

MALITA INVESTMENTS P.L.C.

Annual Report and Financial Statements
31 December 2014

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Directors' report

The Directors present their fourth annual report together with the audited financial statements for the year ended 31 December 2014.

Principal activities

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

Review of the business

During the year, works on the Parliament Building progressed further and are now in their final stages of completion. The Company continued to receive income from its ground rents over the sites of Malta International Airport (MIA) and Valletta Cruise Port (VCP). The Company also received income relating to the Parliament Building and Open Air Theatre as per the relative contractual agreements entered into in 2012. As explained in note 6, the results for the year include a favourable change in fair value on MIA and VCP properties of €15,685,686 which came about due to the downward movement of interest rates. This has been considered to be non-distributable and has accordingly been transferred to a non-distributable reserve.

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

Results and dividends

The statement of comprehensive income is set out on page 16. An interim gross dividend of €450,000 or €0.0150 per share resulting in an interim net dividend of €292,500 or €0.00975 per share was paid on 12 September 2014 to the holders of Ordinary B shares.

The Directors recommend the payment of a final gross dividend to the holders of Ordinary A and Ordinary B shares of €3,110,269 or €0.0210 per share (December 2013: €604,110 or €0.0202 per share paid to the holders of Ordinary B shares only), equating to a final net dividend of €2,021,675 or €0.01365 per share (December 2013: €392,672 or €0.01309 per share paid to the holders of Ordinary B shares only).

Directors' report - continued

Directors

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

Kenneth Farrugia	(Chairman - appointed on incorporation)
Vince Mifsud	(appointed on incorporation, resigned on 1 August 2014)
Frederick Mifsud Bonnici	(appointed on 27 February 2012)
Publio Danny Rosso	(appointed on 7 March 2012, resigned on 1 August 2014)
Ray Sladden	(appointed on 9 April 2014)
Paul Mercieca	(appointed on 9 April 2014)
Robert Suban	(appointed on 9 April 2014)
John Buttigieg	(appointed on 1 August 2014)
Eric Schembri	(appointed on 1 August 2014)

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

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

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

The Directors are also responsible for designing, implementing and maintaining internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Malita Investments p.l.c. for the year ended 31 December 2014 are included in the Annual Report and Statutory Financial Statements – 31 December 2014, 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 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.

Information provided in accordance with Listing Rule 5.70.1

The Company did not enter into any material contracts during the year.

Directors' report - continued

Going Concern

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

Information pursuant to Listing Rule 5.64

Share capital information of the Company is disclosed in Note 9 to the financial statements. The issued share capital of the Company is split into two classes of shares. The Ordinary A Shares and Ordinary B Shares rank *pari passu* for all intents and purposes of law. Holders of Ordinary A Shares were not 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 ended on the 31 December 2014) and the right to receive the Restricted Dividends vested solely in the holders of the Ordinary B Shares. The first dividend distribution to the holders of Ordinary A Shares will be paid on 24 April 2015 and is disclosed in Note 24 to the financial statements.

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 2014, none of the requirements apply to the Company.

Directors' report - continued

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 2014, 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.

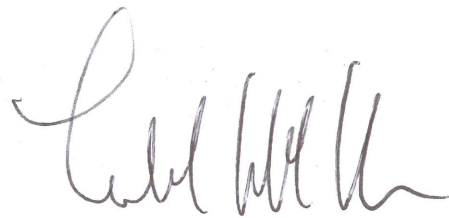
Auditors

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

26 February 2015

Corporate Governance Statement

Introduction

Pursuant to the Listing Rules issued by the Malta Financial Services Authority (MFSA), Malita Investments p.l.c. whose equity securities are listed on a regulated market 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 financing, acquisition, development and management of immovable property, the leveraging of revenue streams arising therefrom and the reinvestment of undistributed profits in national and/or strategic real estate projects as well as in commercial property opportunities.

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

This Corporate Governance Statement (the "Statement") 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 manner in which the Directors believe that these have been adhered to. Where the Company has not complied with any of the principles of the Code, this Statement 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

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

Corporate Governance Statement - continued

Principle 1: The Board - continued

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

Principle 2: Chairman and Chief Executive

Due to its lean operating structure and the nature of its current business, the Company does not employ a Chief Executive Officer (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 seven non-executive Directors. The members of the Board for the year under review were Mr Kenneth Farrugia, Chairman, Mr Vincent Mifsud (resigned on 1 August 2014), Mr Frederick Mifsud Bonnici, Mr Publio Danny Rosso (resigned on 1 August 2014), Mr Ray Sladden (appointed on 9 April 2014), Dr Robert Suban (appointed on 9 April 2014), Mr Paul Mercieca (appointed on 9 April 2014), Dr John Buttigieg (appointed on 1 August 2014) and Mr Eric Schembri (appointed on 1 August 2014). Pursuant to generally accepted practices, as well as the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board, and which appointment would expire at the Company's subsequent AGM.

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

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

For the purposes of Code Provision 3.2, the Board considers each of the non-executive Directors as independent within the meaning of the Code.

None of the non-executive Directors:

- (a) are or have been employed in any capacity by the Company;
- (b) have, or had within the last three years, a significant business relationship with the Company;
- (c) have received or receive significant additional remuneration from the Company;
- (d) have close family ties with any of the executive members of the Board;
- (e) have served on the board for more than twelve consecutive years; or
- (f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditors of the Company.

Corporate Governance Statement - continued

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 Frederick Mifsud Bonnici, Paul Mercieca, and Eric Schembri. 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 Robert Suban and includes Ray Sladden as a member. Tom Anastasi Pace resigned from Committee member on 31 December 2014.

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.

Corporate Governance Statement - continued

Principle 5: Board Meetings

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

During the financial year under review, the Board held nine (9) meetings.

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

Mr Kenneth Farrugia	(Chairman - appointed on incorporation)	9
Vince Mifsud	(appointed on incorporation, resigned on 1 August 2014)	5
Frederick Mifsud Bonnici	(appointed on 27 February 2012)	9
Publio Danny Rosso	(appointed on 7 March 2012, resigned on 1 August 2014)	4
Ray Sladden	(appointed on 9 April 2014)	6
Paul Mercieca	(appointed on 9 April 2014)	6
Robert Suban	(appointed on 9 April 2014)	6
John Buttigieg	(appointed on 1 August 2014)	4
Eric Schembri	(appointed on 1 August 2014)	4

Principle 6: Information and Professional development

The Board is responsible for the appointment of senior management and ensures that there is adequate training in the Company for Directors, management and employees as may be necessitated from time to time. The Board also ensures that all Directors are supplied with precise, timely and clear information so that they can effectively contribute to board decisions. The Directors receive monthly management accounts on the Company's financial performance and position.

Principle 7: Evaluation of the Board's performance

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

Principle 8: Committees

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

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

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

Corporate Governance Statement - continued

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

The Company will be holding its third 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 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) which also contains information about the Company and its projects. The Company's website also contains a notifications and publications section which includes press releases and investor information sub-sections.

Principle 11: Conflicts of Interest

The Directors of the Company recognise their responsibility to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to serve on the Board. It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately dealt with. Directors who have a conflict of interest do not participate in discussions concerning such matters unless the Board find no objection to the presence of such Director. The Directors are obliged to keep the Board advised, on an on-going basis, of any interest that could potentially conflict with that of the Company. In any event, Directors refrain from voting on the matters where conflicts of interest arise. There were no such matters in the year under review.

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

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

Director	Number of shares held as at 31 December 2014
Kenneth Farrugia	nil
Frederick Mifsud Bonnici	20,000 (10,000 in his wife's name)
Ray Sladden	nil
Paul Mercieca	nil
Robert Suban	nil
John Buttigieg	nil
Eric Schembri	nil

There were no changes in the Directors' interest in the shareholding of the Company between year-end and 26 February 2015.

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.

Corporate Governance Statement - continued

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. Nevertheless, 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 7: Evaluation of the Board's performance

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

Principle 9.3: Conflicts

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

Corporate Governance Statement - continued

Internal Control

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

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

General Meetings

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

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

Remuneration Statement

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

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

Corporate Governance Statement - continued

Remuneration Statement - continued

Meetings

During the year under review the Committee held 3 meetings. All Committee members attended the meetings held. The members of the Committee have also discussed various matters related to the composition of the board and the human resources during the 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 €58,875 during 2014 and the amount of €28,335 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 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 2014

We have audited the financial statements of Malita Investments p.l.c. on pages 15 to 38 which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and 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 2, 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 2014, 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.



Independent auditor's report - continued

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

Report on Corporate Governance - continued

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 5 to 12 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 for the year ended 31 December 2014

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

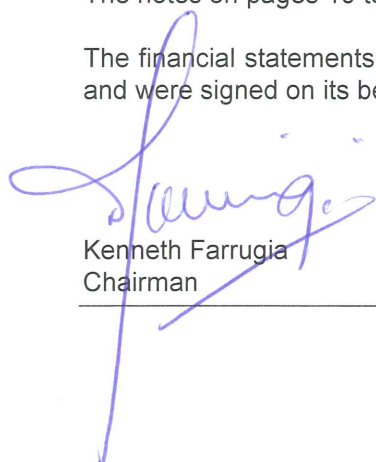
26 February 2015

Statement of financial position

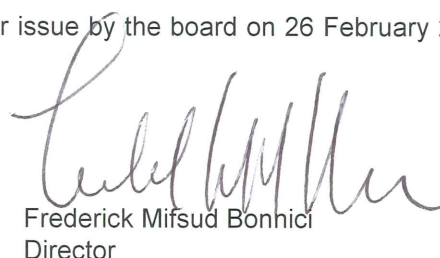
		As at 31 December 2014	2013
	Notes	€	€
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,710	3,127
Investment property	6	137,913,011	122,223,951
		137,916,721	122,227,078
Current assets			
Trade and other receivables	7	372,424	1,434,321
Cash and cash equivalents	8	4,477,934	12,134,903
		4,850,358	13,569,224
Total assets		142,767,079	135,796,302
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	73,295,143	73,295,143
Retained earnings		6,092,159	3,967,261
Non-distributable reserve - fair value gains	10	14,854,368	4,781,389
Non-distributable reserve – other	11	837,581	-
Total equity		95,079,251	82,043,793
Non-current liabilities			
Borrowings	12	39,934,633	39,931,259
Deferred tax liabilities	22	6,669,600	1,056,893
		46,604,233	40,988,152
Current liabilities			
Capital creditor for acquisition of property	13	300,003	9,742,563
Trade and other payables	14	773,732	1,555,339
Current tax liabilities		9,860	1,466,455
		1,083,595	12,764,357
Total liabilities		47,687,828	53,752,509
Total equity and liabilities		142,767,079	135,796,302

The notes on pages 19 to 38 are an integral part of these financial statements.

The financial statements on pages 15 to 38 were authorised for issue by the board on 26 February 2015 and were signed on its behalf by:



Kenneth Farrugia
Chairman



Frederick Mifsud Bonnici
Director

Statement of comprehensive income

		Year ended 31 December 2014 €	Year ended 31 December 2013 €
	Notes		
Revenue	15	6,754,537	6,738,503
Administrative expenses	16	(362,621)	(353,498)
Change in fair value of investment property	6	15,685,686	4,666,825
Operating profit		22,077,602	11,051,830
Finance income	19	99,344	293,014
Finance costs	20	(1,317,325)	(1,317,752)
Profit before tax		20,859,621	10,027,092
Tax expense	21	(7,138,991)	(2,003,678)
Profit for the year - total comprehensive income		13,720,630	8,023,414
Earnings per share (cents)	23	9.26	5.42

The notes on pages 19 to 38 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Retained earnings €	Non-distributable reserves Fair value gains €	Other €	Total €
Balance at 1 January 2013		73,295,143	1,486,134	-	-	74,781,277
Comprehensive income						
Profit for the year		-	8,023,414	-	-	8,023,414
Transactions with owners						
Transfer within owners' equity	10	-	(4,781,389)	4,781,389	-	-
Dividends to equity shareholders	24	-	(760,898)	-	-	(760,898)
		-	(5,542,287)	4,781,389	-	(760,898)
Balance at 31 December 2013		73,295,143	3,967,261	4,781,389	-	82,043,793
Balance at 1 January 2014		73,295,143	3,967,261	4,781,389	-	82,043,793
Comprehensive income						
Profit for the year		-	13,720,630	-	-	13,720,630
Transactions with owners						
Transfer within owners' equity	10	-	(10,072,979)	10,072,979	-	-
Transfer within owners' equity	11	-	(837,581)	-	837,581	-
Dividends to equity shareholders	24	-	(685,172)	-	-	(685,172)
		-	(11,595,732)	10,072,979	837,581	(685,172)
Balance at 31 December 2014		73,295,143	6,092,159	14,854,368	837,581	95,079,251

The notes on pages 19 to 38 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Cash flows from operating activities			
Cash generated from operations	25	6,663,737	5,912,046
Interest received		109,686	338,167
Interest paid and similar charges	20	(1,025)	(1,452)
Tax paid		(2,982,879)	(592,194)
Net cash generated from operating activities		3,789,519	5,656,567
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(2,456)	(50)
Payments to capital creditor	13	(9,442,560)	(20,935,938)
Disposals of held-to-maturity investments		-	2,595,306
Net cash used in investing activities		(9,445,016)	(18,340,682)
Cash flows from financing activities			
Dividends paid	24	(685,172)	(760,898)
Interest paid on borrowings		(1,316,300)	(1,038,415)
Net cash (used in)/generated from financing activities		(2,001,472)	(1,799,313)
Net movement in cash and cash equivalents		(7,656,969)	(14,483,428)
Cash and cash equivalents at beginning of year		12,134,903	26,618,331
Cash and cash equivalents at end of year	8	4,477,934	12,134,903

The notes on pages 19 to 38 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 2014

The Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2014. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2014. 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.

(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.

1. Summary of significant accounting policies - continued

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 1.15. 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.

1.4 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 loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. The latter are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (notes 1.5 and 1.6). Cash and cash equivalents includes cash in hand, deposits held with banks with original maturities of three months or less.

1. Summary of significant accounting policies - continued

1.4 Financial assets - continued

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 are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

1.4.3 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 the income statement. 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 the income statement. No impairment provisions were made during the years ended 31 December 2014 and 2013.

1. Summary of significant accounting policies - continued

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 1.4.3). 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.

1.6 Cash and cash equivalents

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

1.7 Share capital

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

1.8 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 as finance cost in income statement 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. Summary of significant accounting policies - continued

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 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, the tax is also recognised in other comprehensive income or in equity.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Provisions

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

1.13 Revenue recognition

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

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

1. Summary of significant accounting policies - continued

1.13 Revenue recognition - continued

(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.

1.14 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 income statement 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 income statement on a straight-line basis over the period of the lease.

1.15 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.

1.16 Dividend distributions

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

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

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

The Company's cash and cash equivalents (note 8) are subject to floating interest rates. Management sets limits on the exposure to interest rate risk that may be accepted and monitors the impact of changes in market interest rates on amounts reported in the statement of comprehensive income in respect of these instruments. The Company's interest-bearing instruments are short-term in nature and accordingly the level of interest rate risk is contained. The Company's operating cash flows are substantially independent of changes in market interest rates. Fixed interest instruments comprise borrowings (note 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 income statement of a defined interest rate shift that is reasonably possible at the end of the reporting year to be immaterial.

(b) Credit risk

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

	2014 €	2013 €
Loans and receivables category:		
- Trade and other receivables (note 7)	372,424	1,434,321
- Cash and cash equivalents (note 8)	4,477,934	12,134,903

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (note 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 its own resources are adequate and new facilities are in place when new projects are approved. The Company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments coupled with the Company's committed bank borrowing facilities that it can access to meet liquidity needs.

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

	Within 1 year	From 1 year to 2 years	From 2 years to 5 years	Later than 5 years	Total
Liabilities					
Borrowings	1,316,300	2,717,223	8,151,670	44,682,667	56,867,860
Capital creditor for acquisition of property	300,003	-	-	-	300,003
Trade and other payables	773,732	-	-	-	773,732

2.2 Capital risk management

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

The Company's equity, as disclosed in the statement of financial position, constitutes its capital. The Company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Company's activities and the extent of borrowings or debt, the capital level as at the end of the reporting year is deemed adequate by the Directors.

2. Financial risk management - continued

2.3 Fair values of financial instruments

At 31 December 2014 and 31 December 2013, the carrying amounts of other financial instruments comprising loans and receivables; cash at bank and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments, the relatively short period of time between the origination of the instruments and their expected realisation or the interest rates to which they are exposed.

3. Critical accounting estimates and judgements

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

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

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 €6.6 million (2013: €4.0million) and €8.0 million (2013: €4.8million) 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 €
Year ended 31 December 2013	
Opening net book amount	4,495
Additions	50
Depreciation charge	(1,418)
Closing net book amount	<u>3,127</u>
At 31 December 2013	
Cost or valuation	5,721
Accumulated depreciation	(2,594)
Net book amount	<u>3,127</u>
Year ended 31 December 2014	
Opening net book amount	3,127
Additions	2,456
Depreciation charge	(1,873)
Closing net book amount	<u>3,710</u>
At 31 December 2014	
Cost or valuation	8,177
Accumulated depreciation	(4,467)
Net book amount	<u>3,710</u>

6. Investment property

	2014 €	2013 €
Property measured at fair value	55,580,000	39,894,314
Property measured at cost	82,333,011	82,329,637
Carrying amount	<u>137,913,011</u>	<u>122,223,951</u>

6. Investment property - continued

a) Property measured at fair value

MIA and VCP properties

	2014 €	2013 €
At 1 January	39,894,314	35,227,489
Fair value gains	15,685,686	4,666,825
Carrying amount	55,580,000	39,894,314

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 2014. Accordingly, the fair value of the investment property is subject to variation owing to, amongst other things, movements in market interest rates, expected inflation rates and changes in the contractual cash flows owing to the passage of time.

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

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

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

Valuation process

The valuation of the MIA and VCP properties is based on the present value of ground rents up to the expiry of the temporary emphyteutical grants and the estimated freehold value thereafter discounted to present value. The fair value of investment property is calculated with reference to the cash flows receivable by the Company in terms of its contractual agreements, discounted to present value as at 31 December 2014. 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.

In view of the variation in the MGS benchmark referred to above during the year ended 31 December 2014, a fair value gain of €15,685,686 (2013: €4,666,825) has been recognised in these financial statements during this year.

6. Investment property - continued

Valuation process - continued

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

- Ground rent, as contractually agreed which for 2015 is estimated at €1.8 million (2013: €1.6 million);
- Growth rate, as contractually agreed at an average of 2.7% p.a. represents the estimated average growth of the Company's rentals.
- Discount rate of 5.82% (2013: 7.07%) 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. Movements resulting from the said revaluation process are treated as non-distributable (see note 10).

b) Property measured at cost

Parliament Building and Open Air Theatre

	2014	2013
	€	€
At 1 January	82,329,637	82,326,263
Amortisation of borrowing costs	3,374	3,374
Carrying amount	82,333,011	82,329,637

As explained in the Directors' Report, as at 31 December 2014, the Parliament Building was still in its final stages of completion whereas, the Open Air Theatre was 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.

7. Trade and other receivables

	2014 €	2013 €
Current		
Open Air Theatre lease	-	1,093,493
City Gate penalties receivable	310,000	125,200
Ground rents receivable	-	139,762
Prepaid expenses	10,843	9,518
Deferred expenditure	-	4,425
Prepaid City Gate ground rents	48,352	48,352
Bank interest receivable	3,229	13,571
	372,424	1,434,321

8. Cash and cash equivalents

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

	2014 €	2013 €
Cash at bank and in hand	779,435	868,663
Short-term bank deposits	3,698,499	11,266,240
	4,477,934	12,134,903

9. Share capital

	2014 €	2013 €
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

9. Share capital - continued

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

10. Non-distributable reserve - fair value gains

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

11. Non-distributable reserve - other

As per article 82 of the Company's Articles of Association, the directors have set aside €837,581 which equals 10% of the net profit excluding fair value movements net of deferred tax (see note 10) of the Company and allocated them to a non-distributable reserve. The directors may employ the reserve in the furtherance of the business of the Company as the directors may from time to time think fit.

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 Grand Harbour Regeneration Corporation (GHRC) the amount of €9,442,560 (2013: €20,935,938) for completed works done on the Parliament Building and Open Air Theatre. The outstanding balance of €300,003 is due within the coming year and is hence classified as a current liability.

	2014 €	2013 €
Capital creditor for acquisition of property	300,003	9,742,563

14. Trade and other payables

	2014 €	2013 €
Current		
Trade payables	7,798	10,565
Amounts owed to related party	-	4,425
Indirect taxes and social security	4,522	3,675
Deferred ground rent income	143,299	143,299
City Gate lease income due	-	775,000
Interest payable on long-term loan	603,304	603,304
Accrued expenses	14,809	15,071
	773,732	1,555,339

15. Revenue

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

16. Expenses by nature

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Directors' emoluments (note 18)	84,710	65,000
Professional fees	43,937	61,989
Printing & advertising	10,927	10,602
Employee benefit expenses (note 17)	68,715	61,823
City Gate ground rents	100,000	100,000
Depreciation of property, plant and equipment (note 5)	1,873	1,418
Lease of premises	8,850	8,850
Other expenses	43,609	43,816
	362,621	353,498

16. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2014 and 2013 relate to the following:

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Annual statutory audit	10,000	10,000
Other assurance services	7,050	7,729
Other services	15,050	21,830
Tax & compliance services	1,745	4,643
	33,845	44,202

17. Employee benefit expenses

	2014 €	2013 €
Wages and salaries	58,091	51,536
Fees	6,500	6,500
Social security costs	4,124	3,787
	68,715	61,823

The average number of persons employed during the year by the Company amounted to 2 (2013: 2).

18. Directors' emoluments

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Kenneth Farrugia (Chairman - appointed on incorporation)	25,000	25,000
John Buttigieg (Director - appointed on 1 August 2014)	3,125	-
Paul Mercieca (Director - appointed on 9 April 2014)	8,167	-
Vincent Mifsud (Resigned on 1 August 2014)	7,292	12,500
Frederick Mifsud Bonnici (Director - appointed on 27 February 2012)	15,000	15,000
Publio Danny Rosso (Resigned on 1 August 2014)	7,292	12,500
Eric Schembri (Director - appointed on 1 August 2014)	4,167	-
Ray Sladden (Director - appointed on 9 April 2014)	6,500	-
Robert Suban (Director - appointed on 9 April 2014)	8,167	-
	84,710	65,000

19. Finance income

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Bank interest income	99,344	293,014

20. Finance costs

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Loan interest expense	1,316,300	1,316,300
Bank charges	1,025	1,452
	1,317,325	1,317,752

21. Tax expense

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

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Current tax expense	1,526,284	1,550,667
Deferred tax expense	5,612,707	453,011
Tax expense	7,138,991	2,003,678

21. Tax expense - continued

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 2014 €	Year ended 31 December 2013 €
Profit before tax	20,859,621	10,027,092
Tax on profit at 35%	7,300,867	3,509,482
Tax effect of:		
Income subject to 15% final withholding tax	(19,869)	(58,603)
Expenses not deductible for tax purposes	92,276	89,232
Tax rules applicable to immovable property	122,717	(1,180,379)
Maintenance allowance	(357,000)	(356,054)
Tax charge in the accounts	7,138,991	2,003,678

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 for the year ended 31 December 2013 reflected the fact that for a period of 12 years the Company had the option to select the tax regime under which any gain realised from the disposal of property would be brought to tax. These rules provided the option to tax the gross selling price at 12% or to tax 35% of the resultant capital gain. Accordingly, the Company was providing annually for deferred tax so as to accumulate a provision equivalent to the principal tax rate of 12% of the fair value of investment property by the end of the expiry of the initial 12-year period from acquisition.

As at 31 December 2014, given that the movement in the fair value of investment property is substantially high (note 6a), basing the deferred tax calculation on 35% of capital gains would have resulted in a higher deferred tax provision than taking the option of providing for tax at 12% of the fair value of the investment property. Accordingly, full deferred tax provision has been made using the 12% based on fair value option.

Following revisions to the taxation rules on capital gains upon a transfer of immovable property, that were announced by the Minister for Finance during the budget speech for the financial year 2015, and in respect of which a Bill was published in December 2014, the previously mentioned option will no longer be available and the rate of capital gains tax applicable will be that of 8% of the value of the property. Thus once the Bill is enacted, the option to be taxed at 35% on the capital gain will no longer be available. Given the fact that the Bill has not been enacted, the remainder of the 12% deferred tax provision on fair value has been accounted for in full during this financial period, and this will be reduced to 8% once the Bill will be enacted.

22. Deferred tax - continued

The deferred tax balance as at 31 December 2014 represents:

	31 December 2014	31 December 2013
	€	€
Temporary differences on:		
Fair value gains	6,669,600	1,056,893

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.

	Year ended 31 December 2014	Year ended 31 December 2013
Profit for the year (€)	13,720,630	8,023,414
Total number of ordinary shares in issue	148,108,064	148,108,064
Earnings per share (cents)	9.26	5.42

24. Dividends

	2013 Final dividend €	2014 Interim dividend €	Total €
Dividends paid on ordinary shares:			
Gross	604,110	450,000	1,054,110
Tax at source	(211,438)	(157,500)	(368,938)
Net	392,672	292,500	685,172
Dividends per share (cents)	1.31	0.97	2.28

A final gross dividend to the holders of Ordinary A and Ordinary B shares of €3,110,269 or €0.0210 per share (December 2013: €604,110 or €0.0202 per share paid to the holders of Ordinary B shares only), equating to a final net dividend of €2,021,675 or €0.01365 per share (December 2013: €392,672 or €0.01309 per share paid to the holders of Ordinary B shares only) is to be proposed at the annual general meeting on 22 April 2015. 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 2015.

25. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Operating profit	22,077,602	11,051,830
Adjustments for:		
Depreciation of property, plant and equipment (note 5)	1,873	1,418
Change in fair value of investment property (note 6)	(15,685,686)	(4,666,825)
Changes in working capital:		
Trade and other receivables	1,051,555	(1,087,950)
Trade and other payables	(781,607)	613,573
Cash generated from operations	6,663,737	5,912,046

26. Related party transactions

The only major shareholder of the Company is the Government of Malta through its 79.75% (2013: 79.75%) shareholding. The remaining 20.25% (2013: 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.

	2014 €	2013 €
Government of Malta		
Payment of City Gate ground rent to Government	(100,000)	(100,000)
Receipt of City Gate penalties from Government	3,650,000	4,868,000
Receipt of Open Air Theatre lease income from Government	1,550,000	318,493
Malta Investment Management Company Limited		
Office Lease payable to Malta Investment Management Company Limited	(8,850)	(8,850)
Grand Harbour Regeneration Corporation		
Payments to GHRC for investment property	(9,442,560)	(20,935,938)

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.