MALITA INVESTMENTS P.L.C.

Condensed Interim Financial Statements (unaudited)
30 June 2015

Company Registration Number: C 53047

Interim Directors' report

The Directors present their report together with the condensed interim financial statements for the period ended 30 June 2015.

Principal activities

The company's principal activities include the financing, development, management and operation of immovable property, in particular, projects of national and/or strategic importance.

Review of the business

In May 2015, the Parliament Building was officially inaugurated and the Company is currently waiting for the completion certificate to be issued. During this period, the Company continued to receive income from its ground rents over the sites of Malta International Airport (MIA) and Valletta Cruise Port (VCP). The Company also received income relating to the Parliament Building and Open Air Theatre as per the relative contractual agreements entered into in 2012. As explained in Note 4, the results for the period include a favourable change in fair value on MIA and VCP properties of €8,065,000 which came about due to the downward movement of interest rates. Since its origination in prior years, this gain has been determined by the Board to be non-distributable and has accordingly been transferred to a non-distributable reserve.

In the meantime, the Board of Directors continued to consider and evaluate a number of potential projects including ones with a mix of public/private participation.

Result and dividends

The condensed statement of comprehensive income is set out on page 5. The Directors declare the payment of an interim gross dividend to the holders of Ordinary A and Ordinary B shares of €2,132,756 or €0.0144 per share (June 2014: €450,000 or €0.0150 per share paid to the holders of Ordinary B shares only) equating to an interim net dividend of €1,386,291 or €0.00936 per share (June 2014: €292,500 or €0.00975 per share paid to the holders of Ordinary B shares only) payable on 11 September 2015.

Directors

The Directors of the Company who held office during the period were:
Kenneth Farrugia (Chairman)
Frederick Mifsud Bonnici
Paul Mercieca
Ray Sladden
Robert Suban
John Buttigieg
Eric Schembri

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

Interim Directors' report - continued

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Maltese 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 Maltese 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 period ended 30 June 2015 are included in the Condensed Interim Financial Statements – 30 June 2015, which is published in printed form and will be made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's 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.

On behalf of the board

Kenneth Farrugia
Chairman

Frederick Mifsud Bonnici
Director

Registered office
Clock Tower
Level 1
Tigne` Point
Sliema
Malta

30 July 2015

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Report on review of interim financial information

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

Introduction
We have reviewed the accompanying condensed interim statement of financial position of Malita Investments p.l.c. as of 30 June 2015 and the related condensed statements of comprehensive income, changes in equity and cash flows for the 6-month period then ended. The Directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Other matters
This report, including the conclusion, has been prepared for and only for the Company and for no other purpose. We do not, in producing this report, 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 consent in writing.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Simon Flynn
Partner

30 July 2015

Condensed statement of financial position

	Notes	As at 30 June 2015 € (unaudited)	As at 31 December 2014 € (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**5,265**	3,710
Investment property	4	**145,979,698**	137,913,011
		145,984,963	137,916,721
Current assets			
Trade and other receivables		**1,011,900**	372,424
Cash and cash equivalents		**4,186,714**	4,477,934
		5,198,614	4,850,358
Total assets		**151,183,577**	142,767,079
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	**73,295,143**	73,295,143
Retained earnings		**5,722,737**	6,092,159
Non-distributable reserve – fair value gains	6	**24,497,368**	14,854,368
Non-distributable reserve – other	7	**1,021,165**	837,581
Total equity		**104,536,413**	95,079,251
Non-current liabilities			
Borrowings		**39,235,858**	39,934,633
Deferred tax liabilities	11	**5,091,600**	6,669,600
		44,327,458	46,604,233
Current liabilities			
Borrowings		**700,462**	-
Capital creditor for acquisition of property		**300,003**	300,003
Trade and other payables		**828,360**	773,732
Current tax liabilities		**490,881**	9,860
		2,319,706	1,083,595
Total liabilities		**46,647,164**	47,687,828
Total equity and liabilities		**151,183,577**	142,767,079

The notes on pages 8 to 19 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 4 to 19 were authorised for issue by the board on 30 July 2015 and were signed on its behalf by:

Kenneth Farrugia
Chairman

Frederick Mifsud Bonnici
Director

Condensed statement of comprehensive income

	Notes	**Period from 1 January to 30 June 2015 € (unaudited)**	Period from 1 January to 30 June 2014 € (unaudited)
Revenue	8	**3,450,473**	3,362,093
Administrative expenses		**(184,292)**	(200,106)
Change in fair value of investment property	4	**8,065,000**	5,605,686
Operating profit		**11,331,181**	8,767,673
Finance income		**12,852**	64,129
Finance costs		**(658,906)**	(658,703)
Profit before tax		**10,685,127**	8,173,099
Tax credit/(expense)	10	**793,710**	(1,122,260)
Profit for the period - total comprehensive income		**11,478,837**	7,050,839
Earnings per share (cents)	12	**7.75**	4.76

The notes on pages 8 to 19 are an integral part of these condensed interim financial statements.

Condensed statement of changes in equity

	Notes	Share capital €	Retained earnings €	Non-distributable reserves Fair value gains €	Other €	Total €
Balance at 1 January 2014		73,295,143	3,967,261	4,781,389	-	82,043,793
Comprehensive income						
Profit for the period		-	7,050,839	-	-	7,050,839
Transactions with owners						
Transfer within owners' equity	6	-	(5,244,476)	5,244,476	-	-
Dividends to equity shareholders	13	-	(392,672)	-	-	(392,672)
Balance at 30 June 2014 (unaudited)		73,295,143	5,380,952	10,025,865	-	88,701,960
Balance at 1 July 2014		73,295,143	5,380,952	10,025,865	-	88,701,960
Comprehensive income						
Profit for the period		-	6,669,791	-	-	6,669,791
Transactions with owners						
Transfer within owners' equity	6	-	(4,828,503)	4,828,503	-	-
Transfer within owners' equity	7	-	(837,581)	-	837,581	-
Dividends to equity shareholders		-	(292,500)	-	-	(292,500)
Balance as at 31 December 2014 (audited)		73,295,143	6,092,159	14,854,368	837,581	95,079,251
Balance at 1 January 2015		73,295,143	6,092,159	14,854,368	837,581	95,079,251
Comprehensive income						
Profit for the period		-	11,478,837	-	-	11,478,837
Transactions with owners						
Transfer within owners' equity	6	-	(9,643,000)	9,643,000	-	-
Transfer within owner's equity	7	-	(183,584)	-	183,584	-
Dividends to equity shareholders	13	-	(2,021,675)	-	-	(2,021,675)
Balance at 30 June 2015 (unaudited)		**73,295,143**	**5,722,737**	**24,497,368**	**1,021,165**	**104,536,413**

The notes on pages 8 to 19 are an integral part of these condensed interim financial statements.

Condensed statement of cash flows

	Note	**Period from 1 January to 30 June 2015 € (unaudited)**	Period from 1 January to 30 June 2014 € (unaudited)
Cash flows from operating activities			
Cash generated from operations	14	**2,684,779**	3,321,522
Interest received		**10,792**	69,224
Interest paid and similar charges		**(759)**	(553)
Tax paid		**(303,269)**	(111,217)
Net cash generated from operating activities		**2,391,543**	3,278,976
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,938)**	(2,114)
Payments to capital creditor		**-**	(5,618,837)
Net cash used in investing activities		**(2,938)**	(5,620,951)
Cash flows from financing activities			
Dividends paid	13	**(2,021,675)**	(392,672)
Interest paid on borrowings		**(658,150)**	(658,150)
Net cash used in financing activities		**(2,679,825)**	(1,050,822)
Net movement in cash and cash equivalents		**(291,220)**	(3,392,797)
Cash and cash equivalents at beginning of period		**4,477,934**	12,134,903
Cash and cash equivalents at end of period		**4,186,714**	8,742,106

The notes on pages 8 to 19 are an integral part of these condensed interim financial statements.

Notes to the condensed interim 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

These condensed interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34, 'Interim financial reporting'. They have been prepared under the historical cost convention as modified by fair valuation of investment property.

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS.

The condensed interim financial statements have been reviewed, not audited.

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 2 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2015

The Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2015. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2015. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.2 Investment property

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

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost, in accordance with Note 1.11. 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 income statement. 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.

1.3 Financial assets

1.3.1 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 loans and receivables. Loans and 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 loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.5 and 1.6). Cash and cash equivalents includes cash in hand, deposits held with banks with original maturities of six months or less.

1. Summary of significant accounting policies - continued

1.3 Financial assets - continued

1.3.2 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. Regular purchases and sales of financial assets are recognised on trade date, which is the date on which an asset is delivered to or by the Company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables 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.

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.

1.4 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount at the beginning of the financial period and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is accordingly reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. No impairment provisions were made during the period ended 30 June 2015.

1. Summary of significant accounting policies - continued

1.5 Trade and other receivables

Trade receivables comprise amounts due from customers for ground rent prepayment and penalties receivable. 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 (note 1.4). 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 profit or loss. 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.

1.6 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.

1.7 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.

1.8 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.

1.9 Current and deferred tax

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

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.

1. **Summary of significant accounting policies** - continued

1.9 Current and deferred tax - continued

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.

1.10 Revenue recognition

Revenue comprises the fair value for ground rents received or receivable as per contracts entered into, penalties due to delays in completion of the Parliament Building and the lease of the Open Air Theatre.

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 profit or loss on a straight-line basis over the term of the lease.

1.11 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Borrowing costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

1.12 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. **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.

2. Critical accounting estimates and judgements - continued

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.

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 MIA and VCP properties has been determined based on projected future cash flows, appropriately discounted by a risk adjusted discount rate. As explained in Note 4 - 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 of the MIA and VCP properties, ongoing maintenance needs, and other relevant market factors.

A key variable used in the determination of the fair value of the investment property is the discount rate. If the discount rate used in the discounted future cash flows for the investment property had been 0.5% higher/lower, all other things being equal, the fair value of the Company's investment property would decrease/increase by €8.04 million and €9.85 million respectively.

3. 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.

4. Investment property

	30 June 2015	31 December 2014
	€	€
Property measured at fair value	**63,645,000**	55,580,000
Property measured at cost	**82,334,698**	82,333,011
Carrying amount	**145,979,698**	137,913,011

a) Property measured at fair value

MIA and VCP properties

	30 June 2015	31 December 2014
	€	€
At 1 January	**55,580,000**	39,894,314
Fair value gains	**8,065,000**	15,685,686
Carrying amount	**63,645,000**	55,580,000

4. **Investment property** - continued

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. This 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 30 June 2015. 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 by level of the following fair value measurement hierarchy for non-financial assets carried at fair value:

- 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.

Valuation process

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 30 June 2015. The discount rate is based on the yield to maturity on the longest term available Malta Government Stock (MGS) in issue plus a premium reflecting the risk inherent in the underlying cash flows.

In view of the variation in the MGS benchmark referred to above during the period ended 30 June 2015, a fair value gain of €8,065,000 has been recognised in these financial statements.

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 the coming year is estimated at €1.8 million (2014: €1.8 million);
- Growth rate, as contractually agreed at an average of 2.7% p.a., represents the estimated average growth of the Company's rentals;
- Discount rate of 5.36% based on the long-term risk-free rate of return and a specific risk premium for the individual property being valued taking into account factors such as, property illiquidity, management limitations, type, size and location of property, competition, future uncertainty, counter-party risks and resource risks.

The impact of a lower/higher discount rate has been disclosed in Note 2 - Critical accounting estimates and judgements. Movements resulting from the said revaluation process are treated as non-distributable (see Note 6).

4. Investment property - continued

b) Property measured at cost

Parliament Building and Open Air Theatre

	30 June 2015 €	31 December 2014 €
At 1 January	**82,333,011**	82,329,637
Amortisation of borrowing costs	**1,687**	3,374
Carrying amount	**82,334,698**	82,333,011

The Open Air Theatre was completed on 18 October 2013, while the Parliament Building was officially inaugurated in May 2015 and the Company is currently awaiting the issue of the completion certificate. On this basis, in the opinion of the Directors, it is premature to estimate the separate fair value of the Parliament Building and Open Air Theatre. Accordingly, any changes to the fair value determined on the basis of the projected net rents receivable up to the expiry of the emphyteutical grants, discounted to present value at a rate which reflects the yield to maturity on the longest available term MGS in issue plus a premium reflecting the risk inherent in the underlying cash flows, are not reflected in these financial statements.

5. Share capital

	30 June 2015 €	31 December 2014 €
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

6. Non-distributable reserve - fair value gains

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

7. Non-distributable reserve - other

As per article 82 of the Company's Articles of Association, the Directors have set aside €1,021,165 which equals 10% of the net profit excluding fair value movements net of deferred tax (see Note 6) of the Company 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.

8. Revenue

Revenue comprises the consideration payable by MIA and VCP for the acquisition of the temporary emphyteusis by way of an annual ground rent. Also included in the revenue figure is a penalty payable by Government pursuant to a public deed which was entered into with the Company which stipulated that, the Government was required to complete the development of the Parliament Building and Open Air Theatre in accordance with pre-established specifications and timelines and that, in the event of a delay in completion, the Government was liable to pay the Company a daily penalty broadly in line with the rental income due had the project been completed on time.

A completion certificate was issued for the Open Air Theatre on 18 October 2013 and upon issuance of the certificate the respective lease to the Ministry for Tourism commenced for this property pursuant to a lease agreement entered into with the Company. Lease income attributable to this property has been recognised in the statement of comprehensive income. In May 2015, the Parliament Building was officially inaugurated and the Company is currently waiting for the completion certificate to be issued. Upon issuance of the certificate, the Parliament Building will be leased to the Government of Malta.

9. Directors' emoluments

	Period from 1 January to 30 June 2015 €	Period from 1 January to 30 June 2014 €
Kenneth Farrugia (Chairman)	**12,500**	12,500
Vincent Mifsud (Director)	**-**	6,250
Frederick Mifsud Bonnici (Director)	**7,500**	7,500
Publio Danny Rosso (Director)	**-**	6,250
Paul Mercieca (Director)	**6,250**	2,125
Ray Sladden (Director)	**5,000**	1,708
Robert Suban (Director)	**6,250**	2,125
John Buttigieg (Director)	**3,750**	-
Eric Schembri (Director)	**5,000**	-
	46,250	38,458

10. Tax (credit)/expense

The tax credit for the period is made up as follows:

	Period from 1 January to 30 June 2015	Period from 1 January to 30 June 2014
	€	€
Current tax expense	**784,290**	761,050
Deferred tax (credit)/ expense (note 11)	**(1,578,000)**	361,210
Tax (credit)/expense	**(793,710)**	1,122,260

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

	Period from 1 January to 30 June 2015	Period from 1 January to 30 June 2014
	€	€
Profit before tax	**10,685,127**	8,173,099
Tax on profit at 35%	**3,739,794**	2,860,585
Tax effect of:		
Income subject to 15% final withholding tax	**(2,570)**	(12,826)
Expenses not deductible for tax purposes	**47,267**	52,731
Tax rules applicable to immovable property	**(4,400,751)**	(1,600,780)
Maintenance allowance	**(177,450)**	(177,450)
Tax (credit)/charge in the accounts	**(793,710)**	1,122,260

11. Deferred tax

Deferred tax is provided for 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 period ended 30 June 2014 was based on the assumption that the Company will retain the immovable investment property beyond the initial twelve-year period from acquisition in which the Company had the option to select the tax regime under which the fair value gain would be brought to tax. These rules provided the option to tax the gross selling price at 12% or to tax 35% of the resultant capital gain. Accordingly, the Company was providing annually for deferred tax so as to accumulate a provision equivalent to the principal tax rate of 12% of the fair value of investment property by the end of the expiry of the initial twelve year period from acquisition.

Following revisions to the taxation rules on capital gains upon a transfer of immovable property that were announced by the Ministry of Finance during the budget speech for the financial year 2015 and implemented through Act XIII of 2015, with effect from 1 January 2015, the previously mentioned option is no longer available and the rate of capital gains tax applicable is a final withholding tax of 8% on the value of the property.

11. Deferred tax - continued

The deferred tax balance as at 30 June 2015 represents:

	30 June 2015	31 December 2014
	€	€
Temporary differences on:		
Fair value gains	**5,091,600**	6,669,600

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

12. Earnings per share

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

	Period from 1 January to 30 June 2015	Period from 1 January to 30 June 2014
Profit for the period (€)	**11,478,837**	7,050,839
Total average number of ordinary shares in issue	**148,108,064**	148,108,064
Earnings per share (cents)	**7.75**	4.76

13. Dividends

	2014 Final dividend	2013 Final dividend
	€	€
Dividends paid on ordinary shares		
Gross	**3,110,269**	604,110
Tax at source	**1,088,594**	211,438
	2,021,675	392,672
Dividends per share (cents)	**1.36**	1.31

An interim gross dividend in respect of the period ended 30 June 2015 of €2,132,756 or €0.0144 per share equating to an interim net dividend of €1,386,291 or €0.00936 per share, payable to the holders of Ordinary A and Ordinary B shares, was declared by the Board of Directors subsequent to the end of the reporting period. The financial statements do not reflect this dividend.

14. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Period from 1 January to 30 June 2015 €	Period from 1 January to 30 June 2014 €
Operating profit	**11,331,181**	8,767,673
Adjustments for:		
Depreciation of property, plant and equipment	**1,386**	885
Change in fair value of investment property	**(8,065,000)**	(5,605,686)
Changes in working capital:		
Trade and other receivables	**(637,416)**	910,409
Trade and other payables	**54,628**	(751,759)
Cash generated from operations	**2,684,779**	3,321,522

15. Related party transactions

The only major shareholder of the Company is the Government of Malta through its 79.75% (2014: 79.75%) shareholding. The remaining 20.25% (2014: 20.25%) of the shares are held by the public. Other related entities are the following:

- Malta Investment Management Company Limited
- GHRC

Both because they are Government owned and managed.

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

	Period from 1 January to 30 June 2015 €	Period from 1 January to 30 June 2014 €
Government of Malta		
Payment of City Gate ground rent to Government	**(50,000)**	(50,000)
Receipt of City Gate penalties from Government	**1,810,000**	1,810,000
Receipt of Open Air Theatre lease income from Government	**775,000**	775,000
Malta Investment Management Company Limited		
Office Lease payable to Malta Investment Management Company Limited	**(4,425)**	(4,425)
Grand Harbour Regeneration Corporation		
Payments to GHRC for investment property	**-**	(5,618,837)

16. Statutory information

Malita Investments p.l.c. is a public limited liability Company and is incorporated in Malta.