	-
Amortisation of grant income	(1,295)	-	-	-
Maintenance allowance	(108,828)	(41,572)	(3,665)	(2,057)
Increase in fair value of investment property not chargeable to tax	257,221	-	24,868	-
Deferred tax on revaluation of investment property	-	(11,332)	-	-
Unrecognised deferred tax	(185,770)	-	-	-
Capital allowances absorbed (permanent)	(17,528)	(116,062)	-	-
Difference between accounting loss and capital gain on sale of property	-	(1,048)	-	(1,048)
Gain on bargain purchase of subsidiary not subject to tax	(681,630)	-	-	-
Prior year adjustment to deferred tax	(503,996)	-	480	-
Other differences	68,263	-	-	-
Income tax (credit)/expense for the year	(127,305)	(113,084)	110,251	(156,978)

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

16. Property, plant and equipment

Group

	Furniture, fixtures and other equipment €
Cost	
At 01.01.2014	67,549
Additions	3,630
At 01.01.2015	71,179
Additions	57,192
Acquired on business combination	64,639
At 31.12.2015	193,010
Accumulated depreciation	
At 01.01.2014	52,967
Provision for the year	6,310
At 01.01.2015	59,277
Provision for the year	11,084
Acquired on business combination	42,354
At 31.12.2015	112,715
Carrying amount	
At 31.12.2014	11,902
At 31.12.2015	80,295

€40,710 (2014: nil) worth of assets have not been put into use as at 31 December 2015.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

16. Property, plant and equipment (continued)

Holding company

	Furniture, fixtures and other equipment €
Cost	
At 01.01.2014	1,819
Additions	2,685
	<hr/>
At 01.01.2015	4,504
Additions	4,183
	<hr/>
At 31.12.2015	8,687
	<hr/>
Accumulated depreciation	
At 01.01.2014	491
Provision for the year	1,371
	<hr/>
At 01.01.2015	1,862
Provision for the year	1,579
	<hr/>
At 31.12.2015	3,441
	<hr/>
Carrying amount	
At 31.12.2014	2,642
	<hr/>
At 31.12.2015	5,246
	<hr/>

17. Goodwill

	€
Amounts recognised on the acquisitions of subsidiaries during the current year (note 32)	3,815,030
	<hr/>

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

18. Investment property

	Group €	Holding company €
Fair value		
At 01.01.2015	32,965,086	4,167,392
Additions	1,863,702	759,429
Disposals	(1,316,867)	(785,769)
Decrease in fair value (note 9)	(144,474)	-
Transfer to held for sale (note 22)	(150,000)	-
	<hr/>	<hr/>
At 01.01.2015	33,217,447	4,141,052
Additions	1,793,994	1,645
Disposals	(182,000)	-
Increase in fair value (note 8)	700,100	-
Decrease in fair value (note 9)	(1,208,292)	(71,052)
Acquired on business combination (note 32)	30,705,624	-
Transfer to held for sale (note 22)	(550,900)	-
	<hr/>	<hr/>
At 31.12.2015	64,475,973	4,071,645

The fair value of investment properties amounting to €64,475,973 (2014: €21,398,065) has been arrived at on the basis of a valuation carried out by independent professionally qualified valuers in September 2015 on the basis of market value/discounted cash flows together with further additions and improvements to the properties.

The directors are of the opinion that the fair value has not altered since the date of the valuation and hence this is an appropriate estimate of the fair value at 31 December 2015.

In 2014, the fair value of €11,464,407 had been arrived at on the basis of the acquisition cost since these properties had been recently acquired.

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. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

18. Investment property (continued)

Investment properties are classified as level 3 as follows:

Group

	€
2015	
Retail/commercial properties	34,301,376
Office properties	28,574,597
Other properties	1,600,000
Total	<u>64,475,973</u>
2014	
Retail/commercial properties	13,408,967
Office properties	18,372,504
Other properties	1,435,976
Total	<u>33,217,447</u>

Holding Company

	€
2015	
Office properties	2,471,645
Other properties	1,600,000
Total	<u>4,071,645</u>
2014	
Office properties	2,705,076
Other properties	1,435,976
Total	<u>4,141,052</u>

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

18. Investment property (continued)

The levels in the fair value hierarchy have been defined in note 36. The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Valuation techniques and inputs

For the fair value of the investment property in Malta, the valuation was determined by the comparable method based on directly or indirectly observable inputs which do not require a significant level of adjustments. The main inputs were market prices which were based on comparison of recent sales transactions involving comparable properties and an analysis of data available on the property market.

For the fair value of investment property in the Baltics which are all retail/commercial properties, the valuation was determined by capitalising future net income streams based on significant unobservable inputs. These inputs include the growth rates and the discount rates as follows:

	Range of significant unobservable inputs	
	Discount rate %	Growth rate %
2015	8.1 – 10.7	2 - 3.1
2014	9.0 – 9.3	3.0

For each valuation for which rental value and capitalisation rate have been determined to be the significant unobservable inputs, the higher the rental value and the lower the capitalisation rate, the higher the fair value. Conversely, the lower the rental value and the higher the capitalisation rate, the higher the fair value. A reasonable change in the unobservable inputs is not expected to result in a material change in the value of the property.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

18. Investment property (continued)

Operating leases – the Group as lessor

Operating leases relate to the investment property owned by the group with lease terms of between 1 to 20 years. The lessee does not have an option to purchase the property at the expiry of the lease period. The rental income earned under operating leases during the year amounted to €4,126,241 (2014: €1,678,040). Included in rental income, the group does not have any contingent rents (2014: €648,353).

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

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Within one year	4,072,328	1,536,042	63,726	63,798
Between one and five years	10,742,022	6,226,919	8,209	250,257
After five years	15,156,156	11,798,648	-	528,491
	29,970,506	19,561,609	71,935	842,546

19. Investment in subsidiaries

	2015	2014
	€	€
Investment in subsidiaries	15,593,126	4,968,300

During the year the company acquired Hili Properties (Swatar) Limited, Tukuma Projekts SIA and Apex Investments SIA. Details of the acquisitions are disclosed in note 32.

Subsidiaries

Details of the company's subsidiaries at 31 December 2015 and 31 December 2014 are as follows:

	Proportion of ownership interest %
Hili Estates Holdings Limited	95 (2014: 95)
Hili Estates Limited	95 (2014: 95)
Premier Estates Limited	95 (2014: 95)
Hili Properties (Swatar) Limited	100 (2014: nil)

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

19. Investment in subsidiaries (continued)

The registered office and principle place of business of all the above group undertakings is Nineteen Twenty-Three, Valletta Road, Marsa, Malta.

	Proportion of ownership interest %
Hili Properties BV	100 (2014:100)

The registered office and principle place of business of the above group undertaking is Schiphol Boulevard 231, 1118BH, Amsterdam, Netherlands.

Premier Estates Eesti OÜ	100 (2014:100)
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The registered office and principle place of business of the above group undertaking is Eesti, Mustamäe tee 16, Tallinn linn, Harju maakond, 1061.

Premier Estates Ltd SIA	100 (2014:100)
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The registered office and principle place of business of the above group undertaking is Dunties street 6, Riga, LV – 1013, Latvia.

Premier Estates Lietuva UAB	100 (2014:100)
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The registered office and principle place of business of the above group undertaking is Konstitucijos ave. 7, LT-09308, Vilnius, the Republic of Lithuania.

Tukuma Projekts SIA	100 (2014: nil)
Apex Investments SIA	100 (2014: nil)

The registered office and principle place of business of the above group undertaking is Citadeles 12, Riga LV-1, Latvia.

The principal activity of the above mention companies is to hold and rent immovable property with the exception of Hili Estates Holdings Limited and Hili Properties BV which act as holding companies.

20. Deposit on acquisition of investment

On 25 August 2015 the company entered into a promise of share purchase agreement whereby it undertook to accept, purchase and 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 92,000m². In the current year, a 50% deposit was paid. The remaining balance of €12,500,000 will be settled by 2018 through equity.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

21. Loans and receivables

2015

	Group €	Holding company €
Amounts due from related companies	4,408,635	3,872,956
Amounts due from parent company	2,000,000	2,000,000
Amounts due from group companies	-	21,755,065
At 31.12.2015	6,408,635	27,628,021
Less: amount expected to be settled within 12 months (shown under current assets)	(4,663,161)	(4,967,162)
Amount expected to be settled after 12 months (shown under non-current assets)	1,745,474	22,660,859

2014

Amounts due from related companies	2,047,722	477,627
Amounts due from group companies	-	6,369,660
At 31.12.2014	2,047,722	6,847,287
Less: amount expected to be settled within 12 months (shown under current assets)	(2,047,722)	(477,627)
Amount expected to be settled after 12 months (shown under non-current assets)	-	6,369,660

Group

The above loans and receivables are unsecured. €3,181,098 (2014: *nil*) of the amounts due from related parties and the amounts due to parent company amounting to €2,000,000 bear interest at the rate of 5% per annum. The remaining amounts of loans and receivables are interest free. €1,745,474 of the total loans and receivables (2014: *nil*) have no fixed date for repayment and are not expected to be realised within 12 months after the end of the reporting period. The remaining loans and receivables are payable on demand.

Holding company

The above loans and receivables are unsecured. €21,446,533 (2014: *nil*) of the amounts due from group companies bear interest at the rate of 2.9% to 5% per annum while €2,650,000 of the amounts due from related companies and all the amounts due from the parent company bear an interest rate of 5% per annum. The remaining loans and receivables are interest free. €19,561,533 (2014: €6,369,660) of the amounts due from group companies and €1,214,326 of the amounts due from related parties have no fixed date of repayment and are not expected to be realised within 12 months after the end of the reporting period. €1,885,000 of the amounts due from group companies are payable between 2020 and 2025. All the remaining loans and receivables are payable on demand.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

22. Property held for sale

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Investment property	550,900	150,000	-	-

23. Trade and other receivables

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Trade receivables	190,869	36,000	705	-
Other receivables	617,072	583,040	574,458	552,524
Amounts due from related companies	253,759	-	1,146	-
Prepayments and accrued income	198,514	69,341	838,695	153,178
	1,260,214	688,381	1,415,004	705,702

No interest is charged on trade and other receivables.

24. Trade and other payables

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Trade payables	290,987	197,708	164,030	8,789
Amounts due to related companies	32,288	-	-	-
Other payables	637,786	49,672	-	-
Accruals	865,779	543,623	472,426	308,000
	1,826,840	791,003	636,456	316,789

No interest is charged on trade and other payables.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

25. Other financial liabilities

	Group		Holding company	
	2015 €	2014 €	2015 €	2014 €
Amounts due to parent company	265,565	4,087,213	204,255	3,204,198
Amounts due to related parties	1,845,089	2,956,825	1,800,938	812,028
Amounts due to group companies			911,726	
	2,110,654	7,044,038	2,916,919	4,016,226
Less: amount due for settlement within 12 months (shown under current liabilities)	(388,852)	(1,125,236)	(287,375)	(812,028)
Amount due for settlement after 12 months	1,721,802	5,918,802	2,629,544	3,204,198

Group

In 2014, other financial liabilities amounting to €4,412,184 bore interest at the rate of 5% per annum. The remaining amounts owed in 2014 and all the amounts owed in 2015 are interest free. In 2015, €1,721,802 (2014: €5,918,802) of these loans have no fixed date for repayment but the group has an unconditional right to defer settlement of these loans for at least twelve months after the end of the reporting period. Loans amounting to €388,852 (2014: €1,125,236) are payable on demand. All the financial liabilities listed above are unsecured.

Holding company

€907,742 (2014: €3,881,725) of the amounts due to group companies bear interest at the rate of 3.5% - 5% per annum. The remaining amounts owed are interest free. €2,429,544 (2014: €3,204,418) of these loans have no fixed date for repayment but the company has an unconditional right to defer settlement of these loans for at least twelve months after the end of the reporting period. An amount of €200,000 is payable in April 2020. Loans amounting to €287,375 (2014: €812,028) are payable on demand. All the financial liabilities of the company listed above are unsecured.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

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26. Bank loans

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Bank loans	19,573,828	13,571,468	-	-
Less: amount due for settlement within 12 months (shown under current liabilities)	(4,799,181)	(2,767,477)	-	-
Amount due for settlement after 12 months	14,774,647	10,803,991	-	-

Bank loans are payable as follows:

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
On demand or within one year	4,799,181	2,767,477	-	-
Between one and five years	5,187,308	7,508,480	-	-
After five years	9,587,339	3,295,511	-	-
	19,573,828	13,571,468	-	-

The group's bank loans facilities bear effective interest at the rates of 3.5% to 4.85% p.a. The group's bank borrowings facilities amount to €19,573,828 (2014: €13,571,468). 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 a related party and a pledge over rent receivable from the company's tenants.

On 21 March 2016, one of the subsidiaries in Latvia received consent from the bank to prolong a bank loan amounting to €1,600,000 for further five years following the original maturity date which was 8 June 2016.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

27. Debt securities in issue

	Group and holding company	
	2015	2014
	€	€
4.5% unsecured bonds redeemable 2025	36,249,693	-

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 €39,775,000.

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.

28. Deferred taxation

Group

	Opening balance €	Acquired on business combination €	Recognised in profit or loss €	Closing balance €
2015				
<i>Arising on:</i>				
Investment property	1,560,000	3,302,150	(440,109)	4,422,041
Temporary difference on trade receivables	-	(3,488)	(624)	(4,112)
Temporary difference on non-current liabilities	-	6,931	(6,931)	-
Unutilised tax losses	-	(148,118)	138,514	(9,604)
	<u>1,560,000</u>	<u>3,157,475</u>	<u>(309,150)</u>	<u>4,408,325</u>
<i>Arising on:</i>				
Unutilised tax losses	(236,122)	-	202,936	(33,186)
Unabsorbed losses arising as a result of merger	(295,687)	-	-	(295,687)
Temporary difference on non-current assets	-	-	(78,439)	(78,439)
Investment property	-	-	(154,280)	(154,280)
	<u>(531,809)</u>	<u>-</u>	<u>(29,783)</u>	<u>(561,592)</u>
	<u>1,028,191</u>	<u>3,157,475</u>	<u>(338,933)</u>	<u>3,846,733</u>

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

28. Deferred taxation (continued)

	Opening balance €	Acquired on business combination €	Recognised in profit or loss €	Closing balance €
2014				
<i>Arising on:</i>				
Investment property	1,560,000			1,560,000
<i>Arising on:</i>				
Unutilised tax losses	(111,684)		(124,438)	(236,122)
Unabsorbed losses arising as a result of merger	(295,687)			(295,687)
	(407,371)		(124,438)	(531,809)
	1,152,629		(124,438)	1,028,191

Holding Company

	Opening balance €	Recognised in profit or loss €	Closing balance €
2015			
<i>Arising on:</i>			
Unutilised tax losses	(113,106)	104,611	(8,495)
2014			
<i>Arising on:</i>			
Unutilised tax losses		(113,106)	(113,106)

At 31 December 2014, the group had deductible temporary differences of €445,020. There was no unrecognised deferred tax asset as at 31 December 2015.

As at 31 December 2015, due to changes in tax law in Malta a different tax treatment on the transfer of immovable property started to be applied. The system consisting of both a 12% final withholding tax on the transfer value and 35% tax on the profit or gain was replaced by one final withholding tax of 8%/10% on the value of the property transferred. The revised taxation rules on capital gains upon the transfer of immovable property were enacted during the current year. Following the amended changes in tax rates, the deferred tax liability decreased by €480,000.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

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29. Share capital

	2015	
	Authorised €	Issued and called up €
21,600,000 ordinary shares of €1 each, all of which have been issued and called up	<u>21,600,000</u>	<u>21,600,000</u>
	2014	
	Authorised €	Issued and called up €
15,000,000 ordinary shares of €1 each, all of which have been issued and called up	<u>15,000,000</u>	<u>15,000,000</u>

On 19 May 2015:

- (i) The authorised share capital of the company was increased by 100,000 ordinary shares of €1 each.
- (ii) The issued share capital of the company was increased by 100,000 ordinary shares of €1 each, which were issued at a premium of €39 per share and was satisfied by the capitalisation of shareholders' loans amounting to €4,000,000.
- (iii) Subsequent to the above also on 19 May 2015, an amount of €3,900,000 equal to the share premium was applied to the company's loss offset reserve account for the purpose of offsetting any losses that may be incurred by the company from time to time. Consequently the remaining balance in the said loss offset reserve amounted to €748,427.

On 27 August 2015:

- (i) The authorised share capital of the company was increased by 6,500,000 ordinary shares of €1 each.
- (ii) The issued share capital of the company was increased by 6,500,000 ordinary shares of €1 each which was also affected via a capitalisation of shareholders' loans.

Hili Properties p.l.c. (formerly Hili Properties Limited)

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30. Significant non-cash transactions

During the year under review, as explained in note 29, the company issued share capital against the capitalisation of shareholders' loans.

31. Cash and cash equivalents

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

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Cash at bank and on hand	1,128,069	92,037	424,337	-
Over-drawn bank balance	-	(47,250)	-	(47,250)
Cash and cash equivalents in the statement of cash flows	1,128,069	44,787	424,337	(47,250)

32. Acquisition of subsidiaries

On 31 January 2015, the group acquired 100% interest and control in Tukuma Projekts SIA and Apex Investments SIA, companies registered in Latvia. The principal activity of these companies is to own and operate retail outlets and generate rental income therefrom. On the date of acquisition, the companies owned 9 retail outlets in Latvia. The purpose of such acquisition was to expand the portfolio of investment property held by the group in the Baltics region. The consolidated financial statements include the results of the subsidiaries for the 11 month period from the date of acquisition

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

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32. Acquisition of subsidiaries (continued)

The fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition by the Group were:

	Tukuma Projekts SIA and Apex Investments SIA €
Cash and cash equivalents	166,543
Property, plant and equipment (note 16)	22,285
Investment property (note 18)	20,455,624
Trade and other receivables	258,990
Trade and other payables	(1,552,620)
Bank loans	(15,982,562)
Deferred tax liability (note 28)	(2,132,475)
Net assets acquired	1,235,785
Consideration paid	(5,050,815)
Goodwill arising on acquisition (note 17)	(3,815,030)

The gross contractual amounts of trade and other receivables amount to €278,665. The best estimate at the acquisition date of cash flows not expected to be collected amount to €19,675. Acquisition related expenses amounting to €125,002 have been excluded from the consideration transferred and have been recognised as part of the investment losses in note 9. Revenue and profit generated from the date of acquisition until 31 December 2015 amount to €1,998,511 and €926,861 respectively. If Tukuma Projekts SIA and Apex Investments SIA were acquired on 1 January 2015, the revenue and profit generated would amount to €2,195,462 and €956,382 respectively.

The goodwill arising on acquisition is in relation to the synergies of having an operating base in the Baltics, which synergies are 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.

Subsequently on 11 May 2015, the group acquired 100% interest and control in Hili Properties (Swatar) Limited, a company registered in Malta, owning and operating a business complex in Swatar and earning rental income therefrom. The purpose of such acquisition was to expand the portfolio of investment property held by the group. The consolidated financial statements include the results of the subsidiary from the date of acquisition.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

32. Acquisition of subsidiaries (continued)

The fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition by the Group were:

	Hili Properties (Swatar) Limited €
Investment property (note 18)	10,250,000
Trade and other receivables	99,009
Trade and other payables	(1,349,378)
Bank loans	(3,457,157)
Current tax liability	(382,902)
Deferred tax liability (note 28)	(1,025,000)
Net assets acquired	<u>4,134,572</u>
Consideration paid	<u>(2,187,059)</u>
Gain on bargain purchase (note 8)	<u>1,947,513</u>

The gross contractual amounts of trade and other receivables amount to €99,009. Acquisition related expenses amounting to €340,414 have been excluded from the consideration transferred and have been recognised as part of the investment losses in note 9. Revenue and profit generated from the date of acquisition until 31 December 2015 amount to €390,635 and €192,199 respectively. If Hili Properties (Swatar) Limited was acquired on 1 January 2015, the revenue and profit generated would amount to €605,316 and €177,905 respectively.

33. Related party transactions

Hili Properties p.l.c. (formerly Hili Properties Limited) is the parent company of the undertakings highlighted in note 19. The parent company of Hili Properties p.l.c. is Hili Ventures Limited which is incorporated in Malta.

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

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

33. Related party transactions (continued)

Group

	Related party activity €	2015 Total activity €	%	Related party activity €	2014 Total activity €	%
Revenue:						
<i>Related party transactions with:</i>						
Other related parties	71,435			73,834		
Group companies	1,613,182			1,600,163		
	<u>1,684,617</u>	<u>4,126,241</u>	<u>40</u>	<u>1,673,997</u>	<u>1,678,040</u>	<u>100</u>
Administrative expenses:						
<i>Related party transactions with:</i>						
Parent company	395,000			300,000		
Related parties	104,672			69,392		
	<u>499,672</u>	<u>1,329,108</u>	<u>38</u>	<u>369,392</u>	<u>766,872</u>	<u>48</u>
Other operating income:						
<i>Related party transactions with:</i>						
Related parties	21,837	74,560	29	-	-	-
	<u>21,837</u>	<u>74,560</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment income:						
<i>Related party transactions with:</i>						
Related parties	-	2,752,389	-	10,626	16,912	62
	<u>-</u>	<u>2,752,389</u>	<u>-</u>	<u>10,626</u>	<u>16,912</u>	<u>62</u>
Finance income:						
<i>Related party transactions with:</i>						
Related parties	44,016			-		
Parent company	14,664			-		
	<u>58,680</u>	<u>63,081</u>	<u>93</u>	<u>-</u>	<u>871,158</u>	<u>-</u>
Finance costs:						
<i>Related party transactions with:</i>						
Related parties	33,819			78,146		
Parent company	90,215			-		
	<u>124,034</u>	<u>1,829,993</u>	<u>7</u>	<u>78,146</u>	<u>686,639</u>	<u>11</u>

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

33. Related party transactions (continued)

Holding Company

	2015			2014		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Revenue:						
<i>Related party transactions with:</i>						
Related parties	-	52,354	-	29,386	179,386	16
Administrative expenses:						
<i>Related party transactions with:</i>						
Parent company	395,000			300,000		
Related parties	5,972			-		
	<u>400,972</u>	<u>880,112</u>	<u>46</u>	<u>300,000</u>	<u>553,711</u>	<u>54</u>
Other operating income:						
<i>Related party transactions with:</i>						
Related parties	21,837	22,217	98	-	-	-
Finance income:						
<i>Related party transactions with:</i>						
Parent company	13,699			-		
Group companies	839,925			-		
Related parties	17,534			-		
	<u>871,158</u>	<u>871,158</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Finance costs:						
<i>Related party transactions with:</i>						
Parent company	77,496			-		
Group companies	62,374			-		
Related parties	33,819			-		
	<u>173,689</u>	<u>944,972</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</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.

Key management personnel compensation is disclosed in note 13 and recharges of staff costs to related parties are disclosed in note 14. Contingent liabilities are disclosed in note 34.

The amounts due to/from other related parties at year-end are disclosed in notes 21, 23, 24 and 25. No guarantees have been given or received.

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34. Contingent liabilities

At 31 December 2015 a subsidiary of the group has guaranteed the repayment of a bank loan of a related party outside of Hili Properties group. Total guarantee according to the Pledge agreement amounts to €4,000,000 (2014: €4,000,000). As at the statement of financial position date there are no indications that the related party will not be able to meet the liability.

35. Capital Commitments

	Group		Holding company	
	2015	2014	2015	2014
	€	€	€	€
Investment property	2,515,000	-	100,000	-
Authorised but not contracted for	2,515,000	-	100,000	-

36. Fair values of financial assets and financial liabilities

At 31 December 2015 and 2014 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities. The fair value of debt securities is disclosed in note 27.

The fair values of the majority of the non-current financial liabilities 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 non-current financial assets are repayable on demand.

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.

Hili Properties p.l.c. (formerly Hili Properties Limited)

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36. Fair values of financial assets and financial liabilities (continued)

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 €
2015					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
- receivables from related parties	-	6,408,635	-	6,408,635	6,408,635
<i>Financial liabilities</i>					
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	2,110,654	-	2,110,654	2,110,654
- bank loans	-	19,573,828	-	19,573,828	19,573,828
- debt securities	39,775,000	-	-	39,775,000	36,249,693
Total	39,775,000	21,684,482	-	61,459,482	57,934,175
2014					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
- receivables from related parties	-	2,047,722	-	2,047,722	2,047,722
<i>Financial liabilities</i>					
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	7,044,038	-	7,044,038	7,044,038
- bank loans	-	13,571,468	-	13,571,468	13,571,468
Total	-	20,615,506	-	20,615,506	20,615,506

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36. Fair values of financial assets and financial liabilities (continued)

Holding Company

	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
2015					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
- receivables from related parties	-	27,628,021	-	27,628,021	27,628,021
<i>Financial liabilities</i>					
<i>at amortised cost</i>					
- related party loans	-	2,916,919	-	2,916,919	2,916,919
- debt securities	39,775,000	-	-	39,775,000	36,249,693
Total	39,775,000	2,916,919	-	42,691,919	39,166,612
2014					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
- receivables from related parties	-	6,847,287	-	6,847,287	6,847,287
<i>Financial liabilities</i>					
<i>at amortised cost</i>					
- related party loans	-	4,016,226	-	4,016,226	4,016,226

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

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37. Financial risk management

The exposures to risk and the way risks arise, together with the group's and company's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the group's and company's exposure to financial risks or the manner in which the group and company manage and measure these risks are disclosed below.

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

Credit risk

Financial assets which potentially subject the group and the company to concentrations of credit risk consist principally of receivables and cash at bank.

Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to receivables is limited due to credit control procedures and since the majority of the receivables are due from related parties. Credit risk is monitored regularly by the group based on the underlying assets in the context of potential securities that could be provided by other group entities.

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

Management considers the credit quality of these financial assets as being acceptable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained. Guarantees are disclosed in note 26 and contingent liabilities are disclosed in note 34.

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37. Financial risk management (continued)

Interest rate risk

The group has taken out interest-bearing liabilities to finance its operations as disclosed in notes 25 and 26. The interest rates thereon and the terms of such borrowings are disclosed accordingly.

The group is exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing structure.

The carrying amounts of the group's and company's financial instruments carrying a rate of interest at the end of the reporting period are disclosed in the notes to the financial statements.

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the change in cash flows of the group's bank borrowings, net of cash at bank and on hand, at the end of the reporting period for hypothetical changes in the relevant market risk variables. The sensitivity due to changes in the relevant risk variables is set out below.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

The estimated change in cash flows for changes in market interest rates are based on an instantaneous increase or decrease of 50 basis points at the end of the reporting period, with all other variables remaining constant.

The sensitivity of the relevant risk variables is as follows:

	Group Profit or loss sensitivity	
	2015	2014
	€	€
Market interest rates – cash flow	+/- 92,229	+/- 67,633

The sensitivity on profit or loss in respect of market interest rates is mainly attributable to bank loans.

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

37. Financial risk management (continued)

Liquidity risk

The group monitors and manages its risk to a shortage of funds by maintaining sufficient cash, by matching the maturity of both its financial assets and financial liabilities and by monitoring the availability of raising funds to meet commitments associated with financial instruments.

The following maturity analysis for financial liabilities shows the remaining contractual maturities using the contractual undiscounted cash flows on the basis of the earliest date on which the company can be required to pay. The analysis includes both interest and principal cash flows.

Group

	On demand or within 1 year €	2 - 5 years €	5+ years €	Total €
2015				
<i>Non-derivative financial liabilities</i>				
Non-interest bearing	2,215,692	-	1,721,802	3,937,494
Variable rate instruments	5,314,207	5,655,213	9,632,424	20,601,844
Fixed rate instruments	1,665,000	6,660,000	44,978,125	53,303,125
	<u>9,194,899</u>	<u>12,315,213</u>	<u>56,332,351</u>	<u>77,842,463</u>
2014				
<i>Non-derivative financial liabilities</i>				
Non-interest bearing	1,238,712	2,184,145	-	3,422,857
Variable rate instruments	3,191,727	4,097,445	7,030,946	14,320,118
Fixed rate instruments	711,403	3,894,867	-	4,606,270
	<u>5,141,842</u>	<u>10,176,457</u>	<u>7,030,946</u>	<u>22,349,245</u>

Hili Properties p.l.c. (formerly Hili Properties Limited)

Notes to the financial statements

31 December 2015

37. Financial risk management (continued)

Liquidity risk (continued)

Holding company

	On demand or within 1 year €	2 - 5 years €	5+ years €	Total €
2015				
Non-derivative financial liabilities				
Non-interest bearing	923,831	-	1,721,802	2,645,633
Fixed rate instruments	1,707,387	7,390,492	45,178,867	54,276,746
	<u>2,631,218</u>	<u>7,390,492</u>	<u>46,900,669</u>	<u>56,922,379</u>
2014				
Non-derivative financial liabilities				
Non-interest bearing	451,290	-	-	451,290
Variable rate instruments	47,250	-	-	47,250
Fixed rate instruments	711,403	3,204,198	-	3,915,601
	<u>1,209,943</u>	<u>3,204,198</u>	<u>-</u>	<u>4,414,141</u>

Capital risk management

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

The capital structure of the group and the company consists of debt, which includes the borrowings disclosed in notes 25, 26 and 27, cash and cash equivalents as disclosed in note 31 and of items presented within equity in the statement of financial position.

The group's directors manage the capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the group balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

38. Comparative figures

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

Independent auditor's report to the members of

Hili Properties p.l.c.

We have audited the accompanying financial statements of Hili Properties p.l.c. and its group set out on pages 10 to 63, which comprise the statements of financial position of the company and the group as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the company and the group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more fully in the statement of directors' responsibilities on page 4, the directors of the company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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

Hili Properties p.l.c.

Opinion

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



Annabelle Zammit Pace as Director
in the name and on behalf of

Deloitte Audit Limited

Registered auditor
Mriehel, Malta

29 April 2016