2021
ANNUAL REPORT

MALITA INVESTMENTS P.L.C.

ANNUAL REPORT & FINANCIAL STATEMENTS 2021

MALITA INVESTMENTS

MISSION STATEMENT

Malita's mission is to invest in sustainable urban regeneration projects located in both Malta and Gozo which will ultimately translate into long-term economic and environmental benefits

CONTENTS

Readers are reminded that the official statutory Annual Financial Report 2021, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) and is published on www.malitainvestments.com. A copy of the Independent auditor's report issued on the official statutory Annual Financial Report 2021, is included within this printed document and comprises the auditor's report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the ESEF RTS), by reference to Capital Markets Rule 5.55.6.

CHAIRMAN'S STATEMENT

Dear Shareholders

This year has very much followed on the heels of the previous year in terms of the challenges that COVID 19 pandemic has presented. This year will undoubtedly be chronicled as an extraordinary one in global history which has brought about continued disruption to the macro and micro economies.

Despite the fact that the challenges have overall been managed well, the unavailability of the required workforce in the construction industry due to travel restrictions has undoubtedly left its mark. Nonetheless, the Company's affordable housing project which involves the construction of apartments across 16 different sites in 11 localities in Malta has continued to gain traction during the year under review. In fact, construction works on 14 sites are completed or in their very final stages, and 161 units are planned to be ready and deployed by Q2 2022. The management team and project managers are working on the remaining mechanical and engineering works and other requirements to deliver the remaining apartments over the next three years.

FINANCIAL PERFORMANCE

Over the year under review, the Company registered a pre-tax loss of €20,619,524 (2020: profit €11,498,433), while revenue for the year amounted to €8,231,598 (2020: €8,505,233). The pre-tax loss was primarily driven by the negative fair value movement of the investment properties which came about due to the upward movement of interest rates.

For the second consecutive year under review, the Company registered a negative fair value movement with respect to the MIA and VCP properties of €17,834,000 (2020 fair value loss: €1,440,000) and €10,008,225 (2020 fair value gain: €6,042,762) negative fair value movement with respect to the Parliament Building and Open Air Theatre. The negative fair value movement came about due to the upward movement of interest rates. The net loss has consequently been deducted from the non-distributable reserve.

Excluding the accounting impact of fair value movements, the operating profit of the Company decreased to €8,107,943 (2020: €8,124,716). Overall gross revenues were driven by ground rents from the Malta International Airport (MIA) and Valletta Cruise Port (VCP) in respect of properties on which Malita owns the dominium directum. Furthermore, the Company receives lease income in respect of the Open Air Theatre in City Gate, Valletta and that applicable to the Parliament Building in Valletta. I am also pleased to report that the operational expenses of the Company were in line with the projections for the year.

In the financial year 2021, the Company also recognised revenue and costs of €12,104,037 and €11,751,492 (2020: €8,485,759 and €8,238,601) respectively in relation to the Affordable Housing project. The Company has secured financing for the project based on initial estimates and will in the coming months, continue to enter into further agreements which will require further financing to be obtained for the completion of variations to the initial plans and additional number of units. In quarter one and quarter two of year 2022, sixty-nine and a further ninety-two units will be completed respectively. Hence, the Company will start receiving rental income through the deployment of these apartments.

LOOKING AHEAD TOWARDS A STRONGER FUTURE

As in previous years, the board and management will remain focused to sustain the growth of the Company and strengthen its profitability. The Affordable Housing project is the largest project that the Company has embarked upon since its inception and we are looking forward to as this to our repertoire of developments so far. In parallel the Company is also exploring other projects some of which should materialize over the course of the financial year 2022.

On a final note, I wish to take this opportunity to express the Board's appreciation to the management team and members of staff at the Company as their commitment has been critical in the process. Likewise, I am appreciative of the ongoing support and commitment of my fellow directors on the board as well as their invaluable contribution in the process.

KENNETH FARRUGIA
CHAIRMAN

BOARD OF DIRECTORS

KENNETH FARRUGIA
Chairman

PAUL MERCIECA
Non-Executive Director

ERIC SCHEMBRI
Non-Executive Director

The Company has remained firmly focused on the development of the Affordable Housing project which will see sixteen sites being fully developed bringing to the market 768 apartments and 675 car garages/spaces

VICTOR CARACHI
Non-Executive Director

TANIA BROWN
Non-Executive Director

MARLENE MIZZI
Non-Executive Director

DR.ROBERT SUBAN
Non-Executive Director

DR.DONALD VELLA
Company Secretary

BOARD OF DIRECTORS

KENNETH FARRUGIA

Mr Kenneth Farrugia joined Bank of Valletta p.l.c., Malta's largest banking group, in October 1985 and over the years has occupied various positions within the Bank. He currently holds the post of Chief Retail Banking Officer and sits on the Executive Management Board of the Bank. Mr Farrugia is also a Director on the Bank of Valletta Asset Management, Governor of FinanceMalta, and also serves as Chairman of the Management Committee of the Malta Funds Industry Association.

PAUL MERCIECA

Mr Paul Mercieca currently acts as an independent non-executive director on the boards of various companies and previously held the position of Chief Executive Officer of Deloitte Malta for twenty three years up to 31st December 2013. Whilst at Deloitte, Mr Mercieca was responsible for a number of clients operating in various sectors of the economy including one of Malta's largest banks and companies listed on the Malta Stock Exchange. He served as a member of the Accountancy Board for eight years between 1988 and 1996 and is a former member of the Council of the Malta Institute of Accountants. Mr Mercieca was also the Chairman of the Institute's Risk Management Committee and served on the Independence, Ethics and Regulatory Committee. He is a Fellow of the Chartered Association of Certified Accountants, the Malta Institute of Accountants and a Member of the Malta Institute of Taxation.

ERIC SCHEMBRI

Mr Eric Schembri was appointed the Executive Chairman of MIB Holding Co. Ltd. and its subsidiaries. He was also a Director on the board of Middle Sea Insurance p.l.c. (1991-1996) and a Director of The Malta International Training Centre. Mr Schembri was the promoter leading the Board of Mid-Med Bank p.l.c. (HSBC) to set up its own life assurance company. He was appointed executive coordinator, Chairman of the steering committee and then executive director of Mid-Med Life Assurance Co. Ltd., (now HSBC Life Assurance Co. Ltd.). Mr Schembri held the position of Chairman at Crystal Finance Investments Ltd. besides director of other companies.

DR ROBERT SUBAN

Dr Robert Suban is the Head of the Department of Banking and Finance of the University of Malta. He holds a Bachelor in Business Administration, a Masters Degree, and a Ph.D. in Accounting & Finance from the Alliance Manchester Business School. He has also completed the ACCA qualification. He regularly attends and presents his research at various internationally peer-reviewed academic conferences in the area of finance. He has considerable experience as a practitioner having worked at the Central Bank of Malta, Jobsplus and a leading private travel organisation. Currently, he also holds a number of non-executive directorships in investment companies. He is also a Director of Malita Investments p.l.c., which is listed on the Malta Stock Exchange, and is the Chairman of its Investment Committee as well as a member of its Audit Committee.

MARLENE MIZZI

Marlene Mizzi studied at St Dorothy's Convent, and University of Malta. She graduated with an honours Bachelor's degree in Economics from the University of Malta, and read for an M.Phil. degree at the Maastricht School of Management, the Netherlands. Her field of specialisation is Corporate Governance. Over the years Ms Mizzi gained vast experience working in the manufacturing, retail, banking, shipping and insurance sectors, both locally and abroad. She worked in the field of banking in for Sparbanken i Abo in Finland, and the UBS in Switzerland; in industry - as production manager for Bogner Sports in Malta and Munich; in retail – for Mothercare and Early Learning Centre in London; in insurance - Chairman, Millennium Insurance Agency; in shipping at SeaMalta Co. Ltd. She is Chairman of AMCA Ltd, a company operating a number of retail stores. She also occupied a number of positions including: Chairman of Sea Malta; member of Board of Directors of BOV plc; Council Member and Honorary Secretary of the Malta Chamber of Commerce; member of the Faculty of Economics, Management and Accounts of the UOM; Life Honorary member of the Malta Institute of Management; founding member of the national think-tank, the Today Public Policy Institute; Board member of Malta Air Travel Ltd.; Chair of the Board of Administrators of the Malta Community Chest Fund Foundation appointed by HE the President of the Republic. Marlene Mizzi was the first Maltese woman elected as a Member of the European Parliament, where she served a 6-year mandate, and is the Ambassador for Malta to the Kingdom of Sweden. She is married to Judge Emeritus Antonio Mizzi.

VICTOR CARACHI

Victor Carachi started his education at St. Joseph Primary school in Paola. He moved on to De La Salle College for his secondary and upper secondary education. He pursued a banking career when in 1978 he joined the then Mid-Med Bank Ltd (HSBC Bank {Malta} plc) as a clerk. Soon after, he furthered his studies in the field of ICT and subsequently became Chartered IT Professional from the British Computer Society. Mr Carachi also holds a Master's Degree in Business Administration (MBA) from the UK based Henley Management College / Brunel University.

During his banking career, he held various managerial posts in the ICT Division and was later appointed Head of Operational Risk Department within HSBC Bank (Malta) plc. In March 2008 Mr Carachi was appointed President of the GWU and was subsequently seconded to the GWU.

Mr Carachi holds various Directorship roles with a number of local private companies and government entities including Malta Enterprise, Malita Investments pls and the Occupational Health & Safety Authority.

TANIA BROWN

Ms. Tania Brown has held various senior positions in the private sector, primarily in the telecommunications and information technology sectors, moving to the public sector and leading the Ministry for Finance's secretariat between 2013 and 2017, followed by advisory roles at the Ministry for Tourism and the Office of the Prime Minister. Ms. Brown was a member of the Board of Directors of Airmalta plc and currently serves as a Director of ARMS Limited and of Malita Investments plc. She currently leads the Expatriates Unit within Identity Malta Agency.

Ms. Brown has studied economics and management at the London School of Economics and holds a Master of Science in Business and Management from the University of Essex. She is also certified in ITIL.

DR DONALD VELLA

Dr Donald Vella joined Camilleri Preziosi Advocates in 2005 and is currently the head of the tax department. He regularly advises and assists clients in a number of areas including tax, corporate law, trusts, foundations and corporate finance. Dr Vella advises a number of clients from various industry sectors including financial institutions, private equity and hedge fund promoters and managers as well as high net worth individuals. He regularly assists a number of listed companies on day to day corporate requirements and also acts as a company secretary on a number of companies. Dr Vella holds an LL.D from the University of Malta and an LL.M in Corporate and Commercial Law from the University of London. He is a member of the Chamber of Advocates. He regularly acts as an examiner at the University of Malta and is a speaker at a number of seminars and conferences.

DIRECTORS' REPORT

The Directors present their eleventh annual report together with the audited financial statements for the year ended 31 December 2021.

Principal activities

The Company's principal activities include the financing, acquisition, development, management and operation of immovable property, in particular, projects of national and/or strategic importance, and the investment in local stocks and shares.

Review of the business

The Company continued to receive ground rents from the MIA and VCP in respect of properties on which Malita owns the dominium directum. The ground rent receivable from VCP is partly dependent on the revenues deriving to VCP from the letting of buildings and facilities, and other activities including passenger and cruise liner operations. In 2020, due to the Covid-19 pandemic, VCP experienced a decrease in passenger and cruise liner operations, and therefore income from such activities did not exceed the ground rent. Hence, there was no additional income derived from these operations in 2021. For 2020, Malita had received a top up ground rent amounting to €282,009. This was recognised as part of 2020 revenue (also disclosed in prior year financial statements). The second grant of the MIA ground rents has increased from July 2020 in terms of the contractual agreement in place.

Furthermore, the Company receives lease income in respect of the Open Air Theatre and the Parliament Building in City Gate, Valletta.

As set out in Note 6, the result for the period includes a negative movement in the fair value of the MIA and VCP properties of €17,834,000 (2020: fair value loss of €1,440,000) and a negative movement in the fair value of the Parliament Building and Open Air Theatre of €10,008,225 (2020 fair value gain: €6,042,762). The negative fair value movement for the investment properties came about due to the upward movement of interest rates. The negative movement in the fair value of investment property has been transferred to the fair value reserve in equity.

On 28 June 2017, the Company entered into two credit facility agreements with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) for a 25-year term amounting to €53,700,000 to finance the construction of a number of affordable housing units in Malta. Pursuant to this agreement, on 29 December 2017 the Company entered into an emphyteutical deed for 28 years with the Housing Authority to acquire sixteen (16) property sites in a number of locations across Malta to be used by the Company for the purposes of developing the affordable housing units.

In September 2018, the Company entered into sixteen (16) availability agreements with the Government whereby the Company will make available sixteen (16) property sites in a number of locations across Malta for a period of 25 years once complete. The number of units that will be made available amounts to 768. During such period the Company will lease the residential units on these development sites for affordable housing purposes.

DIRECTORS' REPORT

Review of the business - continued

The Affordable Housing project is proceeding considerably well. The Covid-19 pandemic impact has been minimal as no restrictions were imposed on the construction activity; however, contractors have been impacted with a reduced workforce due to travel restrictions, mandatory quarantines and visa renewals. Contractors were also faced with supply procurement delays due to shortages of steel and other building materials. During 2021, the Company issued further invitations to tenders for the mechanical and electrical works, finishes and lifts of these units. Construction works for fourteen sites are completed or close to completion. Tenders for mechanical and electrical works, and finishes works of thirteen property sites have also been awarded. Mechanical and electrical works and finishes have started and are progressing very well on all sites where construction is complete. Furthermore, lift tenders for nine property sites have been awarded and installations are in progress. Sixty-nine units will be complete in quarter one of 2022 and a further ninety-two in the beginning of quarter two of 2022. In 2022, the Company will also be awarding the remaining number of tenders including those for the remaining two sites, Zebbug and Luqa. The capitalised cost to date on this development amounts to €31,810,603 (2020: €18,868,800) and is reflected in these financial statements.

The Company has secured financing for the project based on initial estimates. Variations to the initial plans for various sites and additional number of units have necessitated an increased estimated spend which has been approved by the Project Board. The Board is confident that the necessary financing will be obtained to finalize the construction and finishing phases of all mentioned sites.

Result and dividends

The statement of comprehensive income is set out on page 28.

An interim gross dividend of €1,955,026 or €0.0132 per share resulting in an interim net dividend of €1,661,772 or €0.01122 per share was paid on 24 September 2021. The Directors recommend the payment of a final gross dividend of €3,228,756 or €0.0218 per share (December 2020: €3,228,756 or €0.0218 per share), equating to a final net dividend of €2,098,691 or €0.0142 per share (December 2020: €2,098,691 or €0.0142). The dividend due to Ordinary A shareholders for September 2021 is still due as at year end and is being disclosed within trade payables.

Directors

The Directors who served the Company during the year were:

Kenneth Farrugia	(Chairman - appointed on incorporation)
Ray Sladden	(resigned on 11 May 2021)
Paul Mercieca	(appointed on 9 April 2014)
Robert Suban	(appointed on 9 April 2014)
Eric Schembri	(appointed on 1 August 2014)
Marlene Mizzi	(appointed on 1 January 2021)
Victor Carachi	(appointed on 12 May 2021)
Tania Brown	(appointed on 12 May 2021)

The Company's Articles of Association require Directors to retire after three years in office, but they are eligible for re-appointment.

DIRECTORS' REPORT

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for the following matters:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and that comply with the Companies Act, 1995.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Malita Investments p.l.c. for the year ended 31 December 2021 are included in the Annual Report and Statutory Financial Statements – 31 December 2021, which is available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls and the security of the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Going concern

After making enquiries, the Directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

Financial key performance indicators

The Company is focused on its financial performance. The Directors monitor the health and progress of the business and apart from profitability, use a range of financial measures which collectively form an integral part of building value for the shareholders on a consistent basis and over the long term.

Financial key performance indicators - continued

Key Performance Indicators (KPIs) used in managing the Company's business include:

	2021	2020
Working capital ratio	**1.6:1**	0.1:1
Operating profit	**€8,107,943**	€8,124,716
Debt to assets ratio	**42.2%**	33.8%
Debt to equity ratio	**73.0%**	51.0%
Interest coverage	**5.1 times**	4.9 times

During the year under review, the company received loan disbursements from EIB and CEB and settled the outstanding short-term financing for the Affordable Housing project. The bank remains with a positive balance. As a result, the total current liabilities for 2021 has decreased considerably. Capital expenditure for the Affordable Housing project continued in the year under review and is being settled through the loan disbursements. In 2020, Capital expenditure was being settled through temporary financing. When adjusting for the temporary loan disbursements used in 2020, the resultant working capital ratio for 2020 would be 0.62:1.

Non-financial key performance indicators

Environmental and social risks

In addition to strengthening governance and controls, the Company seeks to provide value to society. The Directors believe that being economically successful is important to generate value to stakeholders, whilst also considering the environmental and social impact of the actions, to support a sustainable future.

Financial risk management and exposures

For the risk management and exposures refer to Note 2 - Financial risk management that details the key risk factors including market risk, credit risk and liquidity risk and the Company's approach towards managing these risks.

Information pursuant to Listing Rule 5.64

Share capital information of the Company is disclosed in Note 11 to the financial statements. The issued share capital of the Company is split into two classes of shares. The Ordinary A Shares and Ordinary B Shares rank *pari passu* for all intents and purposes of law.

No person may, whether directly or indirectly, and in any manner whatsoever, acquire or hold a beneficial interest in the Ordinary A and Ordinary B shares in excess of five per cent (5%) of the total issued share capital of the Company having voting rights. This clause does not apply to shares held by:

- the Government of Malta;
- an underwriter or sub-underwriter under the provisions of an underwriting or sub-underwriting agreement;
- custodians in their custodian capacity provided such custodians can only exercise the voting rights attached to such shares under instructions given in writing or by electronic means by the beneficial owner/s.

DIRECTORS' REPORT

Information pursuant to Listing Rule 5.64 - continued

The Government of Malta, whether directly or indirectly (through an entity or body corporate wholly owned and controlled by the Government of Malta), shall, for a period of 25 years commencing from the date of incorporation of the Company, hold at least seventy per cent (70%) of the issued share capital of the Company.

Any transfer of shares by the Government of Malta or any issuance of shares by the Company which has the effect of reducing the holding or otherwise diluting the holding of the Government of Malta, shall be null and void.

The rules governing the appointment or election of Directors are contained in Article 54.1 and Article 61.2 of the Company's Articles of Association. An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association.

The powers of Directors are outlined in Articles 70 to 77 of the Company's Articles of Association.

Pursuant to Capital Markets Rules, 5.64.5, 5.64.6, 5.64.7, 5.64.10, 5.64.11 it is hereby declared that, as at 31 December 2021, none of the requirements apply to the Company.

Statement of responsibility pursuant to Listing Rule 5.68

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the annual report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company may face.

Auditors

Public Interest Entities are obliged to issue a tender process for appointment of auditors where the term exceeds ten years of continuous engagement from when the entity becomes listed. Given that 2021 coincides with the 10th year of PricewaterhouseCoopers being the entity's auditors, a tender will be issued during 2022 for the selection and appointment of auditors going forward. PricewaterhouseCoopers have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors on 18 March 2022 by Kenneth Farrugia (Chairman) and Paul Mercieca (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Registered office:
Clock Tower
Level 1
Tigne` Point
Sliema
Malta

CORPORATE GOVERNANCE STATEMENT

Introduction

Pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority (MFSA), Malita Investments p.l.c. whose equity securities are listed on a regulated market endeavours to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules (the "Code"). In terms of Capital Markets Rules 5.94, the Company hereby reports on the extent of its adoption of the principles of the Code for the financial year being reported upon.

The Code does not dictate or prescribe mandatory rules but recommends principles of good practice. However, the Directors strongly believe that such practices are generally in the best interests of the Company and its shareholders. Compliance with the Principles of Good Corporate Governance is not only expected by investors but also evidences the Directors' and the Company's commitment to a high standard of governance.

The Board of Directors (the "Board") has carried out a review of the Company's compliance with the Code for the financial year under review, and hereby provides its report thereon.

General

The Company's governance principally lies in its Board which is responsible for the overall setting of the Company's policies and business strategies. The Company's principal activity is the financing, acquisition, development and management of immovable property, the leveraging of revenue streams arising therefrom and the reinvestment of undistributed profits in national and/or strategic real estate projects as well as in commercial property opportunities.

The Directors are of the view that it has employed structures which are most suitable for the size, nature and operations of the Company. Accordingly, in general, the Directors believe that the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of controls in line with the Company's requirements.

This Corporate Governance Statement (the "Statement") sets out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement makes reference to the pertinent principles of the Code and then sets out the manner in which the Directors believe that these have been adhered to. Where the Company has not complied with any of the principles of the Code, this Statement gives an explanation for non-compliance.

For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code's main principles and the Code provisions.

Compliance

Principle 1: The Board

Throughout the year under review, the Board has provided the necessary leadership in the overall direction of the Company and the administration of its resources to enhance the prosperity of the business over time, and therefore the value of the shareholders' investment. The Board is currently composed of seven non-executive Directors (one of whom is the Chairman). The Directors, individually and collectively, are of the appropriate calibre, with the necessary skills and experience to contribute effectively to the decision-making process. The Directors have determined the Company's strategic aims and organisational structure and always ensure that the Company has the appropriate mix of financial and human resources to meet its objectives.

Compliance - continued

Principle 1: The Board - continued

The process of appointment of Directors is transparent and it is conducted during the Company's AGM where all the shareholders of the Company are entitled to participate in the voting process to elect the Board Directors. Furthermore, in terms of the Company's Memorandum and Articles of Association, a Director is prohibited from voting on any contract or arrangement or any other proposal in which he has a material interest.

Principle 2: Chairman and Chief Executive

The Chairman is responsible to lead the board and set its agenda, ensures that the Board achieves its full potential by giving precise, timely and objective information in order for them to make informed decisions and effectively monitor the performance of the Company. The Chairman also ensures effective communication with shareholders and involves all Board members in discussions of Company matters. On the other hand, the day-to-day management of the Company is vested with the Chief Executive Officer who reports to the Board of Directors. The Company appointed a Chief Executive Officer on 1 January 2021.

Principle 3: Composition of the Board

The Board is composed of seven non-executive Directors. The members of the Board for the year under review were Mr Kenneth Farrugia (Chairman), Dr Robert Suban, Mr Paul Mercieca, Mr Eric Schembri, Mr Ray Sladden (resigned on 11 May 2021), Ms Marlene Mizzi (appointed on 1 January 2021), Mr Victor Carachi and Ms Tania Brown (appointed on 12 May 2021). Pursuant to generally accepted practices, as well as the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board, and which appointment would expire at the Company's subsequent AGM.

Unless they resign or are removed, Directors shall hold office up until the end of the subsequent AGM following their appointment. Directors whose term of office expires or who resign or are removed are eligible for re-appointment. All Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election.

The Board usually meets on a bi-monthly basis or as may be determined by the Board and in general the meetings usually focus on strategy, operational and financial performance and the consideration of investment opportunities wherein the Board decides on the nature, direction and framework of the activities of the Company.

For the purposes of Code Provision 3.2, the Board considers each of the non-executive Directors as independent within the meaning of the Code, notwithstanding the relationship disclosed hereunder;

(i) Kenneth Farrugia – is the Chief Retail Banking Officer of Bank of Valletta p.l.c. with whom the Company has banking facilities.

Compliance - continued

Principle 3: Composition of the Board - continued

None of the non-executive Directors:
(a) are or have been employed in any capacity by the Company;
(b) have, or had within the last three years, a significant business relationship with the Company;
(c) have received or receive significant additional remuneration from the Company;
(d) have close family ties with any of the executive members of the Board;
(e) have served on the board for more than twelve consecutive years; or
(f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditors of the Company.

Principle 4: The Responsibilities of the Board

In terms of Principle four, it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development. The Board regularly reviews and evaluates major operational and financial plans, risk policy, performance objectives and monitor implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice. The Board delegates specific responsibilities to various Board Committees including the Audit Committee, the Remuneration and Nominations Committee and the Investment Committee.

Board Committees

Audit Committee

The Audit Committee for the year under review was composed of Paul Mercieca, Eric Schembri, and Robert Suban. Paul Mercieca, the Chairman of the Audit Committee, is an independent member of the Committee and is competent in accounting and/or auditing in view of his professional knowledge as a warranted accountant. The Audit Committee's primary objective is to assist the Board in dealing with issues of risk, control and governance; and in reviewing the Company's reporting processes, financial policies and internal control structure. The Audit Committee also oversees the conduct of the external audit and facilitates communication between the Company's Board, management and external auditors. The Board has set formal terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board.

During the financial year under review, the Audit Committee held five meetings.

The following is the attendance at Audit Committee meetings of each of the Directors:

Paul Mercieca	(Committee Chairman)	5
Eric Schembri	(Committee member)	5
Robert Suban	(Committee member)	5

Investment Committee

The Company has set up an Investment Committee where the primary purpose is to determine what investments the Company should undertake within the investment policies parameters as determined from the Board, giving due consideration to the Company's funding requirements as these may vary from time to time.

Compliance - continued

Principle 4: The Responsibilities of the Board - continued

Board Committees - continued

Investment committee - continued

The Investment Committee is currently chaired by Robert Suban and includes Marlene Mizzi as a member. The Investment Committee is also responsible for considering proposed ethical positions with respect to appropriate projects and investments. It oversees the management of the Company's investments in accordance with such policies and reviews, where necessary, the Company's investment policies.

During the financial year under review, the Investment Committee held two meetings.

The following is the attendance at Investment Committee meetings of each of the Directors:

Robert Suban	(Committee Chairman)	2
Marlene Mizzi	(Committee member)	2

In exercising its functions, the Investment Committee is required to ensure that any investment proposed to the Board of Directors does not materially and negatively disrupt the dividend policy adopted by the Board from time to time.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee is dealt with under the Remuneration Statement in terms of Code Provisions 8.A.3 and 8.A.4.

Principle 5: Board Meetings

The Board believes that it complies fully with the requirements of this Principle and the relative Code Provisions. Directors receive Board and Committee papers in advance of meetings and have access to the advice and services of the Company Secretary. After each Board meeting and before meetings, minutes that faithfully record attendance and decisions are prepared and circulated to all Directors as soon as practicable. The Directors are aware of their responsibility to always act in the best interests of the Company and its shareholders as a whole, irrespective of whoever appointed or elected them to serve on the Board.

During the financial year under review, the Board held twelve meetings.

The following is the attendance at Board meetings of each of the Directors:

Kenneth Farrugia	(Chairman - appointed on incorporation)	12
Ray Sladden	(resigned 11 May 2021)	3
Paul Mercieca	(appointed on 9 April 2014)	12
Eric Schembri	(appointed on 1 August 2014)	12
Robert Suban	(appointed on 9 April 2014)	12
Marlene Mizzi	(appointed on 1 January 2021)	10
Victor Carachi	(appointed on 12 May 2021)	6
Tania Brown	(appointed on 12 May 2021)	8

Compliance - continued

Principle 6: Information and Professional development

The Board is responsible for the appointment of senior management and ensures that there is adequate training in the Company for Directors, management and employees as may be necessitated from time to time.

The Board also ensures that all Directors are supplied with precise, timely and clear information so that they can effectively contribute to board decisions. The Directors receive monthly management accounts on the Company's financial performance and position.

Principle 7: Evaluation of the Board's performance

Over the year under review it is the Board's opinion that all members of the Board, individually and collectively, have contributed in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively. In view of the size and nature of the Company, it was not considered necessary to carry out a formal evaluation of the Board's performance.

Principle 8: Committees

The Remuneration and Nominations Committee is dealt with under the Remuneration Statement in terms of Code Provisions 8.A.3 and 8.A.4.

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

The Company recognises the importance of keeping investors informed to ensure that they are able to make informed investment decisions. The Board is of the opinion, that over the year under review the Company has communicated effectively with the market through its Company announcements that it has informed the market of significant events relevant to the Company.

The Company will be holding its tenth AGM where in a similar manner to the previous year, the Board intends to communicate directly with shareholders on the performance of the Company over the last financial year. Business at the Company's AGM is in line with the Company's statutory obligations and covers the approval of the Annual Report and Audited Financial Statements, the declaration and approval of a dividend, the election of Directors, the appointment of auditors and the authorisation of the Directors to set the auditor's remuneration.

Apart from the AGM, the Company communicates with its shareholders and the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year, and by way of Company announcements to the market in general when necessary. These reports are also available on the Company's website (www.malitainvestments.com) which also contains information about the Company and its projects. The Company's website also contains a notifications and publications section which includes press releases and investor information sub-sections.

Principles 11: Conflicts of Interest

The Directors of the Company recognise their responsibility to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to serve on the Board. It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential

Compliance - continued

Principle 11: Conflicts of Interest - continued

conflict of interest is declared so that steps may be taken to ensure that such items are appropriately dealt with. Directors who have a conflict of interest do not participate in discussions concerning such matters unless the Board find no objection to the presence of such Director. The Directors are obliged to keep the Board advised, on an on-going basis, of any interest that could potentially conflict with that of the Company. In any event, Directors refrain from voting on the matters where conflicts of interest arise. There were no such matters in the year under review.

Directors are informed of their obligations on dealing in securities of the Company within the parameters of law, including the Capital Markets Rules, and Directors follow the required notification procedures.

As at the date of this Statement, the interests of the Directors in the shares of the Company were as follows (shares held):

Director	**Number of shares held as at 31 December 2021**
Kenneth Farrugia	nil
Ray Sladden	nil
Paul Mercieca	nil
Robert Suban	nil
Eric Schembri	nil
Marlene Mizzi	nil
Victor Carachi	nil
Tania Brown	nil

There were no changes in the Directors' interest in the shareholding of the Company between year-end and 18 March 2022.

Principle 12: Corporate Social Responsibility

The Directors are committed to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.

Non-compliance with the code

Principle 3: Executive and Non-Executive Directors on the Board

The Board is currently composed entirely of non-executive Directors. However, it is considered that the current composition of the Board provides for sufficiently balanced skills and experience to enable it to discharge its duties and responsibilities effectively.

Principle 7: Evaluation of the Board's performance

In view of the size and nature of the Company, it was not considered necessary to carry out an evaluation of the Board's performance.

Principle 9.3: Conflicts

Currently there is no established mechanism disclosed in the Company's Memorandum and Articles of Association, as recommended in Code Provision 9.3, to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. The Board believes, taking into account the current shareholder profile, the measures currently available for shareholders, such as the right to ask questions, and the continuous dialogue with shareholders provide the necessary safeguards for the protection of the shareholders' interests.

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage risk to achieve business objectives and provides reasonable assurance against normal business risks.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Lines of responsibility and delegation of authority are documented. The Company also has procedures to ensure completeness and accurate accounting for financial transactions and to limit the potential exposure to fraud.

General Meetings

Shareholders' influence is exercised at the AGM, which is the highest decision-making body of the Company. All shareholders registered in the Shareholders' Register, have the right to participate in the meeting and to vote for the full number of their respective shares. Shareholders who cannot participate in the meeting can be represented by proxy. Shareholders' meetings are called with sufficient notice to enable the use of proxies to attend, vote or abstain.

Business at the Company's AGM covers the approval of the Annual Report and Audited Financial Statements, the declaration and approval of a dividend, the election of Directors, the appointment of auditors and the authorisation of the Directors to set the auditor's remuneration.

REMUNERATION STATEMENT

The Company has set up a Remuneration and Nominations Committee and the Board has established a remuneration policy for Directors and senior management. The terms of reference of this Committee are set out below:

The Remuneration and Nominations Committee is composed of two persons as shall be appointed from time to time by the Board of Directors. The members appointed by the Board of Directors to sit on the Remuneration and Nominations Committee are Kenneth Farrugia (Chairman of the Committee) and Paul Mercieca.

The primary purpose of the Remuneration and Nominations Committee is to:

- make proposals to the board on the remuneration policy for Directors and senior executives;
- make proposals and review the setting of remuneration levels within the Company, including remuneration levels for the Executive Directors if any, ensuring that they are consistent with the remuneration policy adopted by the Company;
- to evaluate the performance of the individual Directors;
- to monitor the level and the structure of the remuneration of non-executive Directors; and

to approve or otherwise any performance related bonus awards and long-term incentive plan awards paid to employees.

Meetings

During the year under review the Committee held one meeting. All Committee members attended the meeting. The members of the Committee have also discussed various matters related to the composition of the board and internal human resources matters during the meetings held.

Remuneration report - Directors

The Board is composed exclusively of non-executive Directors. The maximum annual aggregate emoluments that may be paid to Directors is approved by the shareholders at the General Meeting in terms of Article 63 of the Articles of Association.

The remuneration of the Directors is fixed. The current Directors' fees are set at €7,500 per annum for Directors and €20,000 per annum for the Chairperson. The Chairpersons of Board Committees are entitled to an additional remuneration of €5,000 for each Committee chaired and Committee members are entitled to an additional remuneration of €2,500 per annum for each Committee they sit on.

During 2021 the aggregate amount of remuneration paid to all Directors of the Company was €89,962. Details of the remuneration of each individual director are set out in Note 21 to the financial statements. There was no variable remuneration received by the directors (2020: Nil)

The remuneration of the directors is not linked to performance.

None of the Directors have any service contracts with the Company and none of the Directors, in their capacity as Director of the Company, are entitled to profit sharing, share options, pension benefits or non-cash benefits.

Remuneration report - Senior Management

The Board notes that the organisational set-up of the Company consists of 4 employees, 2 of whom are considered to be senior officers (CEO and CFO). The terms and conditions of employment of the senior officers are set out in the contract of employment with the Company.

The senior officers are not entitled to profit sharing, share options or pension benefits. On 1 January 2021 the Board appointed Jennifer Falzon as CEO of the Company.

The CEO of the company is not a member of the Board, although she attends and participates at board meetings. The CEO has a contract with the Company of an indefinite duration that entitles her to a fixed salary and a variable element. The fixed component constitutes a basic remuneration awarded for the CEO's executive function, reflecting her experience and knowledge, together with the responsibilities and assigned functions of this role. The variable element is structured as a performance related bonus aimed at rewarding the CEO's performance during the year which is reviewed by the remuneration committee and approved by the board of directors.

For the year under review, the CEO received a fixed remuneration of €82,500 per annum. She is also covered by health insurance, paid mobile phone service and company car. She also received a variable remuneration of €10,000 in respect of year 2021.

Remuneration policy

This Remuneration policy was last reviewed on 3 September 2020. This policy shall be reviewed regularly, and any material amendments thereto shall be submitted to a vote by the annual general meeting of the Company before adoption, and in any case at least every four (4) years.

Remuneration policy for Directors

1. Introduction

1.1 Following the adoption in Capital Markets Rule 12.26 of the new EU Shareholders' Rights Directive in July 2019, the remuneration policy of the Company was revised to satisfy the requirements of the applicable Capital Markets Rules.

2. Scope

2.1 This Policy determines the basis for remuneration of all members of the board of directors of the Company.

2.2 The Policy defines the principles and guidelines that apply to the remuneration of directors.

3. Board Remuneration

3.1 The Board makes all efforts to ensure that the remuneration of Directors takes into consideration Board members' required competencies, skills, effort and scope of the Board's role including the number of meetings and the preparation required by Directors to attend and usefully contribute during meetings. Due consideration is also given to market demands, the size of the Company and the complexity of its business as well as to the Directors' responsibilities.

Remuneration policy for Directors - continued

3. **Board Remuneration** - continued

3.2 The aggregate emoluments of all Directors are from time to time determined by the Company in the general meeting. Accordingly, it is the shareholders that determine the aggregate amount of remuneration that Directors may receive in any one financial year. This policy is intended to determine the principles upon which those aggregate emoluments are distributed amongst the Directors.

3.3 The Chairman and other members of the Board of Directors receive a fixed cash amount (basic remuneration) as stated in the annual report. Such compensation is determined by the Remuneration Committee from time to time and shall form part of the limit of the aggregate emoluments which are approved by the general meeting.

3.4 None of the Directors receive any variable remuneration.

3.5 In addition to the basic remuneration, Directors who are also appointed as members of one of the Board Committees shall receive additional compensation. Such compensation shall be determined by the Remuneration Committee from time to time. The committee remuneration shall be stated in the annual report and shall form part of the limit of the aggregate emoluments which are approved at the general meeting.

3.6 The basis upon which such remuneration is paid shall take into account the skills, experience, technical knowledge that members of such committees require and the responsibility which such Directors are to take in the context of the committees on which they sit.

3.7 All Directors are awarded their remuneration from one financial year to the next during their term of office.

This Directors' Remuneration Report, drawn up in accordance with the Capital Markets Rules, is being put forward for the advisory vote of the Annual General Meeting of the Company to be held in 2022.

The contents of this Remuneration Report have been reviewed by the external auditor to ensure that the information required in terms of Appendix 12.1 of the Capital Markets Rules has been included.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2021 €	2020 €
ASSETS			
Non-current assets			
Property, plant and equipment	5	**22,194**	19,573
Investment property	6	**200,146,165**	227,988,390
Contract asset	8	**31,810,603**	18,868,800
		231,978,962	246,876,763
Current assets			
Trade and other receivables	9	**449,770**	1,406,631
Cash and cash equivalents	10	**10,963,244**	202,444
		11,413,014	1,609,075
Total assets		**243,391,976**	248,485,838
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**73,295,143**	73,295,143
Retained earnings	12	**10,403,860**	8,990,133
Non-distributable reserve - fair value movements	13	**53,145,073**	78,800,715
Non-distributable reserve - other	14	**3,880,120**	3,421,180
Total equity		**140,724,196**	164,507,171
Non-current liabilities			
Borrowings	15	**71,291,103**	36,051,219
Lease liability	7	**3,305,516**	3,279,234
Provision on restoration	7	**5,321,476**	5,102,086
Deferred tax liabilities	25	**15,573,991**	17,760,574
		95,492,086	62,193,113
Current liabilities			
Borrowings	15	**2,164,288**	13,096,134
Lease liability	7	**57,881**	113,006
Capital creditors	16	**2,457,793**	3,000,217
Trade and other payables	17	**2,092,017**	4,200,176
Current tax liabilities		**403,715**	1,376,021
		7,175,694	21,785,554
Total liabilities		**102,667,780**	83,978,667
Total equity and liabilities		**243,391,976**	248,485,838

The notes on pages 31 to 58 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2022. The financial statements were signed on behalf of the Board of Directors by Kenneth Farrugia (Chairman) and Paul Mercieca (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2021 €**	Year ended 31 December 2020 €
Revenue	18	**8,231,598**	8,505,233
Revenue from service concession arrangements	8	**12,104,037**	8,485,759
Costs related to service concession arrangements	8	**(11,751,492)**	(8,238,601)
Administrative expenses	19	**(476,200)**	(627,675)
Operating profit		**8,107,943**	8,124,716
Change in fair value of investment property	6,7	**(27,842,225)**	4,602,762
Finance income	22	**691,184**	421,771
Finance costs	23	**(1,576,426)**	(1,650,816)
(Loss) / profit before tax		(20,619,524)	11,498,433
Tax credit / (expense)	24	**597,012**	(1,956,600)
(Loss) / profit for the year - total comprehensive income		(20,022,512)	9,541,833
(Loss) / earnings per share (cents)	26	(13.52)	6.44

The notes on pages 31 to 58 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital €	Retained earnings €	Non-distributable reserves Fair value movements €	Non-distributable reserves Other €	Total €
Balance at 1 January 2020		73,295,143	8,177,094	74,549,282	2,959,028	158,980,547
Comprehensive income						
Profit for the year		-	9,541,833	-	-	9,541,833
Transactions with owners						
Transfer within owners' equity	13	-	(4,251,433)	4,251,433	-	-
Transfer within owners' equity	14	-	(462,152)	-	462,152	-
Dividends to equity shareholders	27	-	(4,015,209)	-	-	(4,015,209)
		-	(8,728,794)	4,251,433	462,152	(4,015,209)
Balance at 31 December 2020		**73,295,143**	**8,990,133**	**78,800,715**	**3,421,180**	**164,507,171**
Balance at 1 January 2021		73,295,143	8,990,133	78,800,715	3,421,180	164,507,171
Comprehensive income						
Loss for the year		-	(20,022,512)	-	-	(20,022,512)
Transactions with owners						
Transfer within owners' equity	13	-	25,655,642	(25,655,642)	-	-
Transfer within owners' equity	14	-	(458,940)	-	458,940	-
Dividends to equity shareholders	27	-	(3,760,463)	-	-	(3,760,463)
		-	1,413,727	(25,655,643)	458,940	(23,782,975)
Balance at 31 December 2021		**73,295,143**	**10,403,860**	**53,145,073**	**3,880,120**	**140,724,196**

The notes on pages 31 to 58 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Cash flows from operating activities			
Cash generated from operations	28	**8,569,711**	6,223,864
Interest received	22	**-**	65
Interest paid and similar charges	23	**(16,067)**	(34,404)
Income taxes paid		**(2,561,877)**	(608,111)
Payments on lease liability	7	**(170,979)**	(56,942)
Net cash generated from operating activities		**5,820,788**	5,524,472
Cash flows from investing activities			
Purchase for property, plant and equipment	5	**(12,843)**	(8,899)
Payments to acquire contract asset		**(12,497,716)**	(6,760,917)
Net cash used in investing activities		**(12,510,559)**	(6,769,816)
Cash flows from financing activities			
Repayments of borrowings		**(15,591,962)**	(2,029,744)
Interest paid on borrowings		**(1,224,703)**	(1,442,300)
Dividends paid to equity holders		**(5,632,764)**	(797,994)
Proceeds from borrowings	28	**39,900,000**	5,000,000
Net cash from financing activities		**17,450,571**	729,962
Net movement in cash and cash equivalents		**10,760,800**	**(515,382)**
Cash and cash equivalents at beginning of year		**202,444**	717,826
Cash and cash equivalents at end of year	10	**10,963,244**	202,444

The notes on pages 31 to 58 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The Board has adopted the following principal accounting policies which it believes cover most of the type of activities it will undertake in the foreseeable future. Accordingly, not all the accounting policies set out below would necessarily apply as at the date of this report.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention as modified by the fair valuation of investment property.

The financial statements have been prepared on a going concern basis that assumes that the company will continue in operational existence for the foreseeable future.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective 1 January 2021

The Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2021. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU.

1.2 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the Company's functional and presentation currency.

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. All property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs are recognised in profit or loss as incurred.

1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment - continued

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

All the property, plant and equipment of the Company are assumed to have a useful life of four years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.5).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.4 Investment property

Investment property is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost, in accordance with Note 1.19. After initial recognition, investment property is carried at fair value. Given that there is no active market for the investment property held by the Company, the Company establishes fair value by using valuation techniques, particularly, discounted cash flow analysis.

Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

1. Summary of significant accounting policies - continued

1.4 Investment property - continued

Changes in fair values are recognised in the statement of comprehensive income. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

1.5 Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 Contract asset

The Company is recognising a contract asset in its statement of financial position to account for the Affordable housing project during its construction period. The carrying amount of the contract asset is equal to the total costs incurred on this project, profit on the completed construction and financing revenue.

1.7 Financial assets

1.7.1 Classification

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company's financial assets consist of receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. The latter are classified as non-current assets. The Company's receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.9 and 1.10). Cash and cash equivalents includes cash in hand, deposits held with banks with original maturities of six months or less.

1.7.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

The Company's financial assets measured at amortised cost are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

1. Summary of significant accounting policies - continued

1.7.3 Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 2 for further details.

1.8 Service Concession Arrangements

Under the terms of IFRIC 12, 'Service Concession Arrangements', a concession operator has a twofold activity:

- a construction activity in respect of its obligations to design, build and finance a new asset that it delivers to the grantor: revenue is recognized over time in accordance with IFRS 15;
- an operating and maintenance activity in respect of concession assets: revenue is recognised in accordance with IFRS 15.

In return for its activities as operator, the Company will receive remuneration from the grantor and therefore IFRIC 12's financial asset model applies. Under this model, the operator has an unconditional contractual right to receive payments from the concession grantor, irrespective of the amount of use made of the infrastructure.

The operator recognises a financial asset, attracting interest, in its Statement of financial position, in consideration for the services it provides (design, construction, etc.). Such financial assets are recognised in the Statement of financial position as a contract asset, in an amount corresponding to the fair value of the infrastructure on first recognition and subsequently at amortised cost. The receivable will in substance, be settled by the operator's right to retain all rental payments to be effected by users upon completion of construction; such payments will be received partly from users and partly from the grantor. Finance income calculated on the basis of the effective interest method is recognised under finance income in the Statement of comprehensive income.

The part of the investment that is covered by an unconditional contractual right to receive payments from the grantor (in the form of rental) is recognised as a contract asset up to the amount guaranteed.

1.9 Trade and other receivables

Trade receivables comprise amounts due from customers for ground rents and lease of property. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. In the opinion of the Directors, the recorded book value in the company's books of trade and other receivables and their value measured at amortised cost using the effective interest method, less provision for impairment are not materially different. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1. Summary of significant accounting policies - continued

1.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and when applicable bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.11 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.12 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability.

These liabilities are subsequently measured at amortised cost. In the opinion of the Directors, the recorded book value in the company's books of financial liabilities and their value measured at amortised cost for impairment are not materially different.

The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.13 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance cost in income statement over the period of the borrowings using the effective interest method. In the opinion of the Directors, the recorded book value in the company's books of borrowings and their value measured at amortised cost using the effective interest method, are not materially different. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.14 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Summary of significant accounting policies - continued

1.15 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or in equity.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when 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 where there is an intention to settle the balances on a net basis.

1.16 Provisions

Provisions for legal claims, should they arise are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

1.17 Revenue recognition

Revenue comprises the fair value for ground rents received or receivable as per contracts entered into, leases of the Parliament Building on the initial and additional investment and the lease of the Open Air Theatre. Moreover, the Company is recognising revenue in relation to the Service concession arrangement (Note 8) as performance obligations are satisfied.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

(a) Interest income

Interest income is recognised for all interest-bearing instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period.

1. Summary of significant accounting policies - continued

1.17 Revenue recognition - continued

(b) Rental income from investment property

Rental income from investment property is recognised in statement of comprehensive income on a straight-line basis over the term of the lease.

1.18 Operating leases

(a) The company is a lessee

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

b) The company is a lessor

Assets leased out under operating leases are included in investment property in the statement of financial position and are accounted for in accordance with accounting policy 1.4.

Receipts made under operating leases (net of any incentives paid by the Company) are charged to statement of comprehensive income on a straight-line basis over the period of the lease. The Company did not make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

1.19 Borrowing costs

General and specific 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed.

Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Borrowing costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

1.20 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Directors.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It is the responsibility of the Board of Directors to provide principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial periods.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company's cash and cash equivalents (Note 10) are subject to floating interest rates. Management sets limits on the exposure to interest rate risk that may be accepted and monitors the impact of changes in market interest rates on amounts reported in the statement of comprehensive income in respect of these instruments. The Company's interest-bearing instruments are short-term in nature and accordingly the level of interest rate risk is contained. The Company's operating cash flows are substantially independent of changes in market interest rates. Fixed interest instruments comprise borrowings (Note 15) which are measured at amortised cost and accordingly the Company is not exposed to fair value interest rate risk. Based on this analysis, management considers the potential impact on income statement of a defined interest rate shift that is reasonably possible at the end of the reporting year to be immaterial.

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. The Company's exposures to credit risk as at the end of the reporting years are analysed as follows:

	2021	2020
	€	€
Loans and receivables category:		
- Trade and other receivables (Note 9)	**425,930**	1,389,610
- Cash and cash equivalents (Note 10)	**10,963,244**	202,444

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements.

The Company banks only with local financial institutions licensed by the Malta Financial Services Authority with high quality standing and/or rating.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 15), capital creditors (Note 16) and trade and other payables (Note 17). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Note 8 gives detail in relation to contract asset and service concession arrangements, and the related financing available to date. Note 8 and Note 15 also explain the work that management is currently undertaking to obtain the remaining financing to be able to conclude the project. Should this liquidity not be available in 2023, the Company may face liquidity strains, including potential impairment of the asset.

Management monitors liquidity risk by reviewing expected cash flows and ensures that its own resources are adequate and new facilities are in place when new projects are approved. The Company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments coupled with the Company's committed bank borrowing facilities that it can access to meet liquidity needs.

The table below analyses the Company's financial liabilities into relevant maturity groupings, based on the remaining period to the relevant maturity date. The amounts disclosed in the table are the contractual discounted cash flows.

	Within 1 year	**From 1 year to 2 years**	**From 2 years to 5 years**	**Later than 5 years**	**Total**
Liabilities					
31 December 2021	**€**	**€**	**€**	**€**	**€**
Borrowings	**3,645,682**	**3,786,669**	**16,517,146**	**63,437,271**	**87,386,768**
Capital creditors	**2,457,793**	**-**	**-**	**-**	**2,457,793**
Trade and other payables	**2,092,017**	**-**	**-**	**-**	**2,092,017**

This compares to the maturity of the financial liabilities in the previous reporting period as follows:

Liabilities					
31 December 2020	€	€	€	€	€
Borrowings	14,516,090	3,315,100	9,945,301	32,077,790	59,854,281
Capital creditors	3,000,217	-	-	-	3,000,217
Trade and other payables	4,200,176	-	-	-	4,200,176

As explained in the basis of preparation, the capital creditors will be settled from the disbursements of the borrowings that the Company has secured.

2. Financial risk management - continued

2.2 Capital risk management

Capital is managed by reference to the level of equity and borrowings. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Company's equity, as disclosed in the statement of financial position, constitutes its capital. The Company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements.

In view of the nature of the Company's activities and the extent of borrowings or debt, the capital level as at the end of the reporting year is deemed adequate by the Directors.

2.3 Fair values of financial instruments

At 31 December 2021 and 31 December 2020, the carrying amounts of other financial instruments comprising loans and receivables; cash at bank and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments, the relatively short period of time between the origination of the instruments and their expected realisation or the interest rates to which they are exposed.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Valuation of investment properties

The Company's investment property comprises the MIA and VCP properties as well as the Parliament Building and Open Air Theatre. The fair value of the Company's investment property has been determined based on projected future cash flows, appropriately discounted by a risk adjusted discount rate. As explained in Note 6 – Investment Property, the valuation was determined using discounted cash flow projections considering, inter alia, the projected future cash flows to be generated from the transfer of the dominium directum in respect of the MIA and VCP properties, the Parliament Building and Open Air Theatre, ongoing maintenance needs, and other relevant market factors.

A key variable used in the determination of the fair value of the Investment Property is the discount rate. The discount rate used for fair valuing the Investment Property is primarily based on the yield to maturity on the longest term available Malta Government Stock (MGS), which as at 31 December 2021 was 1.85% (2020: 1.10%), plus a risk premium.

3. Critical accounting estimates and judgements - continued

a) Valuation of investment properties - continued

When interest rates decrease, the fair value of the investment properties will increase. On the contrary, when interest rates increase, the fair value of the investment properties will decrease. Movements resulting from the said revaluation process are treated as non-distributable fair value gains (see Note 13). For the period under review, the increase in interest rates has in fact led to a negative fair value movement for the MIA and VCP properties.

The Audit Committee and the Board have been holding continuous discussions around the estimates and judgements applied to the fair value mechanism and related inputs mainly due to the unprecedented and unexpected low level of interest rates feeding into the fair value model. The Board continues to be confident that the mechanism is the most appropriate method to derive fair valuation of the respective investment properties in the Statement of Financial Position. As explained in note 6, the Board elected to include a conditional premium to counter the current volatility in interest rates that is having a significant impact on the fair value movements.

(b) Service concession arrangements

The analysis on whether the IFRIC 12, Service Concession Arrangements, applies to certain contracts and activities involves various complex factors and it is significantly affected by legal interpretation of certain contractual agreements or other terms and conditions with public sector entities.

The application of IFRIC 12 requires extensive judgment in relation with, amongst other factors, (i) the identification of certain infrastructures (and not contractual agreements) in the scope of IFRIC 12, (ii) the understanding of the nature of the payments in order to determine the classification of the infrastructure as a financial asset or as an intangible asset and (iii) the recognition of the revenue from construction and concessionary activity.

Other variables used in the accounting for IFRIC 12 include estimated project management fees during the construction phase and discount rates applied by reference to the average cost of capital for the entity to ensure that the project remains profitable and viable in the long term. Note 8 gives detail in relation to the related financing available to date and also explains the work that management is currently undertaking to obtain the remaining financing to be able to conclude the project. Should this liquidity not be available in 2023, the Company may face liquidity strains, including potential impairment of the asset.

Changes in one or more of the factors described above may significantly affect the conclusions as to the appropriateness of the application of IFRIC 12 and, therefore, the results of operations or our financial position (Note 8). Note 8 gives detail in relation to contract asset and service concession arrangements, and the related financing available to date.

4. Segment reporting

The Directors have reviewed the disclosure requirements of IFRS 8, 'Operating Segments' and determined that the Company effectively has one operating segment, taking cognisance of the information utilised within the Company for the purpose of assessing performance.

5. Property, plant and equipment

	€
Year ended 31 December 2020	
Opening net book amount	18,933
Additions	8,899
Depreciation charge	(8,259)
Closing net book amount	19,573
At 31 December 2020	
Cost or valuation	47,904
Accumulated depreciation	(28,331)
Net book amount	19,573

	€
Year ended 31 December 2021	
Opening net book amount	**19,573**
Additions	**12,843**
Depreciation charge	**(10,222)**
Closing net book amount	**22,194**
At 31 December 2021	
Cost or valuation	**60,747**
Accumulated depreciation	**(38,553)**
Net book amount	**22,194**

6. Investment property

	2021	2020
	€	€
MIA and VCP properties	**84,847,000**	102,681,000
Parliament Building and Open Air Theatre	**115,299,165**	125,307,390
Carrying amount	**200,146,165**	227,988,390

i. MIA and VCP properties

	2021	2020
	€	€
At 1 January	**102,681,000**	104,121,000
Fair value movement	**(17,834,000)**	(1,440,000)
Carrying amount	**84,847,000**	102,681,000

ii. Parliament Building and Open Air Theatre

	2021	2020
	€	€
At 1 January	**125,307,390**	119,264,628
Fair value movement	**(10,008,225)**	6,042,762
Carrying amount	**115,299,165**	125,307,390

Fair values of investment property

The movement in the fair value of investment property comprises the movement in the fair value of the dominium directum of the MIA and VCP properties, as well as the Parliament Building and Open Air Theatre.

The fair value of investment property is calculated with reference to the cash flows receivable by the Company in terms of its contractual agreements, discounted to present value as at 31 December 2021.

Accordingly, the fair value of the investment property is subject to variation owing to, amongst other things, movements in market interest rates, expected inflation rates and changes in the contractual cash flows owing to the passage of time.

6. Investment property - continued

Fair values of investment property - continued

The Company is required to disclose fair value measurements of the following fair value measurement hierarchy for non-financial assets carried at fair value by level:

- Quoted prices (unadjusted) in active markets for identical assets (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset that are not based on observable market data for similar properties (that is, unobservable inputs) (level 3).

The Company's recurring fair value measurements are categorised as level 3 as they are based on significant unobservable inputs. There has been no movement in level 3 during the year.

Valuation process

a) MIA and VCP

The valuation of the MIA and VCP properties is based on the present value of ground rents up to the expiry of the temporary emphyteutical grants and the estimated freehold value thereafter discounted to present value. The fair value of investment property is calculated with reference to the cash flows receivable by the Company in terms of its contractual agreements, discounted to present value as at 31 December 2021. The discount rate is based on the yield to maturity on the longest term available MGS (Malta Government Stock) in issue as at year end plus a premium reflecting the risk inherent in the underlying cash flows. Given the unexpected and unprecedented low interest rate environment, an additional risk premium was factored in the discount rate as explained further below.

During the year ended 31 December 2021, the MGS benchmark referred to above slightly increased and as a result a fair value loss of €17,834,000 (2020 fair value loss: €1,440,000) has been recognised in these financial statements. The YTM on the longest term available MGS has been continuously decreasing but due to its increase in the current period, the Company is recognising a fair value loss.

6. **Investment property** - continued

Valuation process - continued

a) MIA and VCP - continued

In accordance with the fair value measurement hierarchy explained above, the significant unobservable inputs applied in the valuation of the Company's assets are the following:

- Ground rent, as contractually agreed which for 2021 is estimated at €1.97 million (2020: €2.1 million);
- Growth rate, as contractually agreed at an average of 2.53% p.a. (2020: 2.53% p.a.) represents the estimated average growth of the Company's rentals;
- Discount rate of 4.92% (2020: 4.17%) based on:
  - o the risk-free rate of return being the YTM on the longest term available MGS at year end 1.85% (2020: 1.10%);
  - o risk premium taking into account factors such as, property illiquidity, management limitations, type, size and location of property, competition, country risk, counter-party risks and resource risks 2.32% (2020: 2.32%); and
  - o conditional premium of 0.75% (2020: 0.75%). In 2018, this conditional premium stood at 0.5%. Due to the abnormally low level of interest rates, in 2019, the Board increased this conditional premium to 0.75% and decided that should the YTM on the longest term available MGS revert back to 2.00% or higher, the conditional premium would revert back to 0.50%.

If the discount rate used in the discounted future cash flows for the MIA and VCP properties had been 0.50% higher/lower, all other things being equal, the fair value of the MIA and VCP properties would decrease/increase by €0.80 million (2020: €13.9 million) and €22.6 million (2020: €17.0 million) respectively.

b) Parliament Building and Open Air Theatre

The valuation of the Parliament Building and Open Air Theatre is based on the present value of the lease income to the expiry of the temporary emphyteutical grant discounted to present value. The fair value of investment property is calculated with reference to the cash flows receivable by the Company in terms of its contractual agreements over the period to 2077, discounted to present value as at 31 December 2021. The discount rate is based on the yield to maturity on the longest term available Malta Government Stock (MGS) in issue at year end plus a premium reflecting the risk inherent in the underlying cash flows. Given the unexpected and unprecedented low interest rate environment, an additional risk premium was factored in the discount rate as explained further below. In accordance with IFRS 16 Leases, the Company recognised a Right-of-use asset (see Note 7). The fair value of this asset is being included with the Investment property.

Hence, the carrying amount of €115,299,165 for the Parliament Building and Open Air Theatre includes the fair value of the Right-of-use asset for such properties.

During the year ended 31 December 2021, the MGS benchmark referred to above slightly increased, however, this was offset by the changes in contractual cashflows owing to the passage of time. As a result, a fair value loss of €10,008,225 (2020 fair value gain: €6,042,762) has been recognised in these financial statements during this year. This fair value loss includes the fair value movement for the Right-of-use asset.

6. Investment property - continued

Valuation process - continued

b) Parliament Building and Open Air Theatre - continued

In accordance with the fair value measurement hierarchy explained above the significant unobservable inputs applied in the valuation of the Company's assets are the following:

- Rents, as contractually agreed which for the coming year is estimated at €6.3 million (2020: €6.3 million);
- Growth rate, at an average of 1.38% (2020: 1.15%), represents the estimated average growth of the Company's rentals;
- Discount rate of 6.42% (2020: 5.67%) based on:
  - o the risk-free rate of return being the YTM on the longest term available MGS at year end 1.85% (2020: 1.10%);
  - o risk premium taking into account factors such as, property illiquidity, management limitations, type, size and location of property, competition, country risk, counter-party risks and resource risks 3.82% (2020: 3.82%); and
  - o conditional premium of 0.75% (2020: 0.75%). In 2018, this conditional premium stood at 0.50%. Due to the abnormally low level of interest rates, in 2019, the Board increased this conditional premium to 0.75% and decided that should the YTM on the longest term available MGS revert back to 2.00% or higher, the conditional premium would revert back to 0.50%.

If the discount rate used in the discounted future cash flows for the Parliament Building and Open Air Theatre properties had been 0.50% higher/lower, all other things being equal, the fair value of the Parliament Building and Open Air Theatre properties would decrease/increase by €8.0 million (2020: €9.6 million) and €9.9 million (2020: €11.0 million) respectively.

7. Right-of-use asset, Lease liability and Provision on restoration

The lease liability relates to the Open Air Theatre and Parliament Building in City Gate, Valletta included within the Investment property in the Statement of financial position.

a) Measurement of lease liabilities

	2021	2020
	€	€
Lease liability recognised as at 1 January	**3,392,240**	3,307,809
Interest on lease liability for the period ended 31 December	**142,136**	141,373
Ground rents payable for the period	**(170,979)**	(56,942)
Lease liability recognised as at 31 December	**3,363,397**	3,392,240

	2021	2020
	€	€
Of which are:		
Current lease liabilities	**57,881**	113,006
Non-current lease liabilities	**3,305,516**	3,279,234
Carrying amount	**3,363,397**	3,392,240

	2021	2020
	€	€
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**57,881**	115,763
One to five years	**480,414**	474,626
More than five years	**9,754,577**	9,876,127
Total undiscounted lease liabilities at 31 December	**10,292,872**	10,466,516

	2021	2020
	€	€
Amounts recognised in profit or loss		
Interest on lease liabilities	**142,136**	141,373
Interest on provision on restoration	**219,390**	210,909
	361,526	352,282

7. Right-of-use asset, Lease liability and Provision on restoration - continued

b) Measurement of right-of-use assets

The recognised right-of-use assets relate to investment properties and are being measured at fair value in line with the underlying investment properties.

	2021	2020
	€	€
Balance as at 1 January	**5,971,507**	5,762,745
Fair value (loss) / gain	**(500,225)**	208,762
Carrying amount at 31 December	**5,471,282**	5,971,507

8. Contract asset and Service concession arrangements

On 29 December 2017, Malita entered into a contractual arrangement with the Housing Authority "Housing" to make available sixteen residential blocks, totalling around six hundred and eighty-four units, a number of car spaces and lock-up garages that will be used for affordable housing purposes. During the construction phase, plans have been amended and the number of units has increased to seven hundred sixty-eight. Excavation of the sites is substantially complete. The construction and finishing phases are expected to be fully completed by 2025 and thereafter the operating phase will follow with a duration of twenty-five years.

In line with the agreed terms, the Company has entitlement to cash flows from rental of the respective units, car spaces and lock-up garages. Rates are contractually agreed and will be paid by the tenant, a portion of which constitutes a subsidy from Housing. The Company's total cashflows will equate to the contractually agreed rates. The Company will be exploring ways to optimise revenue streams in view of the respective changes to the sites, including the increased number of units.

The IFRIC 12 model prepared by management continues to be updated with the latest actual and projected costs and expected revenues to provide management and the Board with updated profitability projections, compared with original estimates. The model is discounted applying rates by reference to the average overall cost of capital for the Company, including consideration for rates used in the market for construction projects of a similar magnitude, and also considering the likelihood of increased interest rates due to the current global climate. As a result of an increased spend, management and the Board are continuously reviewing costs together with the optimisation of future revenues to ensure that the project renders suitable returns to the Company.

Upon termination of the emphyteutical grant, the Company is required to hand-over ownership, management and operation of all assets relating to the sixteen construction sites to Housing. During the term of the agreement, Malita is entitled to cash-flows relating to residential units, car spaces and lock-up garages even if these are vacant – the only condition that entitles Malita plc to cash-flows is making such units and spaces available for use to Housing. The Company may not however dispose, or change the use of, the properties during the period of the concession.

8. Contract asset and Service concession arrangements - continued

Pursuant to IFRIC 12, when the operator has an unconditional right to receive cash or other financial assets from the grantor in remuneration for concession services, the financial asset model applies. In this context, the infrastructure managed under these contracts cannot be recorded in assets of the operator as property, plant and equipment, but are recorded as financial assets. During the construction phase, the financial asset is recorded as a contract asset. During the construction phase, a financial receivable is recognised in the Statement of Financial Position and revenue in the Statement of Comprehensive Income. The stage of completion of works was determined as the percentage of cost incurred up until the end of the reporting period relative to the total estimated cost (cost-to-cost method).

Income amounting to €12,104,037 (2020: €8,485,759) from the construction activity was recognized during the period ended 31 December 2021 and €31,810,603 (2020: €18,868,800) is cumulatively recognized in the Statement of Financial Position as a contract asset. Since the operation phase did not yet commence, no cash flows were received to date.

Costs in relation to construction amounting to €11,751,492 (2020: €8,238,601) were recognised in the Statement of Comprehensive Income for the year ended 31 December 2021. The difference between revenue and cost from the construction project during the period represents, in substance, project management fees as required by IFRIC 12.

Financial receivables are initially measured at the lower of fair value and the sum of discounted future cash flows and subsequently recognized at amortized cost using the effective interest method. The implied interest rate on the financial receivable is based on the derived rate implicit in the discounted cash flow model encompassing related terms and conditions within the Housing contract.

Construction on some sites has been completed, some other sites are nearing completion and others are well underway. Contract of works for almost all the sites have been entered into and hence the cost for completion is known. The Company has secured financing for the project based on initial estimates. Variations to the initial plans for various sites and additional number of units have necessitated an increased estimated spend which has been approved by the Project Board. The current liquidity arrangements cover agreements contracted to date on the respective sites. To finalise the respective projects the Company will, in the coming months, continue to enter into further agreements which will require further financing to be obtained. One of the largest sites that will be developed by the Company is still in pre-construction phase and no contracts have been awarded in this regard.

The following table sets out the movement in the contract asset:

	2021	2020
	€	€
At 1 January	**18,868,800**	9,818,225
Additions, including finance income	**12,941,803**	9,050,575
Carrying amount	**31,810,603**	18,868,800

9. Trade and other receivables

	2021	2020
	€	€
Current		
Ground rent receivable	**404,825**	1,323,005
Prepaid expenses	**23,840**	17,021
Other receivables	**21,105**	66,605
	449,770	1,406,631

10. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2021	2020
	€	€
Cash at bank and in hand	**10,963,244**	202,444

11. Share capital

	2021	2020
	€	€
Authorised		
150,000,000 Ordinary A shares of €0.50 each	**75,000,000**	75,000,000
50,000,000 Ordinary B shares of €0.50 each	**25,000,000**	25,000,000
	100,000,000	100,000,000
Issued and fully paid		
118,108,064 Ordinary A shares of €0.50 each	**59,054,032**	59,054,032
30,000,000 Ordinary B shares of €0.50 each	**15,000,000**	15,000,000
	74,054,032	74,054,032
Issue costs	**(758,889)**	(758,889)
	73,295,143	73,295,143

Ordinary A and Ordinary B shares rank *pari passu* for all intents and purposes of the law, except that holders of Ordinary A shares were not entitled to receive a dividend or other distribution in respect to profits generated by the Company during the period between the date of incorporation and 31 December 2014.

12. Retained earnings

The retained earnings include non-distributable earnings as a result of the Revenue from service concession arrangements recognised on the Affordable Housing project as per IFRS 15. These earnings will become distributable once the Company starts earning lease income.

	2021	2020
	€	€
Distributable	**7,998,995**	7,628,996
Non- distributable	**2,404,865**	1,361,137
	10,403,860	8,990,133

13. Non-distributable reserve - fair value movements

The reserve represents the cumulative fair value gains, net of applicable deferred tax liabilities on the Company's investment properties. These gains were initially recognised in the statement of comprehensive income and because of their nature, were subsequently transferred to a non-distributable reserve.

14. Non-distributable reserve - other

As per article 82 of the Company's Articles of Association, the directors have set aside €458,940 (2020: €462,152) which equals 10% of the net profit of the Company excluding fair value movements net of deferred tax (see Note 25) and net contract asset revenue and allocated them to a non-distributable reserve. The directors may employ the reserve in the furtherance of the business of the Company as the directors may from time to time think fit.

15. Borrowings

The Company's loan facilities as at 31 December 2021 amounted to €94,055,391 (2020: €107,147,354), out of which €20,600,000 was not utilised. This latter amount will be utilised during 2022 to continue financing the Affordable Housing project.

In the coming months the Company plans to obtain further financing arrangements due to the increased capital spend on the Affordable Housing brought about by variations to the initial plans and additional number of units that will be constructed.

	2021	2020
	€	€
Borrowings		
Non-current	**71,291,103**	36,051,219
Current	**2,164,288**	13,096,134
	73,455,391	49,147,353

16. Capital creditors

The outstanding balance of €2,457,793 relates to the Affordable Housing project and is due within the coming year. Hence, it is classified as a current liability.

	2021	2020
	€	€
Capital creditors	**2,457,793**	3,000,217

17. Trade and other payables

	2021	2020
	€	€
Current		
Trade payables	**1,815**	116,243
Dividends payable	**1,362,020**	3,234,323
Indirect taxes and social security	**50,777**	137,254
Interest payable on borrowings	**593,570**	676,656
Other payables	**51,045**	35,700
Directors' remuneration due	**32,790**	-
	2,092,017	4,200,176

18. Revenue

Revenue comprises the consideration payable by MIA and VCP by way of an annual ground rent in respect of the temporary emphyteusis granted.

Lease for the Open Air Theatre is receivable by the Company pursuant to a lease agreement. Also included in the revenue figure is a lease payable by Government of Malta for the Parliament Building whose certificate of completion was issued in January 2019. Lease payments for the Parliament Building started in the 2019 as prior to the certificate of completion being issued the Company received a daily penalty broadly in line with the rental income due, had the project been completed on time.

On 20 April 2017, a lease agreement was entered into between the Government of Malta and the Company to reflect an additional investment in the Parliament Building and as from 1 June 2017 additional rent is payable semi-annually to the Company.

19. Expenses by nature

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Directors' emoluments (Note 21)	**89,962**	75,000
Professional fees	**24,041**	179,913
Printing & advertising	**2,708**	18,538
Employee benefit expenses (Note 20)	**259,856**	229,088
Depreciation of property, plant and equipment (Note 5)	**10,222**	8,259
Lease of premises	**7,500**	7,500
Other expenses	**81,911**	109,377
	476,200	627,675

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2021 and 2020 relate to the following:

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Annual statutory audit	**25,000**	17,000
Other assurance services	**10,850**	7,400
Tax advisory & compliance services	**9,300**	1,575
	45,150	25,975

20. Employee benefit expenses

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Wages and salaries	**242,386**	211,938
Fees	**7,283**	7,169
Social security costs	**10,187**	9,981
	259,856	229,088

The average number of persons employed during the year by the Company amounted to 4 (2020: 4).

21. Directors' emoluments

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Kenneth Farrugia (Chairman – appointed on incorporation)	**25,000**	25,000
Paul Mercieca (Director – appointed on 9 April 2014)	**15,000**	15,000
Eric Schembri (Director – appointed on 1 August 2014)	**10,000**	10,000
Ray Sladden (Director – resigned 11 May 2021)	**3,744**	10,000
Robert Suban (Director – appointed on 9 April 2014)	**15,000**	15,000
Marlene Mizzi (Director – appointed on 1 January 2021)	**10,000**	-
Victor Carachi (Director – appointed 12 May 2021)	**4,808**	-
Tania Brown (Director – appointed 12 May 2021)	**6,410**	-
	89,962	75,000

22. Finance income

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Bank interest income	-	48
Finance income – Affordable Housing	**691,184**	421,723
	691,184	421,771

23. Finance costs

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Finance cost on lease liability and restoration provision	**361,526**	352,282
Loan interest expense	**1,198,833**	1,264,130
Bank charges and fees	**16,067**	34,404
	1,576,426	1,650,816

24. Tax (credit) / expense

The tax (credit) / charge for the year is made up as follows:

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Current tax expense	**1,589,571**	1,605,270
Deferred tax (credit) / expense	**(2,186,583)**	351,330
Tax (credit) / expense	**(597,012)**	1,956,600

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
(Loss) / profit before tax	**(20,619,524)**	11,498,433
Tax (credit) / expense on (loss) / profit at 35%	**(7,216,833)**	4,024,451
Tax effect of:		
Income subject to 15% final withholding tax	**(393,088)**	(448,270)
Income not chargeable for tax purposes	**(365,305)**	(234,108)
Expenses not deductible for tax purposes	**424,997**	231,856
Tax rules applicable to immovable property	**7,383,117**	(1,186,571)
Maintenance allowance	**(429,900)**	(430,758)
Tax (credit) / expense in the accounts	**(597,012)**	1,956,600

25. Deferred Tax

Deferred tax is provided using the liability method for temporary differences arising on movements in the fair value of immovable investment property. The calculation of the deferred tax provision for the year ended 31 December 2021 is calculated on the taxation rules on capital gains upon a transfer of immovable property implemented through Act XIII of 2015. With effect from 1 January 2015, the rate of capital gains tax applicable is a final withholding tax of 8% on the value of the property.

25. Deferred tax - continued

The deferred tax balance represents:

	31 December 2021 €	31 December 2020 €
Temporary differences on:		
Fair value gains	**15,573,991**	17,760,574

The movement for the year comprising the recognition of the above deferred tax liability has been credited to Statement of comprehensive income.

26. Earnings per share

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the total weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
(Loss) / profit for the year (€)	**(20,022,512)**	9,541,833
Total number of ordinary shares in issue	**148,108,064**	148,108,064
(Loss) / earnings per share (cents)	**(13.52)**	6.44

27. Dividends

	2020 Final dividend €	2021 Interim dividend €	Total €
Dividends paid on ordinary shares:			
Gross	3,228,756	1,955,026	**5,183,782**
Tax at source	(1,130,065)	(293,254)	**(1,423,319)**
Net	2,098,691	1,661,772	**3,760,463**
Dividends per share (cents)	1.42	1.12	**2.54**

27. Dividends - continued

A final gross dividend of €3,228,756 or €0.0218 per share (December 2020: €3,228,756 or €0.0218 per share), equating to a final net dividend of €2,098,691 or €0.0142 per share (December 2020: €2,098,691 or €0.0142 per share) is to be proposed at the forthcoming annual general meeting.

These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2022.

28. Cash flow information

a) Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Operating profit	**8,107,943**	8,124,716
Adjustments for:		
Net contract asset revenue	**(352,545)**	(247,158)
Depreciation of property, plant and equipment (Note 5)	**10,222**	8,259
Changes in working capital:		
Trade and other receivables	**956,861**	(968,326)
Trade and other payables	**(152,770)**	(693,627)
Cash generated from operations	**8,569,711**	6,223,864

b) Proceeds from borrowings

	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Borrowings repayable after more than one year	**37,400,000**	-
Borrowings repayable within one year	**2,500,000**	5,000,000
	39,900,000	5,000,000

29. Related party transactions

The only major shareholder of the Company is the Government of Malta through its 79.75% (2020: 79.75%) shareholding. The remaining 20.25% (2020: 20.25%) of the shares are held by the public.

Other related entities are the following:
- Malta Investment Management Company Limited
- Projects Plus Limited
- Housing Authority
- Social Projects Management Limited

All because they are Government owned and managed.

The following transactions have been carried out with the above related parties during the year.

	2021	2020
	€	€
Government of Malta		
City Gate ground rent to Government	**(115,763)**	(110,250)
Parliament lease income from Government	**3,835,578**	3,835,578
Open Air Theatre lease income from Government	**1,648,868**	1,662,499
Parliament Building additional rent from Government	**781,708**	765,000
Malta Investment Management Company Limited		
Office lease to Malta Investment Management Company Limited	**(7,500)**	(7,500)
Projects Plus Limited		
Professional service fees to Projects Plus Limited	**(202,439)**	(277,791)
Housing Authority		
Ground rent to Housing Authority	**(146,583)**	(139,603)
Social Projects Management Limited		
Project management service costs to SPM limited	**(110,545)**	(1,099,869)

30. Statutory information

Malita Investments p.l.c. is a public limited liability Company and is incorporated in Malta. The ultimate beneficial owner is the Government of Malta.

31. Subsequent events

In 2022 the Company issued an expression of interest to all owners or emphyteuta of immovable properties located around Malta and Gozo who lease such immovable property for use as a band club to participate in a scheme. The scheme consists of the sale of the immovable property or of the emphyteutical rights over such immovable property by the Band Club Owner to Malita.

Independent auditor's report

To the Shareholders of Malita Investments p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Malita Investments p.l.c. (the Company) as at 31 December 2021, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Malita Investments p.l.c.'s financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company, in the period from 1 January 2021 to 31 December 2021, are disclosed in note 19 to the financial statements.

Our audit approach

Overview

- Overall materiality: €361,000, which represents 5% of adjusted profit before tax, after excluding fair value movements for the year.

- Valuation of investment properties
- Accounting for service concession arrangements

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€361,000
How we determined it	5% of adjusted profit before tax, after excluding fair value movements for the year.
Rationale for the materiality benchmark applied	We chose adjusted profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured by users and is a generally accepted benchmark. We chose 5% based on professional judgement, noting that it is also within the range of commonly accepted profit-related benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €36,100 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of Investment Properties The Company's investment property measured at fair value comprises the Malta International Airport ("MIA") and Valletta Cruise Port ("VCP") properties as well as the Parliament Building and Open Air Theatre. The fair value of the investment property has been determined based on projected future cash flows, discounted by a risk adjusted discount rate. The valuation of the MIA and VCP properties, which was carried out by management, is based on the present value of ground rents up to the expiry of the temporary emphyteutical grants and the estimated freehold value thereafter discounted to present value. The fair value of MIA and VCP properties is calculated with reference to the cash flows receivable by the Company in terms of its contractual agreements, discounted to present value as at 31 December 2021. The discount rate is based on the yield to	We engaged our own in-house valuation experts to critique and challenge the model and assumptions used by management. Our procedures in relation to management's valuation of the properties included: - Assessing the methodologies used by management to estimate the fair value of the properties. We confirmed that the valuation approach for the properties was in accordance with professional valuation standards and suitable for use in determining their carrying values as at 31 December 2021; - Assessing key inputs in the calculations such as ground rent and other cash inflows, by reference to management's forecasts and contractual arrangements in place; - Assessing inputs considered to be significantly judgemental in the valuation of investment properties workings including the growth rate, discount rate, and other variables in the valuation model by reference to data external to the Company and the expertise of in-house subject matter experts to challenge and assess the

maturity on the longest term available MGS (Malta Government Stock) in issue as at year end plus a premium reflecting the risk inherent in the underlying cash flows and a conditional premium given the unexpected and unprecedented low interest rate environment.

The valuation of the Parliament Building and Open Air Theatre, which was carried out by management, is based on the present value of the lease income that is projected to be generated from these properties up to the expiry of the emphyteutical grant. The fair value of the Parliament Building and Open Air Theatre is calculated with reference to the cash flows receivable by the Company in terms of its contractual agreements, discounted to present value as at 31 December 2021.

The discount rate is based on the yield to maturity on the longest term available MGS (Malta Government Stock) in issue as at year end plus a premium reflecting the risk inherent in the underlying cash flows and a conditional premium given the unexpected and unprecedented low interest rate environment.

The existence of significant estimates referred to previously could result in material misstatement, which is why we have given specific focus and attention to this area.

Relevant reference in the Annual Report and financial statements:

- Critical accounting estimates and judgements; Note 3
- Investment property; Note 6

reasonableness of results of workings approved by Audit Committee and the Board;

- Testing the mathematical accuracy of the calculations derived from each forecast model;

- Assessing the appropriateness of the disclosures within the financial statements.

We discussed the valuations with the Audit Committee and concluded, based on our audit work that the company's property valuation was within an acceptable range.

Accounting for Service Concession Arrangements

During 2017, the Company entered into an agreement with the Housing Authority to develop sixteen residential blocks, including car spaces for affordable housing purposes.

IFRIC 12 covers public-to-private service concession arrangements and as disclosed in Note 8, the Company will be responsible for the

We carried out the following procedures in relation to service concession arrangements:

- We selected a sample of costs incurred, and capitalised, which we agreed to supporting documentation and to approvals by the Company's Project Board and to correspondence from the Company's appointed specialists.

- We also reviewed inputs to the IFRIC 12 model prepared by management and we challenged management in relation to updated inputs for cost construction, operation and maintenance of this project until 2050.

In line with IFRIC 12, the Company has the right to receive cashflows from the rental of such units and records the development as a financial asset once finalised and as a contract asset during the construction phase.

During the construction phase, management determines the stage of completion and actual costs incurred and capitalised based on experts' reports. The Company recognises income for project management in the Statement of Comprehensive Income and once the units are completed and handed to tenants, will recognise revenue from rental streams, also in the Statement of Comprehensive Income. A master agreement has been entered into with the Housing Authority and specific agreements will follow once tenants are assigned. Management intends to optimise revenues based on variations to original designs and to also cover the construction of additional units. The IFRIC 12 model prepared by management continues to be updated with the latest actual and projected costs and expected revenues to provide management and the Board with updated profitability projections, compared with the original estimates.

As disclosed in Note 8, a number of sites are nearing completion and therefore resulting in the crystallisation of a number of the major costs and in the better determination of the financing required to complete the respective sites. The Company has secured financing for the project based on initial estimates. Variations for various sites, including additional number of units, has necessitated an increased spend which has been approved by the Board. Management is currently pursuing options for the additional required financing. Note 15 explains the current financing arrangements and plans to obtain additional financing in the coming months.

As the directors have described in the accounting policies, estimating future cash flows requires the application of significant judgement, especially during the current phase during which the Company is exploring ways to optimise revenue overruns and increased costs (including further projected costs) relating to more units developed compared to original plans. We also reviewed the discount rate applied by reference to the overall cost of capital for the company.

- We reviewed agreements in relation to the determination of revenue streams from the Housing Authority in combination with revenues from tenants. We also tested other variables used in the accounting for IFRIC 12 including estimated project management fees during the construction phase.

- The viability of the project and the assessment of the internal rate of return percentage were discussed with management and the Board. We also enquired with management on its conclusion for additional financing that is required based on committed costs.

- We tested the arithmetic accuracy and computation of the model and reviewed the accounting treatment and related disclosures.

- Management also provided appropriate evidence supporting the profitability of the project, subject to curtailment of further cost overruns. We also had discussions with management on how they intend to address liquidity requirements and actions taken so far in this regard.

Based on the work performed, we found the accounting for the IFRIC 12 model to be consistent with the explanations and the evidence obtained.

streams in view of the respective changes to the sites, including the increased number of units.

The key judgements made by the directors include estimating future returns, discount rates and the bridging of financing needs. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires judgement. The extent of judgement around future revenue streams, discounting rates, liquidity needs and the size of the related asset, resulted in this matter being identified as an area of audit focus.

Relevant reference in the Annual Report and financial statements:

- Critical accounting estimates and judgements; Note 3
- Contract asset and service concession arrangements; Note 8
- Borrowings; Note 15

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, the Corporate governance statement and the Remuneration statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance in accordance with International Standards on Auditing.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese 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 or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

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

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the financial statements, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

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

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report in XHTML format.
- Examining whether the Annual Financial Report has been prepared in XHTML format.

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

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2021 has been prepared in XHTML format in all material respects.

Other reporting requirements

The *Annual Report and Financial Statements 2021* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Financial Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Financial Statements 2021* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
Corporate Governance Statement The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.	
Remuneration statement The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.	We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.	We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company on 20 October 2011. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 11 years. The Company became listed on a regulated market on 7 August 2012, thereby we were engaged in an interrupted manner to serve as the Company's auditor, in its listed status, for the last 10 years.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Stephen Mamo
Partner

18 March 2022

COMPANY INFORMATION

Company Secretary	Dr Donald Vella
Auditors	PricewaterhouseCoopers 78 Mill Street Zone 5, Central Business District Qormi, CBD 5090, Malta.
Legal Advisors	Camilleri Preziosi Level 3 , Valletta Buildings, South Street, Valletta, VLT1103, Malta.
Registered Office	Clock Tower, Level 1, Tigné Point, Sliema TP01, Malta.
Shareholder Information	Tel: 2132 3503 Email: info@malitainvestments.com Website: www.malitainvestments.com
Company Reg. No.	C53047
Financial Calendar	Announcement of Results 18 March 2022 Annual General Meeting 16 June 2022

Malita Investments p.l.c.
Clock Tower, Level 1, Tigné Point, Sliema TP 01, Malta
T: 2132 3503

www.malitainvestments.com

Registration № C 53047