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COMPANY ANNOUNCEMENT

MALITA INVESTMENTS P.L.C
(THE "COMPANY")

Approval of Financial Statements & Dividend Proposal

Date of Announcement	**11 March 2021**
Reference	**89/2021**
In Terms of Listing Rules	**5.16.4/5.16.21**

QUOTE

The Board of Directors of the Company approved the financial statements for the period ended 31 December 2020 and resolved that they be submitted for the approval of the shareholders at the forthcoming Annual General Meeting (the "**AGM**"), which is scheduled for 11 May 2021.

Shareholders on the Company's share register at the Central Securities Depository of the Malta Stock Exchange at close of business on 11 April 2021 will receive notice of the AGM.

The Directors resolved to recommend to the AGM the approval of a final gross dividend of €5,183,782 or €0.0350 per share, equating to a final net dividend of €3,369,458 or €0.0228 per share. The final dividend consists of:

(i) an interim dividend which has already been paid and which was declared by the directors on 21 August 2020 amounting to €1,955,026 or € 0.0132 per share (net dividend of €1,270,767 or € 0.0086 per share); and
(ii) an additional gross dividend of €3,228,756 or €0.0218 per share (net dividend of €2,098,691 or €0.0142 per share) which has been recommended by the directors (the "**Additional Dividend**").

If approved, the Additional Dividend will be paid on 18 May 2021 to those shareholders included in the shareholders register of the Company as at 11 April 2021.

The audited financial statements are attached herewith and are also available for viewing on the Company's website at http://www.malitainvestments.com/financial-statements/financial-statements-2020

UNQUOTE

Signed

Donald Vella
Company Secretary

MALITA INVESTMENTS P.L.C.

Annual Report and Financial Statements
31 December 2020

Company Registration Number: C 53047

Directors' report

The Directors present their tenth annual report together with the audited financial statements for the year ended 31 December 2020.

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. With effect from November 2019, the ground rent receivable from VCP was increased as per contractual review. 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. As at 31 December 2020, Malita is due to receive an additional amount of rent of €282,009 in relation to the prior year where the percentage revenue arising from other activities was higher than the set minimum annual ground rent due to Malita.

Furthermore, the Company receives lease income in respect of the Open Air Theatre and the Parliament Building in City Gate, Valletta. Lease income for the Parliament Building started in the 2019 as the completion certificate was issued in January of the same year. Before the issue of the completion certificate the Company received income in the form of penalties. In 2020, lease payments for Open Air Theatre and Parliament Building have contractually increased by the index of inflation.

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 €1,440,000 (2019: fair value gain of €23,674,000) and a positive movement in the fair value of the Parliament Building and Open Air Theatre of €6,042,762 (2019 fair value gain: €10,989,700). The negative fair value movement for MIA and VCP properties came about due to the upward movement of interest rates whereas for the Parliament Building and Open Air Theatre, the upward movement of interest rates was offset by the changes in the contractual cash flows owing to the passage of time. The net surplus is non-distributable and has consequently been transferred to a non-distributable reserve.

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 - continued

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. During 2020, the Company issued further invitations to tender for the mechanical and electrical works, finishes and lifts of these units. Tenders for the construction of fourteen property sites have been awarded so far and construction works are close to completion on some of the sites. Tenders for mechanical and electrical works of thirteen property sites have also been awarded whilst tenders for finishes works have been awarded for eight property sites. Mechanical and electrical works and finishes have started and are progressing very well on several sites. Furthermore, lift tenders for two property sites have been recently awarded. In 2021, the Company will be awarding a substantial number of tenders which have been issued and are currently in evaluation stage. Moreover, invitations to tender will be issued for the remaining sites. The capitalised cost to date on this development amounts to €18,868,800 and is reflected in these financial statements.

The Company has secured financing for the project based on initial estimates. Significant 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.

The Company had a project which as at 31 December 2019 was being classified under Other assets. During 2020, the Board of Directors have decided to reverse this capitalisation given the lack of progress that was registered on this project. Nevertheless, the Board of Directors are constantly analysing and assessing other possible investment opportunities.

Result and dividends

The statement of comprehensive income is set out on page 29.

An interim gross dividend of €1,955,026 or €0.0132 per share resulting in an interim net dividend of €1,270,767 or €0.0086 per share was paid on 23 September 2020. The Directors recommend the payment of a final gross dividend of €3,228,756 or €0.0218 per share (December 2019: €3,228,756 or €0.0218 per share), equating to a final net dividend of €2,098,691 or €0.0142 per share (December 2019: €2,744,442 or €0.01853 per share). The dividend due to Ordinary A shareholders is still due as at year end and is being disclosed within trade payables.

Directors

The Directors of the Company are:

Kenneth Farrugia	(Chairman - appointed on incorporation)
Ray Sladden	(appointed on 9 April 2014)
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)

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

Directors' report - continued

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 2020 are included in the Annual Report and Statutory Financial Statements – 31 December 2020, 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.

Directors' report - continued

Financial key performance indicators - continued

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

	2020	2019
Working capital ratio	**0.1:1**	0.1:1
Operating profit	**€8,124,716**	€7,927,807
Debt to assets ratio	**33.8%**	32.2%
Debt to equity ratio	**51.0%**	47.4%
Interest coverage	**4.9 times**	4.7 times

The Company maintained a low working capital ratio which is in line with the previous year. In 2020, the Company has a positive bank balance and obtained further short-term financing for the Affordable Housing project. As a result, the total current liabilities for 2020 increased further. Capital expenditure for the Affordable Housing project continued in the year under review. Once such project capital expenditure is settled through the loan disbursements as explained in Note 1.1 the resultant working capital ratio 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 12 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 - continued

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 Listing 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 2020, 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 2020, 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

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting (AGM).

On behalf of the board

Kenneth Farrugia
Chairman

Paul Mercieca
Director

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

11 March 2021

Corporate Governance Statement

Introduction

Pursuant to the Listing 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 Listing Rules (the “Code”). In terms of Listing Rule 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 six 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.

Corporate Governance Statement - continued

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 Company has adopted clear division of responsibilities between the Chairman and the Chief Financial Officer. 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 Financial Officer who reports to the Board of Directors. On 1 January 2021, the Company appointed a Chief Executive Officer.

Principle 3: Composition of the Board

The Board is composed of six non-executive Directors. The members of the Board for the year under review were Mr Kenneth Farrugia (Chairman), Mr Ray Sladden, Dr Robert Suban, Mr Paul Mercieca and Mr Eric Schembri. Ms Marlene Mizzi was appointed to the Board on 1 January 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 the Company has banking facilities.

Corporate Governance Statement - continued

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.

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. The Investment Committee is currently chaired by Robert Suban and includes Ray Sladden 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.

Corporate Governance Statement - continued

Compliance - continued

Principle 4: The Responsibilities of the Board - continued

Board committees - continued

Investment committee - continued

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	(appointed on 9 April 2014)	12
Paul Mercieca	(appointed on 9 April 2014)	12
Eric Schembri	(appointed on 1 August 2014)	12
Robert Suban	(appointed on 9 April 2014)	12

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.

Corporate Governance Statement - continued

Compliance - continued

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 ninth 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.

Principle 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 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 Listing Rules, and Directors follow the required notification procedures.

Corporate Governance Statement - continued

Compliance - continued

Principle 11: Conflicts of Interest - continued

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 2020**
Kenneth Farrugia	nil
Ray Sladden	nil
Paul Mercieca	nil
Robert Suban	nil
Eric Schembri	nil

There were no changes in the Directors' interest in the shareholding of the Company between year-end and 11 March 2021.

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.

Corporate Governance Statement - continued

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 meetings. 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 2020 the aggregate amount of remuneration paid to all Directors of the Company was €75,000. Details of the remuneration of each individual director are set out in Note 22 to the financial statements.

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 Statement - continued

Remuneration report - Senior Management

The Board notes that the organisational set-up of the Company consists of 4 employees, 1 of whom is considered to be a senior officer. The terms and conditions of employment of the senior officer are set out in the contract of employment with the Company. The senior officer is not entitled to profit sharing, share options or pension benefits. During 2020, the Company did not have a CEO, however, on 1 January 2021 the Board appointed Jennifer Tabone as CEO of the Company. Accordingly no emoluments were paid by the Company to the CEO during 2020 as this role did not exist.

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 Listing 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 listing rules.

2. Scope

2.1 This Policy determines the basis for remuneration of all members of the board of directors of the Company. As at 31 December 2020, the Company did not have a CEO and accordingly there is no need for the Policy to contemplate his/her remuneration. On 1 January 2021, the board appointed Jennifer Tabone as CEO 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.

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.

Remuneration Statement - continued

Remuneration Policy for Directors - continued

3. Board Remuneration - continued

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.

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 2020, 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, set out on pages 27 to 58, comprise:

- the statement of financial position as at 31 December 2020;
- 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.

Independent auditor's report - continued

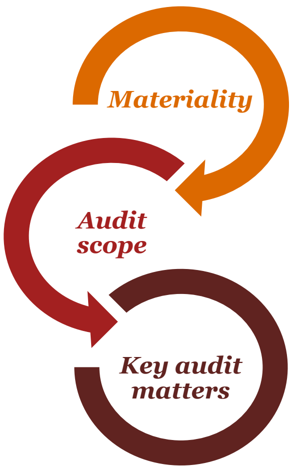
To the Shareholders of Malita Investments p.l.c.

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 2020 to 31 December 2020, are disclosed in Note 20 to the financial statements.

Our audit approach

Overview



Overall materiality: €344,700, which represents 5% of profit before tax, excluding fair value movements for the year.

Valuation of Investment Properties

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.

Independent auditor's report - continued

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

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	€344,700
How we determined it	5% of profit before tax, excluding fair value movements for the year.
Rationale for the materiality benchmark applied	We chose 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 €34,400 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 (Note 6 to the financial statements) 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 2020. 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 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 2020.	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 2020; - 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 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, including reference to related uncertainties brought about by the ongoing COVID-19 pandemic.

Key audit matter	How our audit addressed the Key audit matter
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. Future estimation uncertainty is heightened as a result of the ongoing COVID-19 pandemic, which management has considered as part of their valuation process. 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.	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.

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.

Independent auditor's report - continued

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

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.

Independent auditor's report *- continued*

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

- 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

The *Annual Report and Financial Statements 2020* 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 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 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 1 to 5) 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.

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
Corporate governance statement (on pages 6 to 12) The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Listing Rules. The Statement's required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the 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 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 Listing 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 Listing Rule 5.97. 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.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report - *continued*

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

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
Remuneration statement (on pages 13 to 15) The Listing Rules issued by the Malta Listing Authority require the directors to prepare a Remuneration statement, including the contents listed in Appendix 12.1 to Chapter 12 of the Listing 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 Listing Rules, has been included.	In our opinion, the Remuneration statement has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing 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 have nothing to report to you in respect of these responsibilities.

Independent auditor's report - continued

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

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
	We also have responsibilities under the Listing 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 10 years, including one year prior to listing. The company became listed on a regulated market on 7 August 2012.

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

Digitally signed by
Stephen Mamo
Date: 2021.03.11
18:49:55 +01'00'

Stephen Mamo
Partner

11 March 2021

Statement of financial position

	Notes	As at 31 December 2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	5	**19,573**	18,933
Investment property	6	**227,988,390**	223,385,628
Contract asset	8	**18,868,800**	9,818,225
		246,876,763	233,222,786
Current assets			
Trade and other receivables	9	**1,406,631**	253,913
Cash and cash equivalents	10	**202,444**	717,826
Other assets	11	**-**	184,413
		1,609,075	1,156,152
Total assets		**248,485,838**	234,378,938
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**73,295,143**	73,295,143
Retained earnings	13	**8,990,133**	8,177,094
Non-distributable reserve - fair value movements	14	**78,800,715**	74,549,282
Non-distributable reserve - other	15	**3,421,180**	2,959,028
Total equity		**164,507,171**	158,980,547
Non-current liabilities			
Borrowings	16	**36,051,219**	38,143,573
Lease liability	7	**3,279,234**	3,197,559
Provision on restoration	7	**5,102,086**	4,891,177
Deferred tax liabilities	26	**17,760,574**	17,409,245
		62,193,113	63,641,554
Current liabilities			
Borrowings	16	**13,096,134**	8,030,150
Lease liability	7	**113,006**	110,250
Capital creditor for the acquisition of property	17	**3,000,217**	1,678,173
Trade and other payables	18	**4,200,176**	1,559,402
Current tax liabilities		**1,376,021**	378,862
		21,785,554	11,756,837
Total liabilities		**83,978,667**	75,398,391
Total equity and liabilities		**248,485,838**	234,378,938

The notes on pages 32 to 58 are an integral part of these financial statements.

Statement of financial position - continued

The financial statements on pages 27 to 58 were authorised for issue by the board on 11 March 2021 and were signed on its behalf by:

Kenneth Farrugia
Chairman

Paul Mercieca
Director

Statement of comprehensive income

	Notes	**Year ended 31 December 2020 €**	Year ended 31 December 2019 €
Revenue	19	**8,505,233**	8,067,576
Revenue from service concession arrangements	8	**8,485,759**	9,100,895
Costs related to service concession arrangements	8	**(8,238,601)**	(8,835,820)
Administrative expenses	20	**(627,675)**	(404,844)
Operating profit		**8,124,716**	7,927,807
Change in fair value of investment property	6,7	**4,602,762**	34,663,700
Finance income	23	**421,771**	427,480
Finance costs	24	**(1,650,816)**	(1,686,756)
Profit before tax		**11,498,433**	41,332,231
Tax expense	25	**(1,956,600)**	(4,189,026)
Profit for the year - total comprehensive income		**9,541,833**	37,143,205
Earnings per share (cents)	27	**6.44**	25.08

The notes on pages 32 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	Other	Total
		€	€	€	€	€
Balance at 1 January 2019		73,295,143	6,817,895	45,784,355	2,510,545	128,407,938
Change in accounting policy due to the application of IFRS 16		-	(3,201,138)	-	-	(3,201,138)
Comprehensive income						
Profit for the year		-	37,143,205	-	-	37,143,205
Transactions with owners						
Transfer within owners' equity	14	-	(28,764,927)	28,764,927	-	-
Transfer within owners' equity	15	-	(448,483)	-	448,483	-
Dividends to equity shareholders	28	-	(3,369,458)	-	-	(3,369,458)
		-	(32,582,868)	28,764,927	448,483	(3,369,458)
Balance at 31 December 2019		**73,295,143**	**8,177,094**	**74,549,282**	**2,959,028**	**158,980,547**
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	14	-	(4,251,433)	4,251,433	-	-
Transfer within owners' equity	15	-	(462,152)	-	462,152	-
Dividends to equity shareholders	28	-	(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**

The notes on pages 32 to 58 are an integral part of these financial statements.

Statement of cash flows

	Notes	**Year ended 31 December 2020 €**	Year ended 31 December 2019 €
Cash flows from operating activities			
Cash generated from operations	29	**6,223,864**	8,566,723
Interest received	23	**65**	299
Interest paid and similar charges	24	**(34,404)**	(22,168)
Income taxes paid		**(608,111)**	(1,563,269)
Payments on lease liability	7	**(56,942)**	(163,558)
Net cash generated from operating activities		**5,524,472**	6,818,027
Cash flows from investing activities			
Purchase for property, plant and equipment	5	**(8,899)**	(7,632)
Payments to acquire investment property		**(6,760,917)**	(3,493,945)
Net cash used in investing activities		**(6,769,816)**	(3,501,577)
Cash flows from financing activities			
Repayments of borrowings		**(2,029,744)**	(1,966,232)
Interest paid on borrowings		**(1,442,300)**	(1,378,736)
Dividends paid to equity holders		**(797,994)**	(3,369,458)
Proceeds from borrowings	29	**5,000,000**	5,000,000
Net cash used in financing activities		**729,962**	(1,714,426)
Net movement in cash and cash equivalents		**(515,382)**	1,602,024
Cash and cash equivalents at beginning of year		**717,826**	(884,198)
Cash and cash equivalents at end of year	10	**202,444**	717,826

The notes on pages 32 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. This basis of preparation has been adopted after considering the effects which the Covid-19 outbreak is having on the Company. At this stage, the Company has experienced instances where receipt of the payment of ground rent has been delayed and this delay is not expected to result in default. Management has assessed and concluded that such occurrences will not have an impact on the value of properties on which Malita owns the dominium directum. Given that the investment properties are being accounted for at fair value with discount rates embedded in the model, the effect of market driven movements are being reflected in the reduction to the fair value of the properties.

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).

The statement of financial position reflects a net current liability position of €20,176,479. Current liabilities as at 31 December 2020 include payables of €3,000,217 in relation to the Affordable Housing project. The Company has concluded the legal requirements with the EIB and CEB and will soon be affecting the first drawdown of a total facility of €58 million as disclosed in note 16. Moreover, the Company paid €6,760,917 in project capital expenditure from internal funds during the year under review. To aid the Company's liquidity from the capital expenditure on the Affordable Housing project, the Company obtained temporary financing from local financial institutions which will in turn be settled from the EIB and CEB loan disbursements. Through the same drawdown the current liability position will also be addressed given that short term payables will be settled. The Directors are confident that the Company will continue in business as a going concern and that liabilities will continue to be honoured as and when they fall due.

Standards, interpretations and amendments to published standards effective 1 January 2020

The Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2020. 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.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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 2020. 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.

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.

1. Summary of significant accounting policies - continued

1.4 Investment property - continued

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.

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. Summary of significant accounting policies - continued

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.

1.7.3 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.

1. Summary of significant accounting policies - continued

1.8 Service Concession Arrangements - continued

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.

1.10 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.

1. Summary of significant accounting policies - continued

1.12 Financial liabilities - continued

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.

1.15 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. Summary of significant accounting policies - continued

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.

(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.

1. Summary of significant accounting policies - continued

1.19 Borrowing costs - continued

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 16) 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:

	2020	2019
	€	€
Loans and receivables category:		
- Trade and other receivables (Note 9)	**1,389,610**	236,256
- Cash and cash equivalents (Note 10)	**202,444**	717,826

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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.

The Company was not impacted due to the Covid-19 pandemic except for delays in receiving the payment of ground rents in respect of properties on which Malita owns the dominum directum. The Company has exchanged formal communications to collect the payment of amounts due. The Board is committed to take the necessary measures to ensure that the amounts due are collected and believes that these amounts are receivable in full. After 31 December 2020, partial settlement of the amounts due have been affected.

(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 16), capital creditor for acquisition of property (Note 17) and trade and other payables (Note 18). 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.

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					
Borrowings	14,516,090	3,315,100	9,945,301	32,077,790	59,854,281
Capital creditor for acquisition of property	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 creditor for acquisition of property will be settled from the disbursements of the borrowings that the Company has secured. As also indicated in Note 16, the Company will draw unutilised facilities to be able to honour repayment of borrowings falling due within one year.

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 2020 and 31 December 2019, 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.

3. Critical accounting estimates and judgements - continued

(a) Valuation of investment properties - continued

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 2020 was 1.10% (2019: 0.98%), plus a risk premium. Due to the continuous low interest rate environment, the fair value of the investment properties is increasing at each period, and fair value gains are being recognised as a result. When interest rates start increasing, the discount rate will increase, fair value of the investment properties will decrease, and fair value losses will result (see Note 6). Movements resulting from the said revaluation process are treated as non-distributable fair value gains (see Note 14). For the period under review, the increase in interest rates has in fact led to a negative fair 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.

The Audit Committee and the Board have also taken into consideration that the revenue flows from debtors enjoying the temporary utile dominium of the Company’s investment properties are based on the assumption that the economy will be recovering in the near future and thus the current COVID pandemic including uncertainty around recovery, will not impact the tenancy agreements and neither the future cashflows.

(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.

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).

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 2019	
Opening net book amount	17,346
Additions	7,632
Depreciation charge	(6,045)
Closing net book amount	18,933
At 31 December 2019	
Cost or valuation	39,005
Accumulated depreciation	(20,072)
Net book amount	18,933

	€
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**

6. Investment property

	2020	2019
	€	€
MIA and VCP properties	**102,681,000**	104,121,000
Parliament Building and Open Air Theatre	**125,307,390**	119,264,628
Carrying amount	**227,988,390**	223,385,628

i. MIA and VCP properties

	2020	2019
	€	€
At 1 January	**104,121,000**	80,447,000
Fair value movement	**(1,440,000)**	23,674,000
Carrying amount	**102,681,000**	104,121,000

6. Investment property - continued

ii. Parliament Building and Open Air Theatre

	2020 €	2019 €
At 1 January	**119,264,628**	103,451,507
Adjustment upon adoption of IFRS 16	**-**	4,820,047
	119,264,628	108,271,554
Amortisation of borrowing costs	**-**	3,374
Fair value movement	**6,042,762**	10,989,700
Carrying amount	**125,307,390**	119,264,628

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 2020.

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.

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 2020. 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.

6. Investment property - continued

Valuation process - continued

a) MIA and VCP - continued

During the year ended 31 December 2020, the MGS benchmark referred to above slightly increased and as a result a fair value loss of €1,440,000 (2019 fair value gain: €23,674,000) 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.

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 2020 is estimated at €2.2 million (2019: €2.1 million);
- Growth rate, as contractually agreed at an average of 3.00% p.a. (2019: 3.00% p.a.) represents the estimated average growth of the Company's rentals;
- Discount rate of 4.17% (2019: 4.05%) based on:
  - the risk-free rate of return being the YTM on the longest term available MGS at year end 1.10% (2019: 0.98%);
  - 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% (2019: 2.32%); and
  - conditional premium of 0.75% (2019: 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 €13.9 million (2019: €14.5 million) and €17.0 million (2019: €17.7 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 2020. 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 €125,307,390 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 2020, 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 gain of €6,042,762 (2019 fair value gain: €10,989,700) has been recognised in these financial statements during this year. This fair value gain 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 (2019: €6.0 million);
- Growth rate, at an average of 1.15% (2019: 0.91%), represents the estimated average growth of the Company's rentals;
- Discount rate of 5.67% (2019: 5.55%) based on:
  - the risk-free rate of return being the YTM on the longest term available MGS at year end 1.10% (2019: 0.98%);
  - 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% (2019: 3.82%); and
  - conditional premium of 0.75% (2019: 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 €9.6 million (2019: €9.0 million) and €11.0 million (2019: €10.4 million) respectively.

The certificate of completion of the Parliament Building was issued end of January 2019. The Parliament Building and Open Air Theatre are both carried at fair value.

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

In 2019 the Company adopted IFRS 16 Leases using a modified retrospective approach, under which the Company had not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments that arose from the new leasing rules were therefore recognised in the opening Statement of financial position on 1 January 2019 within the statement of changes in equity.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. The transitional adjustment impacting lease liabilities was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019. This had resulted in a right-of-use asset as at 1 January 2019 amounting to €111,472,692, a lease liability amounting to €8,021,185 and a net investment in the lease amounting to €103,451,507.

In deriving the incremental borrowing rate as at the application date two separate approaches were adopted. The first approach included the establishment of a reference rate which was based on the yield-to-maturity on Malta Government Stocks aligned with the weighted lease term. The weighted term was derived by considering the payment terms, years remaining to the lease term, cash flows of lease payments and an inflation rate as per the lease agreement. A financing spread was then added to the reference rate. This build-up approach leads to an Incremental borrowing rate of 4.4%. The second approach was based on the yield-to-maturity on bonds issued by real estate focused local companies as at the application date. Timing differences, between the bonds term and lease term, were adjusted for leading to an Incremental borrowing rate of 4.2%. Finally, an average of the two approaches was taken at 4.3%.

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

The Company recognised the right-of-use asset and the lease liability at the date of initial application. Therefore, the measurement principles of IFRS 16 are applied after that date. The right-of-use asset was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Lease liabilities and provision on restoration costs amounting to €8,021,185 were separately recognised in the statement of financial position as at 1 January 2019. The outflows related to these liabilities were previously netted off from the value of the Company's investment property.

The Company fair values the investment property associated with the right-of-use asset. As at 1 January 2019 the Company recognised the difference between the value of the right-of-use asset at cost and at fair value as an adjustment to opening retained earnings in the statement of changes in equity amounting to €3,201,138.

a) Measurement of lease liabilities

	2020	2019
	€	€
Undiscounted operating lease liability commitments as at 31 December 2019	-	10,687,016
Impact of discounting using the lessee's incremental borrowing rate at the date of initial application	-	(7,355,358)
Lease liability recognised as at 1 January	**3,307,809**	3,331,658
Interest on lease liability for the period ended 31 December	141,373	139,709
Ground rents payable for the period	(56,942)	(163,558)
Lease liability recognised as at 31 December	**3,392,240**	3,307,809

	2020	2019
	€	€
Of which are:		
Current lease liabilities	113,006	110,250
Non-current lease liabilities	3,279,234	3,197,559
Carrying amount	**3,392,240**	3,307,809

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

a) Measurement of lease liabilities - continued

	2020	2019
	€	€
Maturity analysis - contractual undiscounted cash flows		
Less than one year	115,763	113,006
One to five years	474,626	471,732
More than five years	9,876,127	9,936,903
Total undiscounted lease liabilities at 31 December	**10,466,516**	10,521,641

	2020	2019
	€	€
Amounts recognised in profit or loss		
Interest on lease liabilities	141,373	139,709
Interest on provision on restoration	210,909	201,650
	352,282	341,359

b) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at 1 January 2019 at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets relate to investment properties and are being measured at fair value in line with the underlying investment properties.

	2020	2019
	€	€
Balance as at 1 January	**5,762,745**	4,820,047
Fair value gain	**208,762**	942,698
Carrying amount at 31 December	**5,971,507**	5,762,745

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. The number of units has now increased to 768. Excavation of the sites is substantially complete. The construction and finishing phase is expected to be completed during 2023 and thereafter the operating phase will follow with a duration of twenty-five years once the construction and finishing phase is complete.

8. Contract asset and Service concession arrangements - continued

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.

Upon termination of the emphyteutical grant, the Company is required to hand-over responsibility and ownership 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. The Company may not however dispose, or change the use of, the properties during the period of the concession.

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 Income Statement. 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 €8,485,759 from the construction activity was recognized during the period ended 31 December 2020 and €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 €8,238,601 were recognised in the income statement for the period ended 31 December 2020. The difference between revenue and cost from the construction project during the period represents, in substance, project management fees.

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.

The Company has secured financing for the project based on initial estimates. Significany 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.

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

	2020	2019
	€	€
At 1 January	**9,818,225**	5,566,308
Additions, including finance income	**9,050,575**	4,251,917
Carrying amount	**18,868,800**	9,818,225

9. Trade and other receivables

	2020 €	2019 €
Current		
Ground rent receivable	**1,323,005**	164,810
Prepaid expenses	**17,021**	17,657
Other receivables	**66,605**	71,446
	1,406,631	253,913

The Company experienced delays in respect of receipt of ground rents. The Company has exchanged formal communications to collect the payment of amounts due. The Board is committed to take the necessary measures to ensure that the amounts due are collected and believes that these amounts are receivable. After 31 December 2020, partial settlement of the amounts due have been affected.

10. Cash and cash equivalents

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

	2020 €	2019 €
Cash at bank and in hand	**202,444**	717,826

11. Other assets

As at 31 December 2019, the Company incurred costs amounting to €184,413 relating to a new project that was classified as Other assets. During 2020, the Board of Directors have decided to reverse this capitalisation given the lack of progress that was registered on this project. Hence, these costs which included legal and technical fees, have been reclassified as an expense.

12. Share capital

	2020 €	2019 €
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

12. Share capital - continued

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.

13. 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.

	2020	2019
	€	€
Distributable	**7,628,996**	7,484,838
Non- distributable	**1,361,137**	692,256
	8,990,133	8,177,094

14. 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.

15. Non-distributable reserve - other

As per article 82 of the Company's Articles of Association, the directors have set aside €462,152 (2019: €448,483) which equals 10% of the net profit of the Company excluding fair value movements net of deferred tax (see Note 26) 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.

16. Borrowings

On 1 October 2012, the Company withdrew a €40,000,000 loan facility with the European Investment Bank in part satisfaction of the acquisition of the Parliament Building and the Open Air Theatre. This facility is split up into €25,000,000 for 20 years and €15,000,000 for 25 years at a fixed rate of interest. The borrowing cost of the long-term loan is inclusive of a three-year capital moratorium period. The first capital repayment of the long-term loan was paid in January 2016.

On 28 September 2016, the Company secured a €7,000,000 revolving loan facility with Bank of Valletta in satisfaction of the improvements to the Parliament Building. The facility is to be fully repaid within 15 years from first drawdown at a fixed rate of interest. The first capital and interest repayments on this loan were due in May 2019. The facility is pledged against the additional rent receivable by the Company for the use of the Parliament Building.

On 28 November 2018, the Company obtained a €1,000,000 short term funding facility from Bank of Valletta in order to meet capital expenditure requirements in respect of the Affordable Housing project.

On 22 October 2019, the Company obtained additional short-term funding of €5,000,000 from Bank of Valletta to allow for the continued construction of the Affordable Housing project given that the EIB and CEB disbursements had still not been made.

16. **Borrowings** - continued

On 21 May 2020, the Company obtained an additional short-term loan of €2,000,000 from Bank of Valletta to enable the continued construction of the Affordable Housing project since EIB and CEB funds were not disbursed yet.

On 11 September 2020 and 26 October 2020, the Company obtained two additional short-term loans of €1,500,000 each from Bank of Valletta to enable the continued construction of the Affordable Housing project since EIB and CEB funds were not disbursed yet.

The €11,000,000 total short term funding facilities will be repaid within the coming months as the Company will soon be affecting the first drawdown from the two credit facility agreements with the European Investment Bank and the Council of Europe Development Bank.

The Company's loan facilities as at 31 December 2020 amounted to €107,147,354 (2019: €104,173,723), out of which €58,000,000 was not utilised.

	2020	2019
	€	€
Borrowings		
Non-current	**36,051,219**	38,143,573
Current	**13,096,134**	8,030,150
	49,147,353	46,173,723

17. Capital creditor for the acquisition of property

The outstanding balance of €3,000,217 relates to the Affordable Housing project and is due within the coming year. Hence, it is classified as a current liability.

	2020	2019
	€	€
Capital creditor for acquisition of property	**3,000,217**	1,678,173

18. Trade and other payables

	2020	2019
	€	€
Current		
Trade payables	**116,243**	109,027
Dividends payable	**3,234,323**	17,108
Indirect taxes and social security	**137,254**	57,420
Deferred ground rent income	**-**	761,025
Interest payable on borrowings	**676,656**	559,468
Other payables	**35,700**	55,354
	4,200,176	1,559,402

For the year under review, there was no ground rent received in advance, hence the nil balance in 2020.

19. Revenue

Revenue comprises the consideration payable by MIA and VCP by way of an annual ground rent in respect of the temporary emphyteusis granted. With effect from November 2019, the ground rent receivable from VCP was increased as per contractual review.

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.

Lease payments in respect of the Open Air Theatre and Parliament Building have both contractually increased by the index of inflation in the current year.

20. Expenses by nature

	Year ended 31 December 2020 €	Year ended 31 December 2019 €
Directors' emoluments (Note 22)	**75,000**	75,000
Professional fees	**179,913**	48,950
Printing & advertising	**18,538**	17,954
Employee benefit expenses (Note 21)	**229,088**	183,913
Depreciation of property, plant and equipment (Note 5)	**8,259**	6,045
Lease of premises	**7,500**	8,850
Other expenses	**109,377**	64,132
	627,675	404,844

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2020 and 2019 relate to the following:

	Year ended 31 December 2020 €	Year ended 31 December 2019 €
Annual statutory audit	**17,000**	16,000
Other assurance services	**7,400**	24,120
Tax advisory & compliance services	**1,575**	1,300
	25,975	41,420

21. Employee benefit expenses

	Year ended 31 December 2020 €	Year ended 31 December 2019 €
Wages and salaries	**211,938**	168,726
Fees	**7,169**	7,128
Social security costs	**9,981**	8,059
	229,088	183,913

The average number of persons employed during the year by the Company amounted to 4 (2019: 4).

22. Directors' emoluments

	Year ended 31 December 2020 €	Year ended 31 December 2019 €
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 – appointed on 9 April 2014)	**10,000**	10,000
Robert Suban (Director – appointed on 9 April 2014)	**15,000**	15,000
	75,000	75,000

23. Finance income

	Year ended 31 December 2020 €	Year ended 31 December 2019 €
Bank interest income	**48**	299
Finance income – Affordable Housing	**421,723**	427,181
	421,771	427,480

24. Finance costs

	Year ended 31 December 2020 €	Year ended 31 December 2019 €
Finance cost on lease liability and restoration provision	**352,282**	341,359
Loan interest expense	**1,264,130**	1,323,229
Bank charges and fees	**34,404**	22,168
	1,650,816	1,686,756

25. Tax expense

The tax charge for the year is made up as follows:

	Year ended 31 December 2020 €	Year ended 31 December 2019 €
Current tax expense	**1,605,270**	1,491,392
Deferred tax expense	**351,330**	2,697,634
Tax expense	**1,956,600**	4,189,026

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 2020 €	Year ended 31 December 2019 €
Profit before tax	**11,498,433**	41,332,231
Tax on profit at 35%	**4,024,451**	14,466,281
Tax effect of:		
Income subject to 15% final withholding tax	**(448,270)**	(410,511)
Income not chargeable for tax purposes	**(234,108)**	(572,235)
Expenses not deductible for tax purposes	**231,856**	223,562
Tax rules applicable to immovable property	**(1,186,571)**	(9,104,716)
Maintenance allowance	**(430,758)**	(413,355)
Tax charge in the accounts	**1,956,600**	4,189,026

26. 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 2020 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.

The deferred tax balance represents:

	31 December 2020 €	31 December 2019 €
Temporary differences on:		
Fair value gains	**17,760,574**	17,409,245

26. **Deferred tax** - continued

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

27. 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 2020	Year ended 31 December 2019
Profit for the year (€)	**9,541,833**	37,143,205
Total number of ordinary shares in issue	**148,108,064**	148,108,064
Earnings per share (cents)	**6.44**	25.08

28. Dividends

	2019 Final dividend €	2020 Interim dividend €	**Total €**
Dividends paid on ordinary shares:			
Gross	3,228,756	1,955,026	**5,183,782**
Tax at source	(484,314)	(684,259)	**(1,168,573)**
Net	2,744,442	1,270,767	**4,015,209**
Dividends per share (cents)	**1.85**	**0.86**	**2.71**

A final gross dividend of €3,228,756 or €0.0218 per share (December 2019: €3,228,756 or €0.0218 per share), equating to a final net dividend of €2,098,691 or €0.0142 per share (December 2019: €2,744,442 or €0.0185 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 2021.

29. Cash flow information

a) Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Year ended 31 December 2020 €	Year ended 31 December 2019 €
Operating profit	**8,124,716**	7,927,807
Adjustments for:		
Net contract asset revenue	**(247,158)**	(265,075)
Depreciation of property, plant and equipment (Note 5)	**8,259**	6,045
Changes in working capital:		
Trade and other receivables	**(968,326)**	342,321
Trade and other payables	**(693,627)**	555,625
Cash generated from operations	**6,223,864**	8,566,723

b) Proceeds from borrowings

	Year ended 31 December 2020 €	Year ended 31 December 2019 €
Borrowings repayable within one year	**5,000,000**	5,000,000

30. Related party transactions

The only major shareholder of the Company is the Government of Malta through its 79.75% (2019: 79.75%) shareholding. The remaining 20.25% (2019: 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.

30. **Related party transactions** - continued

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

	2020	2019
	€	€
Government of Malta		
City Gate ground rent to Government	**(110,250)**	(110,250)
Parliament lease income from Government	**3,835,578**	3,683,333
Open Air Theatre lease income from Government	**1,662,499**	1,581,986
Parliament Building additional rent from Government	**765,000**	750,000
Malta Investment Management Company Limited		
Office lease to Malta Investment Management Company Limited	**(7,500)**	(8,850)
Projects Plus Limited		
Professional service fees to Projects Plus Limited	**(277,791)**	(276,120)
Housing Authority		
Ground rent to Housing Authority	**(139,603)**	(139,603)
Social Projects Management Limited		
Project management service costs to SPM limited	**(1,099,869)**	(1,697,050)

31. **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.