malitainvestments.com

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COMPANY ANNOUNCEMENT

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

Board Meeting held for the approval of the Interim Financial Statements

Date of Announcement	**23 August 2021**
Reference	**95/2021**
In Terms of Chapter 5 of the Listing Rules	

The following is a Company Announcement issued by the Company pursuant to the Listing Rules of the Malta Financial Services Authority

QUOTE

During the meeting of the Board of Directors of Malita Investments p.l.c. held today 23 August 2021, the Company's condensed interim financial statements for the six months ended 30 June 2021 were approved.

The interim financial statements are attached herewith and are also available for viewing at the Company's registered office or electronically on http://malitainvestments.com/financial-statements/financial-statements-2021

The Directors of the Company have also approved the payment of a gross interim dividend of €1,955,026 or €0.0132 per share equating to an interim net dividend of €1,661,772 or €0.0112 per share payable on 24 September 2021 to the Shareholders on the Company's share register at close of business at the Malta Stock Exchange on 06 September 2021.

UNQUOTE

By Order of the Board

Signed

Donald Vella
Company Secretary

MALITA INVESTMENTS P.L.C.

Condensed Interim Financial Statements (unaudited)
30 June 2021

Company Registration Number: C 53047

Interim Directors' report

The Directors present their report together with the condensed interim financial statements for the period ended 30 June 2021.

Principal activities

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

Review of the business

The Company registered a loss for the period from January to June 2021 of €14,981,818 (June 2020: loss €20,841,623). The operating profit excluding any fair value movements for the period amounts to €4,073,647 (June 2020: €3,781,754).

As further explained in Note 4, the negative movement in fair value of the MIA and VCP properties as well as the Parliament Building and Open Air Theatre amounts to €9,794,000 and €9,494,246 respectively. This negative fair value movement came about due to the upward movement of interest rates. This has been transferred to a non-distributable fair value reserve (net of deferred tax).

During the period under review, the Company continued receiving lease income in respect of the Open Air Theatre and Parliament Building in City Gate, Valletta and ground rent from the MIA and VCP properties.

In 2017 the Company entered into two credit facility agreements for a 25-year term amounting to €53,700,000 with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) for the purpose of financing the construction of a number of affordable housing units in Malta. Furthermore, the Company had also entered into an emphyteutical deed with the Housing Authority to acquire sixteen property sites in a number of locations across Malta for the purpose of developing affordable housing units in Malta. Lastly in 2018, the Company entered into sixteen (16) availability agreements with Government whereby the Company will make available sixteen (16) property sites consisting of around 768 units in a number of locations across Malta for a period of 25 years once complete. After period end, the Company effected disbursement amounting to €15,700,000 from this EIB and CEB facility.

The Affordable Housing project is proceeding well. Excavation of all the property sites is substantially complete except for the Luqa site on which excavation works are due to start soon. In 2021 the Company issued further invitations to tender for the excavation, finishes and lifts of these units. Excavation works have been awarded for one site, mechanical and electrical works have been awarded for one site, finishing works have been awarded for five sites and lifts supply and installations for five sites. Invitations to tender will continue to be issued in respect of the construction, mechanical and electrical works, finishes and lifts of the remaining sites. The capitalised cost to date on this development amounts to €24,639,158 and is reflected in these financial statements as a contract asset.

Interim Directors' report - continued

Review of the business - continued

It is always on the agenda of the Board of Directors to analyse and assess other possible investment opportunities.

Result and dividends

The condensed statement of comprehensive income is set out on page 7. On 23 August 2021, the Directors declared the payment of an interim gross dividend of €1,955,026 or €0.0132 per share (June 2020: €1,955,026 or €0.0132 per share) equating to an interim net dividend of €1,661,772 or €0.0112 per share (June 2020: €1,270,767 or €0.0086 per share) payable on 24 September 2021.

Directors

The Directors of the Company who held office during the period were:
Kenneth Farrugia
Ray Sladden (resigned on 11 May 2021)
Paul Mercieca
Robert Suban
Eric Schembri
Marlene Mizzi (appointed on 1 January 2021)
Victor Carachi (appointed on 12 May 2021)
Tania Brown (appointed on 12 May 2021)

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

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

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

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

The Directors are also responsible for designing, implementing and maintaining internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Malita Investments p.l.c. for the period ended 30 June 2021 are included in the Condensed Interim Financial Statements – 30 June 2021, which is available on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website.

Interim Directors' report - continued

Statement of Directors' responsibilities for the financial statements - continued

Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

On behalf of the board

Kenneth Farrugia
Chairman

Paul Mercieca
Director

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

23 August 2021

pwc

Report on review of interim financial information

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

Introduction
We have reviewed the accompanying condensed interim statement of financial position of Malita Investments p.l.c. as of 30 June 2021 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

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

This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Malta Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

PricewaterhouseCoopers

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

Steve Mamo
Partner

23 August 2021

Condensed statement of financial position

	Notes	As at 30 June 2021 € (unaudited)	As at 31 December 2020 € (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**20,432**	19,573
Investment property	4	**208,700,144**	227,988,390
Contract asset	6	**24,639,158**	18,868,800
		233,359,734	246,876,763
Current assets			
Trade and other receivables		**842,480**	1,406,631
Cash and cash equivalents		**883,877**	202,444
		1,726,357	1,609,075
Total assets		**235,086,091**	248,485,838
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**73,295,143**	73,295,143
Retained earnings	8	**9,451,391**	8,990,133
Non-distributable reserve - fair	9	**61,026,460**	78,800,715
Non-distributable reserve - other	10	**3,653,668**	3,421,180
Total equity		**147,426,662**	164,507,171
Non-current liabilities			
Borrowings	11	**34,977,577**	36,051,219
Lease liability	5	**3,292,000**	3,279,234
Provision on restoration	5	**5,209,725**	5,102,086
Deferred tax liabilities	16	**16,246,583**	17,760,574
		59,725,885	62,193,113
Current liabilities			
Borrowings	11	**15,629,915**	13,096,134
Lease liability	5	**115,763**	113,006
Capital creditor for acquisition of property	12	**1,827,791**	3,000,217
Trade and other payables		**8,531,485**	4,200,176
Current tax liabilities		**1,828,590**	1,376,021
		27,933,544	21,785,554
Total liabilities		**87,659,429**	83,978,667
Total equity and liabilities		**235,086,091**	248,485,838

Condensed statement of financial position - continued

The notes on pages 10 to 29 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 5 to 29 were authorised for issue by the Board on 23 August 2021 and were signed on its behalf by:

Kenneth Farrugia
Chairman

Paul Mercieca
Director

Condensed statement of comprehensive income

	Notes	**Period from 1 January to 30 June 2021 € (unaudited)**	Period from 1 January to 30 June 2020 € (unaudited)
Revenue	13	**4,114,603**	4,106,633
Revenue from service concession arrangements	6	**5,461,882**	3,253,786
Costs related to service concession arrangements	6	**(5,302,798)**	(3,159,015)
Administrative expenses		**(200,040)**	(419,650)
Operating profit		**4,073,647**	3,781,754
Change in fair value of investment property	4	**(19,288,246)**	(25,197,135)
Finance income		**308,476**	216,243
Finance costs		**(793,253)**	(842,301)
Loss before tax		**(15,699,376)**	(22,041,439)
Tax credit	15	**717,558**	1,199,816
Loss for the period - total comprehensive loss		**(14,981,818)**	(20,841,623)
Loss per share in cents	17	**(10.12)**	(14.07)

The notes on pages 10 to 29 are an integral part of these condensed interim financial statements.

Condensed statement of changes in equity

	Notes	Share capital €	Retained earnings €	Non-distributable reserves: Fair value movements €	Non-distributable reserves: Other €	Total €
Balance at 1 January 2020		73,295,143	8,177,094	74,549,282	2,959,028	158,980,547
Comprehensive income						
Loss for the period		-	(20,841,623)	-	-	(20,841,623)
Transactions with owners						
Transfer within owners' equity	9	-	23,224,614	(23,224,614)	-	-
Transfer within owners' equity	10	-	(207,199)	-	207,199	-
Dividends to equity shareholders	18	-	(2,744,442)	-	-	(2,744,442)
Balance at 30 June 2020 (unaudited)		**73,295,143**	**7,608,444**	**51,324,668**	**3,166,227**	**135,394,482**
Balance at 1 July 2020		73,295,143	7,608,444	51,324,668	3,166,227	135,394,482
Comprehensive income						
Profit for the period		-	30,383,456	-	-	30,383,456
Transactions with owners						
Transfer within owners' equity	9	-	(27,476,047)	27,476,047	-	-
Transfer within owners' equity	10	-	(254,953)	-	254,953	-
Dividends to equity shareholders		-	(1,270,767)	-	-	(1,270,767)
Balance as at 31 December 2020 (audited)		**73,295,143**	**8,990,133**	**78,800,715**	**3,421,180**	**164,507,171**
Balance at 1 January 2021		73,295,143	8,990,133	78,800,715	3,421,180	164,507,171
Comprehensive income						
Loss for the period		-	(14,981,818)	-	-	(14,981,818)
Transactions with owners						
Transfer within owners' equity	9	-	17,774,255	(17,774,255)	-	-
Transfer within owners' equity	10	-	(232,488)	-	232,488	-
Dividends to equity shareholders	18	-	(2,098,691)	-	-	(2,098,691)
Balance at 30 June 2021 (unaudited)		**73,295,143**	**9,451,391**	**61,026,460**	**3,653,668**	**147,426,662**

The notes on pages 10 to 29 are an integral part of these condensed interim financial statements.

Condensed statement of cash flows

	Notes	Period from 1 January to 30 June 2021 € (unaudited)	Period from 1 January to 30 June 2020 € (unaudited)
Cash flows from operating activities			
Cash generated from operations	19	**6,925,774**	6,272,035
Interest received		**-**	25
Interest paid and similar charges		**(11,237)**	(32,207)
Income taxes paid		**(343,864)**	(537,082)
Payments on lease liability		**(55,125)**	(1,514)
Net cash generated from operating activities		**6,515,548**	5,701,257
Cash flows from investing activities			
Purchase for property, plant and equipment		**(5,602)**	(7,169)
Payments to acquire contract asset		**(6,233,714)**	(2,815,258)
Net cash used in investing activities		**(6,239,316)**	(2,822,427)
Cash flows from financing activities			
Repayment of borrowings		**(1,039,861)**	(1,006,751)
Interest paid on borrowings		**(637,046)**	(774,006)
Dividends paid to equity holders	18	**(417,892)**	(544,963)
Proceeds from borrowings	11	**2,500,000**	2,000,000
Net cash from / (used in) financing activities		**405,201**	(325,720)
Net movement in cash and cash equivalents		**681,433**	2,553,110
Cash and cash equivalents at beginning of period		**202,444**	717,826
Cash and cash equivalents at end of period		**883,877**	3,270,936

The notes on pages 10 to 29 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34, 'Interim financial reporting'. They have been prepared under the historical cost convention as modified by fair valuation of investment property.

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRS.

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

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies (see note 2 – Critical accounting estimates and judgements).

The financial statements have been prepared on a going concern basis that assumes that the Company will continue in operational existence for the foreseeable future. This basis of preparation has been made after considering the effects which the Covid-19 outbreak is having on the Company.

The statement of financial position reflects a net current liability position of €26,207,187. Current liabilities as at 30 June 2021 include payables of €1,827,791 and total local temporary financing of €13,500,000 in relation to the Affordable Housing project. An amount of €2,500,000 of the €13,500,000 local temporary financing were obtained in the period under review. From July 2021 to the date of signing of these financial statements, the Company has drawn down a total of €15,700,000 from the total financing of €58,000,000 that were secured for the Affordable Housing project. The remaining €42,300,000 secured financing will be drawn down throughout the current year. Through these drawdowns the Company will repay the €13,500,000 local temporary financing and settle the outstanding short-term payables. As a result, the current liability position will improve. The Directors are confident that the Company will continue in business as a going concern and that liabilities will continue to be honoured as and when they fall due.

Standards, interpretations and amendments to published standards effective in 2021

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

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

1.1 Basis of preparation - continued

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

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

1.2 Investment property

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

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost, in accordance with Note 1.12. After initial recognition, investment property is carried at fair value. Given that there is no active market for the investment property held by the Company, the Company establishes fair value by using valuation techniques, particularly discounted cash flow analysis.

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

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

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

1.3 Contract asset

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

1. Summary of significant accounting policies - continued

1.4 Financial assets

1.4.1 Classification

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company's financial assets consist of receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. The latter are classified as non-current assets. The Company's receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.6 and 1.7). Cash and cash equivalents includes cash in hand, deposits held with banks with original maturities of six months or less.

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. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

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

1.5 Service Concession Arrangements

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

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

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

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

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

1.5 Service Concession Arrangements - continued

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

1.6 Trade and other receivables

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

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

1.7 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.

1.8 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.

1.9 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.

1.10 Current and deferred tax

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

1. Summary of significant accounting policies - continued

1.10 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.

1.11 Revenue recognition

Revenue comprises the fair value for ground rents received or receivable as per contracts entered into, leases of the Parliament Building on the initial and additional investment and the lease of the Open Air Theatre. Moreover, the Company is recognising revenue in relation to the Service concession arrangement (Note 6) as performance obligations are satisfied.

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

(a) Interest income

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

(b) Rental income from investment property

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

1.12 Borrowing costs

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

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

1.13 Dividend distributions

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

2. **Critical accounting estimates and judgements**

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

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

(a) Valuation of investment properties

The Company's investment property comprises the MIA and VCP properties as well as the Parliament Building and Open Air Theatre. The fair value of the Company's investment property has been determined based on projected future cash flows, appropriately discounted by a risk adjusted discount rate. As explained in Note 4 – Investment Property, the valuation was determined using discounted cash flow projections considering, *inter alia*, the projected future cash flows to be generated from the transfer of the dominium directum in respect of the MIA and VCP properties, the Parliament Building and Open Air Theatre, ongoing maintenance needs, and other relevant market factors.

A key variable used in the determination of the fair value of the Investment Property is the discount rate. The discount rate used for fair valuing the Investment Property is primarily based on the yield to maturity on the longest term available Malta Government Stock (MGS), plus a risk premium. Due to the continuous low interest rate environment in the prior years, the fair value of the investment properties was increasing at each period, and fair value gains were being recognised as a result. When interest rates start increasing, as happened in the current period, the discount rate increases, fair value of the investment properties decreases, and fair value losses may result (see Note 4). Movements resulting from the said revaluation process are treated as non-distributable fair value movements (see Note 9).

The Audit Committee and the Board have been holding continuous discussions around the estimates and judgements applied to the fair value mechanism and related inputs mainly due to the unprecedented and unexpected low level of interest rates feeding into the fair value model. The Board continues to be confident that the mechanism is the most appropriate method to derive fair valuation of the respective investment properties in the Statement of Financial Position. As explained in note 4, the Board had elected to consider a conditional premium to counter the volatility in interest rates that is having a significant impact on the fair value movements.

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

2. Critical accounting estimates and judgements - continued

(b) Service concession arrangements

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

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

Changes in one or more of the factors described above may significantly affect the conclusions as to the appropriateness of the application of IFRIC 12 and, therefore, the results of operations or our financial position (Note 6).

3. Segment reporting

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

4. Investment property

	30 June 2021	31 December 2020
	€	€
MIA and VCP properties	**92,887,000**	102,681,000
Parliament Building and Open Air Theatre	**115,813,144**	125,307,390
Carrying amount	**208,700,144**	227,988,390

i. MIA and VCP

	30 June 2021	31 December 2020
	€	€
At 1 January	**102,681,000**	104,121,000
Fair value movement	**(9,794,000)**	(1,440,000)
Carrying amount	**92,887,000**	102,681,000

4. Investment property - continued

ii. Parliament Building and Open Air Theatre

	30 June 2021	31 December 2020
	€	€
At 1 January	**125,307,390**	119,264,628
Fair value movement	**(9,494,246)**	6,042,762
Carrying amount	**115,813,144**	125,307,390

Fair values of investment property

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

The fair value of investment property is calculated with reference to the cash flows receivable by the Company in terms of its contractual agreements, discounted to present value as at 30 June 2021.

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

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

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

The Company's recurring fair value measurements are categorised as level 3 as they are based on significant unobservable inputs.

Valuation process

a) MIA and VCP

The valuation of the MIA and VCP properties is based on the present value of ground rents up to the expiry of the temporary emphyteutical grants and the estimated freehold value thereafter discounted to present value. The fair value of investment property is calculated with reference to the cash flows receivable by the Company in terms of its contractual agreements, discounted to present value as at 30 June 2021. The discount rate is based on the yield to maturity on the longest term available MGS (Malta Government Stock) in issue as at year end plus a premium reflecting the risk inherent in the underlying cash flows. Given the unexpected and unprecedented low interest rate environment in the prior years, an additional risk premium was factored in the discount rate as explained further below.

4. Investment property - continued

Valuation process - continued

a) MIA and VCP - continued

For the period ended 30 June 2021 the MGS benchmark referred to above increased and as a result a fair value loss of €9,794,000 (June 2020 fair value loss: €18,024,000) has been recognised in these financial statements. The YTM on the longest term available MGS has been continuously decreasing but due to its increase in the current period, the Company is recognising a fair value loss.

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

- Ground rent, as contractually agreed which for the coming year is estimated at €2.0 million (June 2020: €2.0 million);
- Growth rate, as contractually agreed at an average of 2.53% p.a. (June 20: 2.53% p.a.) represents the estimated average growth of the Company's rentals;
- Discount rate of 4.57% (June 2020: 4.75%) based on:
    - the risk-free rate of return being the YTM on the longest term available MGS at period end 1.50% (June 2020: 1.68%);
    - risk premium taking into account factors such as, property illiquidity, management limitations, type, size and location of property, competition, country risk, counter-party risks and resource risks 2.32% (June 2020: 2.32%); and
    - conditional premium of 0.75% (June 2020: 0.75%). When the YTM reverts to 2.00% or higher, the conditional premium would decrease to 0.50%. The YTM decreased for the period ended June 2021, however, it is still below 2.00% and hence the conditional premium was retained at 0.75%.

If the discount rate used in the discounted future cash flows for the MIA and VCP properties had been 0.50% higher/lower, all other things being equal, the fair value of the MIA and VCP properties would increase/decrease by €12.1 million (June 2020: €11.1 million) and €14.7 million (June 2020: €13.5 million) respectively.

b) Parliament Building and Open Air Theatre

The valuation of the Parliament Building and Open Air Theatre is based on the present value of ground rents up to the expiry of the temporary emphyteutical grant discounted to present value. The fair value of investment property is calculated with reference to the cash flows receivable by the Company in terms of its contractual agreements over the period to 2077, discounted to present value as at 30 June 2021. The discount rate is based on the yield to maturity on the longest term available Malta Government Stock (MGS) in issue at year end plus a premium reflecting the risk inherent in the underlying cash flows. Given the unexpected and unprecedented low interest rate environment, an additional risk premium has been factored in the discount rate as explained further below. On 1 January 2019 the Company adopted IFRS 16 Leases and recognised a Right-of-use asset (see Note 5). The fair value of this asset is being included with the Investment property. Hence, the carrying amount of €115,813,144 for the Parliament Building and Open Air Theatre includes the fair value of the Right-of-use asset for such properties.

For the period ended 30 June 2021 the MGS benchmark referred to above increased and as a result a fair value loss of €9,494,246 (June 2020 fair value loss: €7,173,135) has been recognised in these financial statements. This fair value loss includes the fair value movement for the Right-of-use asset. The YTM on the longest term available MGS has been continuously increasing but due to its decrease in the current period, the Company is recognising a fair value loss.

4. **Investment property** - continued

Valuation process - continued

b) Parliament Building and Open Air Theatre - continued

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

- Rents, as contractually agreed which for the coming year is estimated at €6.26 million (2020: €6.26 million);
- Growth rate, at an average of 2.84% (June 2020: 2.80%), represents the estimated average growth of the Company's rentals;
- Discount rate of 6.07% (June 2020: 6.25%) based on:
  - the risk-free rate of return being the YTM on the longest term available MGS at year end 1.50% (June 2020: 1.68%);
  - risk premium taking into account factors such as, property illiquidity, management limitations, type, size and location of property, competition, country risk, counter-party risks and resource risks 3.82% (June 2020: 3.82%); and
  - conditional premium of 0.75% (June 2020: 0.75%). When the YTM reverts to 2.00% or higher, the conditional premium would decrease to 0.50%. The YTM decreased for the period ended June 2021, however, it is still below 2.00% and hence the conditional premium was retained at 0.75%.

If the discount rate used in the discounted future cash flows for the Parliament Building and Open Air Theatre properties had been 0.50% higher/lower, all other things being equal, the fair value of the Parliament Building and Open Air Theatre properties would decrease/increase by €8.3 million (June 2020: €8.0 million) and €9.6 million (June 2020: €9.2 million) respectively.

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

The Company adopted IFRS 16 Leases from 1 January 2019 using a modified retrospective approach, under which the Company had restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules were therefore recognised in the opening Statement of financial position on 1 January 2019 within the statement of changes in equity.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. Disclosures included in the financial statements for the year ended 31 December 2018 indicate an estimated right-of-use asset of €107,907,980 and a lease liability of €4,456,473. In 2019 the Company had recomputed the model required for adoption of IFRS 16, using a more appropriate incremental borrowing rate as opposed to the internal rate of return. The transitional adjustment impacting lease liabilities had therefore been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019. This resulted in a right-of-use asset as at 1 January 2019 amounting to €111,472,692, a lease liability amounting to €8,021,185 and a net investment in the lease amounting to €103,451,507.

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

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

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

a) Measurement of lease liabilities

	30 June 2021	31 December 2020
	€	€
Lease liability recognised as at 1 January	**3,392,240**	3,307,809
Interest on lease liability for the period	**70,345**	141,373
Ground rents payable for the period	**(54,822)**	(56,942)
Lease liability carrying amount	**3,407,763**	3,392,240

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

a) Measurement of lease liabilities - continued

	30 June 2021	31 December 2020
	€	€
Of which are:		
Current lease liabilities	**115,763**	113,006
Non-current lease liabilities	**3,292,000**	3,279,234
Carrying amount	**3,407,763**	3,392,240

	30 June 2021	31 December 2020
	€	€
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**115,763**	115,763
One to five years	**602,110**	474,626
More than five years	**9,690,763**	9,876,127
Total undiscounted lease liabilities	**10,408,636**	10,466,516

	30 June 2021	30 June 2020
	€	€
Amounts recognised in profit or loss from 1 January		
Interest on lease liabilities	**70,345**	70,136
Interest on provision on restoration	**107,639**	100,825
	177,984	170,961

b) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at 1 January 2019 at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets relate to investment properties and are being measured at fair value in line with the underlying investment properties.

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

b) Measurement of right-of-use assets - continued

	30 June 2021	31 December 2020
	€	€
Balance as at 1 January	**5,971,507**	5,762,745
Fair value (loss)/gain	**(364,246)**	208,762
Carrying amount	**5,607,261**	5,971,507

6. Contract asset and Service concession arrangements

On 29 December 2017, Malita entered into a contractual arrangement with the Housing Authority "Housing" to make available sixteen residential blocks, totalling around six hundred and eighty-four units, a number of car spaces and lock-up garages that will be used for affordable housing purposes. The number of units has now increased to circa 768. Excavation of a number of sites was commenced in the last few weeks of 2018 and to date construction works are underway. The construction and finishing phase are expected to be completed during 2023 and thereafter the operating phase will follow with a duration of twenty-five years once the construction and finishing phase is complete.

In line with the agreed terms, the Company has entitlement to cash flows from rental of the respective units, car spaces and lock-up garages. Rates are contractually agreed and will be paid by the tenant, a portion of which constitutes a subsidy from Housing. The Company's total cashflows will equate to the contractually agreed rates.

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

Pursuant to IFRIC 12, when the operator has an unconditional right to receive cash or other financial assets from the grantor in remuneration for concession services, the financial asset model applies. In this context, the infrastructure managed under these contracts cannot be recorded in assets of the operator as property, plant and equipment, but are recorded as financial assets. During the construction phase, the financial asset is recorded as a contract asset.

During the construction phase, a financial receivable is recognised in the Statement of Financial Position and revenue in the Statement of Comprehensive Income. The stage of completion of works was determined as the percentage of cost incurred up until the end of the reporting period relative to the total estimated cost (cost-to-cost method).

Income amounting to €5,461,882 from the construction activity was recognized during the period ended 30 June 2021 and €24,639,158 is cumulatively recognized in the Statement of Financial Position as a contract asset. Since the operation phase did not yet commence, no cash flows were received to date. Costs in relation to construction amounting to €5,302,798 have been recognised in the Statement of Comprehensive Income. The difference between revenue and cost from the construction project during the period represents, in substance, project management fees.

6. Contract asset and Service concession arrangements - continued

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

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

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

	30 June 2021	31 December 2020
	€	€
Balance as at 1 January	**18,868,800**	9,818,225
Additions, including finance income	**5,770,358**	9,050,575
Carrying amount at end of reporting period	**24,639,158**	18,868,800

7. Share capital

	30 June 2021	31 December 2020
	€	€
Authorised		
150,000,000 Ordinary A shares of €0.50 each	**75,000,000**	75,000,000
50,000,000 Ordinary B shares of €0.50 each	**25,000,000**	25,000,000
	100,000,000	100,000,000
Issued and fully paid		
118,108,064 Ordinary A shares of €0.50 each	**59,054,032**	59,054,032
30,000,000 Ordinary B shares of €0.50 each	**15,000,000**	15,000,000
	74,054,032	74,054,032
Issue costs	**(758,889)**	(758,889)
	73,295,143	73,295,143

8. Retained earnings

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

	30 June 2021	31 December 2020
	€	€
Distributable	**7,622,695**	7,628,996
Non- distributable	**1,828,696**	1,361,137
	9,451,391	8,990,133

9. Non-distributable reserve - fair value movements

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

10. Non-distributable reserve - other

As per article 82 of the Company's Articles of Association, the Directors have set aside €232,488 (June 2020: €207,199) which equals 10% of the net profit for the period excluding fair value movements net of deferred tax of the Company and allocated them to a non-distributable reserve (see Note 9). The Directors may employ the reserve in the furtherance of the business of the Company as the Directors may from time to time think fit.

11. Borrowings

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

On 28 September 2016, the Company secured a €7,000,000 revolving loan facility with Bank of Valletta in satisfaction of the improvements to the Parliament Building. The facility is to be fully repaid within 15 years from first drawdown at a fixed rate of interest. The first capital and interest repayments on this loan were paid in May 2018. The facility is pledged against the additional rent receivable by the Company for the use of the Parliament Building.

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

On 22 October 2019, the Company obtained additional short term funding of €5,000,000 from Bank of Valletta to allow for the continued construction of the Affordable Housing project.

11. Borrowings - continued

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

On 11 September 2020, 26 October 2020 and 6 January 2021, the Company obtained three additional short-term loans of €1,500,000 each. On 26 April 2021 an additional short-term loan of €1,000,000 was obtained. All these short-terms loans were obtained fom Bank of Valletta to enable the continued construction of the Affordable Housing project since EIB and CEB funds were not disbursed yet.

The €13,500,000 total short term funding facilities will be repaid within the coming weeks. The Company has drawn down a total of €15,700,000 after period end. These funds were drawn down from the two credit facility agreements with the EIB and CEB and will be classified as non-current borrowings. Total financing of €58,000,000 were secured for the Affordable Housing project. The remaining €42,300,000 secured financing will be drawn down throughout the current year.

	30 June 2021	31 December 2020
	€	€
Borrowings		
Non-current	**34,977,577**	36,051,219
Current	**15,629,915**	13,096,134
	50,607,492	49,147,353

12. Capital creditor for the acquisition of property

The outstanding balance of €1,827,791 is related to the Affordable Housing project and is due within the coming year. Hence, it is classified as a current liability.

	30 June 2021	31 December 2020
	€	€
Capital creditor for acquisition of property	**1,827,791**	3,000,217

13. Revenue

Revenue comprises the consideration payable by MIA and VCP by way of an annual ground rent in respect of the temporary emphyteusis granted. The Company also receives lease income in relation to the Open Air Theatre. Also included in the revenue figure is lease income for the Parliament Building which commenced on February 2019 as the Parliament Building's certificate of completion was issued in January 2019. Prior to the certificate of completion being issued the Company received a penalty payable by Government pursuant to a public deed entered into with the Company which stipulated that, in the event of a delay in completion, the Government was liable to pay the Company a daily penalty broadly in line with the rental income due, had the project been completed on time.

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

14. Directors' emoluments

	Period from 1 January to 30 June 2021 €	Period from 1 January to 30 June 2020 €
Kenneth Farrugia (Chairman)	**12,500**	12,500
Paul Mercieca (Director)	**7,500**	7,500
Ray Sladden (Director)	**3,744**	5,000
Robert Suban (Director)	**7,500**	7,500
Eric Schembri (Director)	**5,000**	5,000
Marlene Mizzi (Director)	**5,000**	-
Victor Carachi (Director)	**1,058**	-
Tania Brown (Director)	**1,410**	-
	43,712	37,500

15. Tax credit

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

	Period from 1 January to 30 June 2021 €	Period from 1 January to 30 June 2020 €
Current tax expense	**796,433**	772,705
Deferred tax credit (note 16)	**(1,513,991)**	(1,972,521)
Tax credit	**(717,558)**	(1,199,816)

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

	Period from 1 January to 30 June 2021 €	Period from 1 January to 30 June 2020 €
Loss before tax	**(15,699,376)**	(22,041,439)
Tax credit on loss at 35%	**(5,494,782)**	(7,714,503)
Tax effect of:		
Income subject to 15% final withholding tax	**(196,305)**	(195,157)
Income deductible for tax purposes	**(163,646)**	(108,852)
Expenses not deductible for tax purposes	**243,866**	376,918
Tax rules applicable to investment property	**5,109,409**	6,657,079
Maintenance allowance	**(216,100)**	(215,301)
Tax credit in the accounts	**(717,558)**	(1,199,816)

16. Deferred tax

Deferred tax is provided for using the liability method for temporary differences arising on movements in the fair value of immovable investment property of MIA and VCP and the Parliament Building and Open Air Theatre. The calculation of the deferred tax provision for the period ended 30 June 2021 is calculated on the taxation rules on capital gains upon a transfer of immovable property implemented through Act XIII of 2015, with effect from 1 January 2015, the rate of capital gains tax applicable is a final withholding tax of 8% on the value of the property.

The deferred tax balance as at 30 June 2021 represents:

	30 June 2021	31 December 2020
	€	€
Temporary differences on:		
Fair value movements	**16,246,583**	17,760,574

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

17. Earnings per share

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

	Period from 1 January to 30 June 2021	Period from 1 January to 30 June 2020
Loss for the period (€)	**(14,981,818)**	(20,841,623)
Total average number of ordinary shares in issue	**148,108,064**	148,108,064
Loss per share in cents	**(10.12)**	(14.07)

As explained in the Review of the Business, the Company registered a loss for the period ended 30 June 2021 solely due to the negative fair value movement of €19,288,246 which emanates from the valuation of the Company's investment properties. If this fair value movement is excluded together with its tax implication, the results would show a profit of €2,792,437 equating to earnings per share of €1.89 cents.

18. Dividends

	2020 Final dividend €	2019 Final dividend €
Dividends paid on ordinary shares		
Gross	**3,228,756**	3,228,756
Tax at source	**(1,130,065)**	(484,314)
	2,098,691	2,744,442
Dividends per share in cents	**1.42**	1.85

On 23 August 2021, the Board of Directors declare an interim gross dividend in respect of the period ended 30 June 2021 of €1,955,026 or €0.0132 per share equating to an interim net dividend of €1,661,772 or €0.0112 per share. The financial statements do not reflect this dividend.

19. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Period from 1 January to 30 June 2021 €	Period from 1 January to 30 June 2020 €
Operating profit	**4,073,647**	3,781,754
Adjustments for:		
Net contract asset revenue	**(159,084)**	(94,770)
Depreciation of property, plant and equipment	**4,743**	3,906
Changes in working capital:		
Trade and other receivables	**564,151**	60,044
Trade and other payables	**2,442,317**	2,521,101
Cash generated from operations	**6,925,774**	6,272,035

20. Related party transactions

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

Other related entities are the following, since they are all Government owned and managed:
- Malta Investment Management Company Limited
- Projects Plus Limited
- Housing Authority
- Social Projects Management Limited

All because they are Government owned and managed.

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

	Period from 1 January to 30 June 2021 €	Period from 1 January to 30 June 2020 €
Government of Malta		
Payment of City Gate ground rent to Government	**(55,125)**	(55,125)
Receipt of Parliament lease income from Government	**3,835,578**	3,804,683
Receipt of Open Air Theatre lease income from Government	**824,434**	1,675,166
Receipt of Parliament Building additional rent from Government	**781,708**	843,643
Malta Investment Management Company Limited		
Office Lease payable to Malta Investment Management Company Limited	**(3,750)**	(4,425)
Projects Plus Limited		
Payments to Projects Plus Limited for professional services	**335,211**	-
Housing Authority		
Payments to Housing Authority for ground rent	**(73,292)**	(69,802)
Social Projects Management Limited		
Payments to SPM Limited for project management services	**(552,748)**	(410,407)

21. Statutory information

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