



**MALITA**  
INVESTMENTS

MALITA  
INVESTMENTS  
P.L.C.

ANNUAL REPORT &  
FINANCIAL STATEMENTS  
2013

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## MISSION STATEMENT

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

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## CHAIRMAN'S STATEMENT

As at the time of preparing this report, Malita Investments p.l.c. ("Malita" or "the Company") is heading towards its third year of operation having been set up in June 2011 to acquire, develop, manage and operate a portfolio of immovable assets to include a selection of properties that are of strategic national importance.

The first two urban regeneration investments undertaken by the Company were the acquisition of two strategic developments in Valletta, the Parliament Building and the Open Air Theatre, through a grant of a temporary emphyteusis entered into with the Government of Malta.

Over the period under review, the Board has actively followed up on the developments related to these two key projects which have a collective value of €80 million. In fact on the 18th October 2013, the Grand Harbour Regeneration Corporation, as project manager to these projects, provided Malita with a completion certificate for the Open Air Theatre which was thereon formally handed over to the Government of Malta. Insofar as the Parliament Building is concerned, this is planned to be finalised by latest the end of the third quarter of 2014.

Insofar as other business opportunities are concerned, over the course of 2013, the Board of Malita entered into discussions with a number of parties on various projects of interest to the Company which are currently being actively evaluated by the Board.

### FINANCIAL PERFORMANCE

For the financial year ended 31st December 2013, Malita registered a pre-tax profit of €10.03 million when compared with the results for the Company for the year ended 31st December 2012 of €2.55 million. The Company has experienced an increase in revenue which was primarily driven by the contracted revenues related to the Parliament Building and Open Air Theatre as these covered a full twelve month period.

The Statement of Comprehensive Income also features a gain of €4.67 million due to the annual determination of the fair value of the investment property of the Company. This fair value 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 2013. The discount rate is based on the yield to maturity on the longest term available Malta Government Stock in issue plus a premium reflecting the risk inherent in the underlying



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

Administrative expenses were very much contained in line with projected budgets and the increase therein was primarily driven by the ground rent due to the Government of Malta which this year was for a full 12-month period.

In view of these results, which are in line with the projections of the Company, subject to the approval of the Company's shareholders' at the next Annual General Meeting, the Board will be proposing a gross dividend payment in respect of the year ended 31 December 2013 of €604,110 or €0.0201 per share, equating to a final net dividend of €392,672 or €0.0131 per share.

## CONCLUDING REMARKS

I wish to take this opportunity to thank the Board of Directors for their continued support and commitment. The complement of the Board has the right balance of knowledge and experience on matters which are relevant to the Company. Equal recognition is due to the management and staff at Malita for their loyalty, and equally for their dedication to the day-to-day operational requirements of the Company.

Going forward, as one of our key priorities is to deliver sustainable dividend returns to the Company's shareholders, the Board and management of Malita Investments p.l.c. will endeavour to identify and take forward urban regeneration investment opportunities which will ultimately deliver shareholder value.

**KENNETH FARRUGIA**  
CHAIRMAN

# BOARD OF DIRECTORS

VINCENT  
MIFSUD

PUBLICO  
DANNY ROSSO

KENNETH  
FARRUGIA

FREDERICK  
MIFSUD BONNICI





### **KENNETH FARRUGIA**

Mr Farrugia joined Bank of Valletta p.l.c. in October 1985 and has occupied various roles within the BOV Group. He currently sits on the Executive Committee of the Bank and holds the post of Chief Officer Fund Services responsible for the Bank's two subsidiaries, Valletta Fund Management Limited ("VFM") and Valletta Fund Services Limited. Mr Farrugia is also a director on the Board of VFM, serves as Chairman of the Malta Funds Industry Association as well as Chairman of FinanceMalta, Malta's national promotional body for the financial services industry.

### **VINCENT MIFSUD**

Mr Mifsud was appointed Chief Executive Officer of Malta Investment Management Company Limited in 2010 having joined the company in 2001 as a Manager. For the past 13 years, Mr Mifsud has been involved in several public sector initiatives and was also the Chief Internal Auditor for MITTS Ltd (now MITA) between 2004 and 2008. Mr Mifsud also held a number of directorships including, among others, Casma Limited and Gozo Channel Company Limited. He is a Chartered Certified Accountant and pursued his studies at a post graduate level in Finance. Before his public sector appointment he worked within the accountancy profession mostly on assignments involving external audit, consultancy and finance.

### **FREDERICK MIFSUD BONNICI**

Mr Mifsud Bonnici is presently Chairman of Blevins Franks Trustees Limited and Blevins Franks Gamma Limited. He has been an elected member of the Council of the Malta Institute of Accountants uninterruptedly for over 32 years and its president for three years. He is a visiting senior lecturer in Auditing at the University of Malta. Mr Mifsud Bonnici was formerly Chairman of Bank of Valletta p.l.c., MSV Life p.l.c., Valletta Fund Management Ltd, Valletta Fund Services Ltd, Growth Investments p.l.c. and Member of the Board of Middlesea Insurance p.l.c. He was a senior audit partner of PricewaterhouseCoopers in Malta until his retirement in 2011. He was Deputy Chairman and subsequently Chairman of the Malta Stock Exchange between 1990 and 1999.

### **PUBLICO DANNY ROSSO**

Mr Rosso, a qualified accountant, started his career with Bank of Valletta p.l.c., holding the post of Group Chief Accountant before joining Melita p.l.c. as its Chief Financial Officer between 1992 and 1994. Following a six year stint in private practice offering accountancy and financial consultancy services, Mr Rosso returned to Melita p.l.c., as its Chief Executive Officer, a post held until 2003. From 2003 until December 2011, Mr Rosso occupied the post of Chief Financial Officer and Finance Director of the Gasan Group, operating in various sectors including insurance, automotive, property, telecommunications and industrial and commercial products. Mr Rosso also sat on the boards and audit committees of various group companies. Currently, Mr Rosso occupies the post of Chief Financial Officer of Melita p.l.c.



# DIRECTORS' REPORT

The Directors present their third annual report together with the audited financial statements for the year ended 31 December 2013.

## Principal activities

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

## Review of the business

The development of the Parliament Building and Open Air Theatre continued to progress during the year under review. In fact, on the 18 October 2013, the Open Air Theatre was fully completed and the Company was provided with a completion certificate from the Grand Harbour Regeneration Corporation (GHRC). The Company is informed by GHRC responsible as project manager of the aforementioned developments that the Parliament Building is expected to be finalised by latest the end of Quarter 3 of 2014.

The Company's revenue streams, which were in line with expectations for the year, consist of the ground rents pursuant to the acquisition of the title of dominium directum over the sites of Malta International Airport (MIA) and Valletta Cruise Port (VCP) in 2012 as well as income related to the lease of the Parliament Building and the Open Air Theatre as per the contractual agreements in this regard.

During the period under review, the Board of Directors have been evaluating a number of potential projects which are at different stages of development.

## Results and dividends

The statement of comprehensive income is set out on page 24. The Directors recommend the payment of a final gross dividend of €604,110 or €0.0201 per share equating to a final net dividend of €392,672 or €0.0131 per share.



## Directors

The Directors of the Company who held office during the year were:

Kenneth Farrugia	(Chairman - appointed on incorporation)
Vincent Mifsud	(appointed on incorporation)
Frederick Mifsud Bonnici	(appointed on 27 February 2012)
Publio Danny Rosso	(appointed on 7 March 2012)

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

## Directors' Responsibilities

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:

- 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 misstatement, 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 2013 are included in the Annual Report and Statutory Financial Statements – 31 December 2013, which is published in hard-copy printed form and 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 over, 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.

# DIRECTORS' REPORT

## Information provided in accordance with Listing Rule 5.70.1

In accordance with Listing Rule 5.70.1, the material contracts entered into by the Company during the year are outlined in Note 6 to the Financial Statements.

## Going Concern

As required by Listing Rule 5.62, 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.

## Information pursuant to Listing Rule 5.64

Share capital information of the Company is disclosed in Note 10 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 shall rank *pari passu* for all intents and purposes of law. Holders of Ordinary A Shares shall not be entitled to receive a dividend or other distribution in respect of profits generated by the Company during the Prescribed Dividend Period (the period commencing from the date of incorporation of the Company and ending on the 31 December 2014) and the right to receive the Restricted Dividends shall vest solely in the holders of the Ordinary B Shares.

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.

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 2013, 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 2013, 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 appointment will be proposed at the Annual General Meeting (AGM).

On behalf of the board

Kenneth Farrugia  
Chairman

Frederick Mifsud Bonnici  
Director

## Registered office

Clock Tower  
Level 1  
Tigne' Point  
Sliema  
Malta

25 February 2014

# CORPORATE GOVERNANCE STATEMENT

## Introduction

Pursuant to the Listing Rules issued by the Malta Financial Services Authority, Malita Investments p.l.c. whose equity securities are listed on a regulated market should endeavour 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 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 control in line with the Company’s requirements.

This Corporate Governance Statement (the “Statement”) will now set 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 will make reference to the pertinent principles of the Code and then set out the manners 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 will give 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**

The Board has throughout the year under review 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 four 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.

### **Principle 2: Chairman and Chief Executive**

Due to its lean operating structure and the nature of its current business, the Company does not employ a CEO. The day-to-day management of the Company is vested with the Accounts Manager of the Company and her assistant under the direction and guidance of the Chairman. The Chairman is also responsible to lead the Board and set its agenda and also ensures that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company.

### **Principle 3: Composition of the Board**

The Board is composed of four non-executive Directors. The members of the Board for the year under review were Mr Kenneth Farrugia, Chairman, Mr Vincent Mifsud, Mr Frederick Mifsud Bonnici, Mr Publio Danny Rosso. 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 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 once at least in each 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 performance and financial performance 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 of Mr Vincent Mifsud who is the Chief Executive Officer of Malta Investment Management Company Limited, a Company beneficially owned by Government, who is the major shareholder of the Company. The Company deems that, in terms of Supporting Principle 3(vii) of the Code such relationship is not considered to create a conflict of interest such as to jeopardise exercise of his free judgement.

# CORPORATE GOVERNANCE STATEMENT

## Compliance - continued

### Principle 3: Composition of the Board

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 auditor 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 is composed of Vincent Mifsud and Frederick Mifsud Bonnici. Frederick Mifsud Bonnici, the Chairman of the Audit Committee, is also 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 Publio Danny Rosso and includes Tom Anastasi Pace as a member.



#### **Principle 4: The Responsibilities of the Board - continued**

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.

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 the next meeting, minutes that faithfully record attendance and decisions are prepared and circulated to all Directors as soon as practicable after the meeting. 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 ten (10) meetings.

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

Mr Kenneth Farrugia (Chairman - appointed on incorporation)	10
Mr Vincent Mifsud (appointed on incorporation)	9
Mr Frederick Mifsud Bonnici (appointed on 27 February 2012)	9
Mr Publio Danny Rosso (appointed on 7 March 2012)	9

#### **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. 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. The Company Secretary advises the Board through the Chairman on all governance matters.



# CORPORATE GOVERNANCE STATEMENT

## **Compliance - continued**

### **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, nature and early days of the company, it was not considered necessary to carry out a formal evaluation of the Board's performance.

### **Principle 8: Committees**

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

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

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

The Company will be holding its second AGM where the Board intends to communicate directly with shareholders on the performance of the Company over the last financial year. At the AGM, the Chairman of the Board and all Directors will attend the AGM and together with the Chairman of the Board and of the Audit Committee will be available to answer questions raised by the floor. 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](http://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.



### **Principle 11: Conflicts of Interest - continued**

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.

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

<b>Director</b>	<b>Number of shares as at 31 December 2013</b>
Kenneth Farrugia	nil
Vincent Mifsud	nil
Frederick Mifsud Bonnici	20,000 (10,000 in his wife's name)
Publio Danny Rosso	nil

There were no changes in the Directors' interest in the shareholding of the Company between year-end and 25 February 2014.

### **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 2: Chief Executive**

As explained in Principle Two, the Company does not employ a CEO due to its lean operating structure. Despite this, the Company feels that its current organisational structure is the most adequate for the size of the Company's operation. In view of this the Accounts Manager has the responsibility for the running of the Company's day-to-day activities. This is a matter which has been under consideration during the year and changes will occur when the Board believes circumstances require such an appointment.

#### **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 4: Succession policy for the future composition of the Board of Directors**

At this stage of the company's life, it is not considered necessary to determine a succession policy for the future composition of the Board. The recommendation to have a succession policy for the future composition of the Board will nonetheless be kept under review.

# CORPORATE GOVERNANCE STATEMENT

## **Non-compliance with the code - continued**

### **Principle 6: Succession Plan for senior management**

At this stage of the company's life, the Company has not established a formal succession plan for senior management as it is not considered necessary.

### **Principle 7: Evaluation of the Board's performance**

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

### **Principle 9.3: Conflicts**

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

## **Internal Control**

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

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives. Lines of responsibility and delegation of authority are documented. The Company also has procedures to ensure completeness and accurate accounting for financial transactions and to limit the potential exposure to fraud.

## **General Meetings**

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

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



## Remuneration Statement

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

The Remuneration and Nominations Committee is composed of three persons as shall be appointed from time to time by the Board of Directors. The first members appointed by the Board of Directors to sit on the Remuneration and Nominations Committee are Kenneth Farrugia (Chairman of the Committee), Vincent Mifsud and Frederick Mifsud Bonnici.

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

- review the setting of remuneration levels within the Company, including remuneration levels for the Executive Directors;
- to evaluate the performance of the individual Executive Directors;
- to monitor the level and the structure of the remuneration of Non-Executive Directors on the basis of adequate information provided by the Executive Directors; and
- to approve or otherwise performance related bonus awards and long term incentive plan awards.

## Meetings

During the year under review the Committee held 1 meeting. All Committee members attended the meeting held. The members of the committee have discussed matters related to the composition of the board and the human resources during the various board meetings held.

## Remuneration policy - 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 37 of the Articles of Association.

The current Directors' fees approved by the Board are set at €7,500 per annum for Directors and €20,000 per annum for the Chairman. The Chairmen of board committees are entitled to an additional remuneration of €5,000 and committee members are entitled to an additional remuneration of €2,500 per annum.

The aggregate amount of remuneration paid to all Directors of the Company was €42,500 during 2013 and the amount of €25,000 was received by the members of the Audit Committee, Investment Committee and Remuneration & Nominations Committee. Details of the remuneration of each individual director are set out in Note 18 to the financial statements.

There is no linkage between the remuneration and the performance of directors.

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 policy – Senior Management

The Board notes that the organisational set-up of the Company consists of 2 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 respective contract of employment with the Company. The Senior Officer is not entitled to profit sharing, share options or pension benefits. The Board deems the disclosure of the total emoluments received by the Senior Officer as commercially sensitive and is hence availing itself of the exemption pursuant to Code Provision 8.A.6.



## Independent Auditor's Report

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

### Report on the Financial Statements for the year ended 31 December 2013

We have audited the financial statements of Malita Investments p.l.c. on pages 22 to 48 which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Directors' Responsibility for the Financial Statements*

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 9, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, 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.

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In our opinion the financial statements

- give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

### Report on Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Corporate Governance Statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.



The Listing Rules also require the auditor to include a report on the Corporate Governance Statement prepared by the directors.

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

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Corporate Governance Statement 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 Corporate Governance Statement set out on pages 12 to 19 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

## **Report on Other Legal and Regulatory Requirements**

We also have responsibilities:

- Under the Maltese Companies Act, 1995 to report to you if, in our opinion:
  - The information given in the directors' report is not consistent with the financial statements.
  - Adequate accounting records have not been kept, or that 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 we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- 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.

### **PricewaterhouseCoopers**

78 Mill Street  
Qormi  
Malta

Simon Flynn  
Partner

25 February 2014

# STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2013	2012
		€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	3,127	4,495
Investment property	6	122,223,951	117,553,752
		<b>122,227,078</b>	<b>117,558,247</b>
<b>Current assets</b>			
Held-to-maturity investments	7	-	2,595,306
Trade and other receivables	8	1,434,321	391,524
Cash and cash equivalents	9	12,134,903	26,618,331
		<b>13,569,224</b>	<b>29,605,161</b>
<b>Total assets</b>		<b>135,796,302</b>	<b>147,163,408</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	10	73,295,143	73,295,143
Retained earnings		3,967,261	1,486,134
Other reserve - fair value gains	11	4,781,389	-
<b>Total equity</b>		<b>82,043,793</b>	<b>74,781,277</b>
<b>Non-current liabilities</b>			
Borrowings	12	39,931,259	39,927,885
Deferred tax liabilities	22	1,056,893	603,882
		<b>40,988,152</b>	<b>40,531,767</b>
<b>Current liabilities</b>			
Capital creditor for acquisition of property	13	9,742,563	30,678,501
Trade and other payables	14	1,555,339	663,881
Current tax liabilities		1,466,455	507,982
		<b>12,764,357</b>	<b>31,850,364</b>
<b>Total liabilities</b>		<b>53,752,509</b>	<b>72,382,131</b>
<b>Total equity and liabilities</b>		<b>135,796,302</b>	<b>147,163,408</b>



The notes on pages 27 to 48 are an integral part of these financial statements.

The financial statements on pages 22 to 48 were authorised for issue by the board on 25 February 2014 and were signed on its behalf by:

Kenneth Farrugia  
Chairman

Frederick Mifsud Bonnici  
Director



# STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2013 €	Year ended 31 December 2012 €
Revenue	15	6,738,503	1,451,379
Administrative expenses	16	(353,498)	(318,129)
Change in fair value of investment property	6	4,666,825	1,171,457
<b>Operating profit</b>		<b>11,051,830</b>	<b>2,304,707</b>
Finance income	19	293,014	248,309
Finance costs	20	(1,317,752)	(2,678)
<b>Profit before tax</b>		<b>10,027,092</b>	<b>2,550,338</b>
Tax expense	21	(2,003,678)	(1,149,111)
<b>Profit for the year - total comprehensive income</b>		<b>8,023,414</b>	<b>1,401,227</b>
<b>Earnings per share (cents)</b>	23	<b>5.42</b>	<b>1.53</b>

The notes on pages 27 to 48 are an integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital €	Retained Earnings €	Other reserve - fair value gains €	Total €
Balance at 1 January 2012		15,000,000	84,907	-	15,084,907
<b>Comprehensive income</b>					
Profit for the year		-	1,401,227	-	1,401,227
<b>Transactions with owners</b>					
Issue of Ordinary A shares	10	44,054,032	-	-	44,054,032
Issue of Ordinary B shares	10	14,241,111	-	-	14,241,111
		58,295,143	-	-	58,295,143
<b>Balance at 31 December 2012</b>		<b>73,295,143</b>	<b>1,486,134</b>	<b>-</b>	<b>74,781,277</b>
Balance at 1 January 2013		73,295,143	1,486,134	-	74,781,277
<b>Comprehensive income</b>					
Profit for the year		-	8,023,414	-	8,023,414
<b>Transactions with owners</b>					
Transfer within owners' equity	11	-	(4,781,389)	4,781,389	-
Dividends to equity shareholders	24	-	(760,898)	-	(760,898)
		-	(5,542,287)	4,781,389	(760,898)
<b>Balance at 31 December 2013</b>		<b>73,295,143</b>	<b>3,967,261</b>	<b>4,781,389</b>	<b>82,043,793</b>

The notes on pages 27 to 48 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2013 €	Year ended 31 December 2012 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	5,912,046	1,225,408
Interest received		338,167	184,879
Interest paid and similar charges	20	(1,452)	(2,678)
Tax paid	21	(592,194)	(77,507)
<b>Net cash generated from operating activities</b>		<b>5,656,567</b>	<b>1,330,102</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(50)	(1,968)
Payments to capital creditor	13	(20,935,938)	(51,323,499)
Acquisitions of held-to-maturity investments		-	(7,090,059)
Disposals of held-to-maturity investments		2,595,306	4,499,459
<b>Net cash used in investing activities</b>		<b>(18,340,682)</b>	<b>(53,916,067)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital	10	-	24,241,111
Borrowings	12	-	39,927,041
Dividends paid	24	(760,898)	-
Interest paid on borrowings		(1,038,415)	-
<b>Net cash (used in)/generated from financing activities</b>		<b>(1,799,313)</b>	<b>64,168,152</b>
<b>Net movement in cash and cash equivalents</b>		<b>(14,483,428)</b>	<b>11,582,187</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>26,618,331</b>	<b>15,036,144</b>
<b>Cash and cash equivalents at end of year</b>	9	<b>12,134,903</b>	<b>26,618,331</b>

The notes on pages 27 to 48 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 preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies (see note 3 – Critical accounting estimates and judgements).

*Standards, interpretations and amendments to published standards effective 1 January 2013*

The Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2013. 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.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRSs. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted.

*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 2013. 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.

### 1.2 Foreign currency translation

*(a) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies - continued

### 1.2 Foreign currency translation - continued

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains and losses are presented in the statement of comprehensive income within 'administrative expenses'.

### 1.3 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 1.16. 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, including the use of 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.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. 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. Summary of significant accounting policies - continued**

### **1.4 Financial assets**

#### **1.4.1 Classification**

The Company classifies its financial assets as loans and receivables and held-to-maturity financial assets, as appropriate. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### *(a) 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).

##### *(b) Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. If the company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months from the end of the reporting period, which are classified as current assets.

#### **1.4.2 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 and held-to-maturity financial assets 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies - continued

### 1.4 Financial assets - continued

#### 1.4.3 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.

#### 1.5 Trade and other receivables

Trade receivables comprise amounts due from customers for ground rents, lease of property 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 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. Summary of significant accounting policies - continued**

### **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 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 (classified as 'Other liabilities') under IAS 39. 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. 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.

### **1.9 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 in profit or loss over the period of the borrowings using the effective interest method. 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.

### **1.10 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.

### **1.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### **1.12 Current and deferred tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies - continued

### 1.12 Current and deferred tax - continued

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.

### 1.13 Operating leases

#### *(a) The company is a lessee*

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

#### *(b) The company is a lessor*

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with accounting policy 1.3. Receipts made under operating leases (net of any incentives paid by the Company) are charged to the income statement on a straight-line basis over the period of the lease.

### 1.14 Provisions

Provisions for legal claims 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



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

### **1.15 Revenue recognition**

Revenue comprises the fair value of the consideration for ground rents received or receivable as per contracts entered into, penalties due to delays in completion of the Parliament Building and Open Air Theatre and the lease of the Open Air Theatre as from the date of completion being 18 October 2013.

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.

#### *(b) Dividend income*

Dividend income is recognised when the right to receive payment is established.

#### *(c) 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.

### **1.16 Borrowing costs**

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, investment property or property held for development and resale are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. 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.

### **1.17 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 in the case of any interim dividends whilst final dividends that may be proposed by the Board will be recognised as a liability once they are approved by the shareholders of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 fair value interest rate risk and cash flow interest rate 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 years.

#### (a) Market risk

##### Cash flow and fair value interest rate risk

The Company's cash and cash equivalents (note 9) are subject to floating interest rates. Management 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 held-to-maturity investments (note 7) and borrowings (note 12) 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 profit or loss 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:

	2013	2012
	€	€
Held-to-maturity investments (note 7)	-	2,595,306
Loans and receivables category:		
- Trade and other receivables (note 8)	1,434,321	391,524
- Cash and cash equivalents (note 9)	12,134,903	26,618,331

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

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



## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (note 12), capital creditor for acquisition of property (note 13) and trade and other payables (note 14). 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 no additional financing facilities are expected to be required over the coming year. 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 years 5 €	Total €
<b>Liabilities</b>					
Borrowings	1,316,300	1,316,300	8,151,670	47,399,890	58,184,160
Capital creditor for acquisition of property	9,742,563	-	-	-	9,742,563
Trade and other payables	1,555,339	-	-	-	1,555,339

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management - continued

### 2.3 Fair values of financial instruments

At 31 December 2013 and 31 December 2012, the carrying amounts of other financial instruments comprising held-to-maturity financial assets and 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.

The Company's investment property comprise of 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 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 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 €4.0 million and €4.8 million respectively.

## 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

	Computer hardware €
<b>Year ended 31 December 2012</b>	
Opening net book amount	3,575
Additions	1,968
Depreciation charge	(1,048)
Closing net book amount	<u>4,495</u>
<b>At 31 December 2012</b>	
Cost or valuation	5,671
Accumulated depreciation	(1,176)
Net book amount	<u>4,495</u>
<b>Year ended 31 December 2013</b>	
Opening net book amount	4,495
Additions	50
Depreciation charge	(1,418)
Closing net book amount	<u>3,127</u>
<b>At 31 December 2013</b>	
Cost or valuation	5,721
Accumulated depreciation	(2,594)
<b>Net book amount</b>	<u><b>3,127</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

## 6. Investment property

	2013 €	2012 €
Property measured at fair value	39,894,314	35,227,489
Property measured at cost	82,329,637	82,326,263
Carrying amount	<u>122,223,951</u>	<u>117,553,752</u>

### a) Property measured at fair value

MIA & VCP properties	2013 €	2012 €
At 1 January	35,227,489	-
Additions	-	34,056,032
Fair value gains	4,666,825	1,171,457
Carrying amount	<u>39,894,314</u>	<u>35,227,489</u>

### 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. 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 2013. 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.



## 6. Investment property - continued

### 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 31 December 2013. The discount rate is based on the yield to maturity on the longest term available MGS (Malta Government Stock) 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 year ended 31 December 2013, a fair value gain of €4,666,825 has been recognised in these financial statements during this year.

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 2014 is estimated at €1.6 million;
- Growth rate, as contractually agreed, at an average of 2.7% represents the estimated average growth of the Company's rentals.
- Discount rate of 7.1% 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 3 - Critical accounting estimates and judgements.

### b) Property measured at cost

Parliament Building and Open Air Theatre

	2013	2012
	€	€
At 1 January	82,326,263	-
Additions	-	82,000,000
Capitalisation of borrowing costs (at a capitalisation rate of 3.32%)	-	325,419
Amortisation of borrowing costs	3,374	844
Carrying amount	82,329,637	82,326,263

As explained in the Directors' Report, the Parliament Building had not yet been completed during the year covered by these financial statements. Furthermore, the Open Air Theatre was only completed on 18 October 2013. 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 (Malta Government Stock) in issue plus a premium reflecting the risk inherent in the underlying cash flows, are not reflected in these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## 7. Held-to-maturity investments

Held-to-maturity investments comprise of investments in 91 day government treasury bills.

	2013 €	2012 €
<b>Held-to-maturity investments</b>		
Treasury bills	-	2,595,306

## 8. Trade and other receivables

	2013 €	2012 €
<b>Current</b>		
Open Air Theatre lease	1,093,493	-
City Gate penalties receivable	125,200	-
Ground rents receivable	139,762	279,525
Prepaid expenses	9,518	4,923
Deferred expenditure	4,425	-
Prepaid City Gate ground rents	48,352	48,352
Bank interest receivable	13,571	58,724
	<b>1,434,321</b>	<b>391,524</b>

## 9. Cash and cash equivalents

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

	2013 €	2012 €
Cash at bank and in hand	868,663	124,670
Short-term bank deposits	11,266,240	26,493,661
	<b>12,134,903</b>	<b>26,618,331</b>



## 10. Share capital

	2013	2012
	€	€
<b>Authorised</b>		
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
	<b>100,000,000</b>	<b>100,000,000</b>
<b>Issued and fully paid</b>		
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
	<b>74,054,032</b>	<b>74,054,032</b>
Issue costs	(758,889)	(758,889)
	<b>73,295,143</b>	<b>73,295,143</b>

Ordinary A and Ordinary B shares rank pari passu for all intents and purposes of the law, except that holders of Ordinary A shares shall not be 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.

In terms of an extraordinary resolution dated 29 May 2012, the shareholders, pursuant to the Articles of Association of the Company, unanimously resolved that the nominal value of the Ordinary A shares and Ordinary B shares in the Company be converted from €1.00 to €0.50 per share, and that both the authorised share capital and the issued share capital of the Company be re-denominated in shares of a nominal value of €0.50 each. The shareholders further resolved to decrease the authorised share capital of the Company from €150,000,000 divided into 226,000,000 Ordinary A shares and 74,000,000 Ordinary B shares to €100,000,000 divided into 150,000,000 Ordinary A shares and 50,000,000 Ordinary B shares, each having a nominal value of €0.50 per share. The shareholders have further resolved to issue an additional 20,000,000 shares at €0.50 to the Government of Malta for cash.

On the 23 July 2012, the Company opened subscriptions for an initial public offering. The company has issued to the public 20,000,000 ordinary B shares at a nominal value of €0.50 each with a further over allotment of 10,000,000 ordinary B shares. The shares were offered at an issue price of €0.50. The share issue was fully subscribed and were admitted to listing on the Official List of the Malta Stock Exchange on 7 August 2012.

During the year ended 31 December 2012 the Company has incurred €758,889 in issue costs which include selling commissions and professional, publicity, printing, listing, registration, sponsorship, management and other expenses. The total of these costs is in line with what had been announced in the prospectus of the initial public offering in accordance with the company's accounting policy. These costs are shown in equity as a deduction, net of tax, from the proceeds.

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Other reserve

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.

## 12. Borrowings

On 1 October 2012, the Company had drawn its €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.

## 13. Capital creditor for acquisition of property

During the year, the Company paid the GHRC the amount of €20,935,938 for completed works done on the Parliament Building and Open Air Theatre. The outstanding balance of €9,742,563 is due within the coming year and is hence classified as a current liability.

	2013 €	2012 €
Capital creditor for acquisition of property	9,742,563	30,678,501

## 14. Trade and other payables

	2013 €	2012 €
<b>Current</b>		
Trade payables	10,565	16,356
Amounts owed to related party	4,425	10,325
Indirect taxes and social security	3,675	13,818
Deferred ground rent income	143,299	280,535
City Gate lease income due	775,000	-
Interest payable on long-term loan	603,304	325,419
Accrued expenses	15,071	17,428
	<b>1,555,339</b>	<b>663,881</b>



## 15. Revenue

Revenue comprises the consideration payable by MIA (Malta International Airport) and VCP (Valletta Cruise Port) 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 dues should the project have been completed on time.

A completion certificate was issued for the Open Air Theatre on the 18 October 2013 and upon issuance of the certificate the respective lease to the Ministry of Tourism, Culture and Environment 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 from date of completion until the financial year.

## 16. Expenses by nature

	Year ended December 31 2013 €	Year ended 31 December 2012 €
Directors' emoluments (note 18)	65,000	70,717
Professional fees	61,989	40,403
Printing & advertising	10,602	40,253
Employee benefit expenses (note 17)	61,823	42,448
City Gate ground rents	100,000	51,648
Depreciation of property, plant and equipment (note 5)	1,418	1,048
Lease of premises	8,850	8,850
Other expenses	43,816	62,762
	<hr/> 353,498	<hr/> 318,129

### Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2013 and 2012 relate to the following:

	Year ended December 31 2013 €	Year ended 31 December 2012 €
Annual statutory audit	10,000	10,000
Other assurance services	7,729	87,025
Other services	21,830	52,651
Tax & compliance services	4,643	1,180
	<hr/> 44,202	<hr/> 150,856

# NOTES TO THE FINANCIAL STATEMENTS

## 17. Employee benefit expenses

	2013 €	2012 €
Wages and salaries	51,536	35,000
Fees	6,500	5,278
Social security costs	3,787	2,170
	<hr/> 61,823	<hr/> 42,448

The average number of persons employed during the year by the Company amounted to 2 (2012: 2).

## 18. Directors' emoluments

	Year ended December 31 2013 €	Year ended 31 December 2012 €
Kenneth Farrugia (Chairman)	25,000	25,000
Vincent Mifsud (Director)	12,500	12,500
Frederick Mifsud Bonnici (Director)	15,000	12,625
Anne Marie Tabone (Resigned on 5 November 2012)	-	10,411
Publio Danny Rosso (Director)	12,500	10,181
	<hr/> 65,000	<hr/> 70,717

## 19. Finance income

	Year ended December 31 2013 €	Year ended 31 December 2012 €
Bank interest income	293,014	248,309



## 20. Finance costs

	Year ended December 31 2013 €	Year ended 31 December 2012 €
Loan interest expense	1,316,300	-
Bank charges	1,452	2,678
	<b>1,317,752</b>	<b>2,678</b>

## 21. Tax expense

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

	Year ended 31 December 2013 €	Year ended 31 December 2012 €
Current tax expense	1,550,667	545,229
Deferred tax expense	453,011	603,882
Tax expense	<b>2,003,678</b>	<b>1,149,111</b>

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 2013 €	Year ended 31 December 2012 €
Profit before tax	10,027,092	2,550,338
Tax on profit at 35%	3,509,482	892,618
Tax effect of:		
Income subject to 15% final withholding tax	(58,603)	(49,662)
Expenses not deductible for tax purposes	89,232	112,283
Tax rules applicable to immovable property	(1,180,379)	193,872
Maintenance allowance	(356,054)	-
Tax charge in the accounts	<b>2,003,678</b>	<b>1,149,111</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 22. 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 reflects the amendment in the income tax act which has extended the option period from 7 to 12 years within which the Company has the option to select the tax regime under which the fair value gain would be brought to tax. Accordingly, the Company provides 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.

The deferred tax balance as at 31 December 2013 represents:

	<b>31 December 2013</b>	31 December 2012
	€	€
Temporary differences on:		
Fair value gains	<b>1,056,893</b>	603,882

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

## 23. 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.

	<b>Year ended 31 December 2013</b>	Year ended 31 December 2012
Profit for the year (€)	<b>8,023,414</b>	1,401,227
Total number of ordinary shares in issue	<b>148,108,064</b>	91,310,713
Earnings per share (cents)	<b>5.42</b>	1.53



## 24. Dividends

	31 December 2013		
	Interim dividend €	Final dividend €	Total €
Dividends paid on ordinary shares:			
Gross	442,800	727,808	1,170,608
Tax at source	154,980	254,730	409,710
Net	287,820	473,078	760,898
Dividends per share (cents)	0.96	1.58	2.54

A gross dividend in respect of the year ended 31 December 2013 of €604,110 or €0.0201 per share, equating to a final net dividend of €392,672 or €0.0131 per share, is to be proposed at the annual general meeting on 9 April 2014. 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 2014.

## 25. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Year ended 31 December 2013 €	Year ended 31 December 2012 €
Operating profit	11,051,830	2,304,707
Adjustments for:		
Depreciation of property, plant and equipment (note 5)	1,418	1,048
Change in fair value of investment property (note 6)	(4,666,825)	(1,171,457)
Changes in working capital:		
Trade and other receivables	(1,087,950)	(205,145)
Trade and other payables	613,573	296,255
Cash generated from operations	5,912,046	1,225,408



# NOTES TO THE FINANCIAL STATEMENTS

## 26. Related party transactions

The only major shareholder of the Company is the Government of Malta through its 79.75% (2012: 79.75%) shareholding. The remaining 20.25% (2012: 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:

	2013	2012
	€	€
<b>Government of Malta</b>		
Transfer of the <i>dominium directum</i> of the property occupied by the MIA by Government	-	21,529,637
Transfer of the <i>dominium directum</i> of the property occupied by the VCP by Government	-	12,524,395
Payment of City Gate ground rent to Government	(100,000)	(51,648)
Receipt of City Gate penalties from Government	4,868,000	-
Receipt of Open Air Theatre lease income from Government	318,493	-
<b>Malta Investment Management Company Limited</b>		
Office Lease payable to Malta Investment Management Company Limited	(8,850)	(8,850)
<b>Grand Harbour Regeneration Corporation</b>		
Payments to GHRC for investment property	(20,935,938)	(51,321,499)

## 27. 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.



# COMPANY INFORMATION

<b>Company Secretary</b>	Dr Noel Buttigieg-Scicluna
<b>Auditors</b>	PricewaterhouseCoopers 78 Mill Street, Qormi, QRM3101, Malta.
<b>Legal Advisors</b>	Camilleri Preziosi Level 2 , Valletta Buildings, South Street, Valletta, VLT1103, Malta.
<b>Registered Office</b>	Clock Tower, Level 1, Tigné Point, Sliema TP01, Malta.
<b>Shareholder Information</b>	Tel: 2132 3503 Email: <a href="mailto:info@malitainvestments.com">info@malitainvestments.com</a> Website: <a href="http://www.malitainvestments.com">www.malitainvestments.com</a>
<b>Company Reg. No.</b>	C53047
<b>Financial Calendar</b>	Preliminary Announcement of Results 25 February 2014  Annual General Meeting 9 April 2014

# NOTES



# NOTES



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Registration N° C 53047