MALITA
INVESTMENTS

MALITA INVESTMENTS P.L.C.

ANNUAL REPORT & FINANCIAL STATEMENTS 2012

MISSION STATEMENT

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

CONTENTS

CHAIRMAN'S STATEMENT

BACKGROUND

This is the first full financial year for Malita Investments p.l.c. ("the Company" or "Malita") following its setup on the 3 June 2011. Malita was setup as a fully-owned government entity to acquire, develop, manage and operate a portfolio of immovable assets to include a selection of properties that are of strategic national importance.

Post the incorporation of the Company, the Board of directors immediately took forward various initiatives which amongst others included matters related to the governance of the Board, the branding of the organisation, internal operational procedures as well as its human and financial resources requirements.

From a financial perspective, Malita's initial capitalisation consisted of a €25 million cash injection by the Government of Malta as well as the transfer of the *dominium directum* over the sites of Malta International Airport and Valletta Cruise Port. These two sites are both long-established landmark locations of strategic and national importance. Against the cash equity injection of €25 million and the two property transfers, Malita issued 118 million shares to the Government of Malta reflecting a pre-IPO capitalisation of €59 million.

The first two urban regeneration investments undertaken by Malita were the acquisition of the Parliament Building and the Open-Air Theatre from the Government of Malta through the grant of a temporary emphyteusis for 65 years against a premium of €82 million and a ground rent of €100,000 per annum. In return, these two investments were expected to generate revenues to the Company in the form of rent receivable by way of two lease agreements entered into between Malita and the Government of Malta. These two projects were a reflection of the Company's strategic urban regeneration thrust in view that the rehabilitation of the Valletta City Gate area, its ancillary urban infrastructure and the reconversion of underused and centrally located land were expected to improve the urban environment and to contribute to the regeneration and revitalization of the country's capital, a UNESCO world heritage site.

'The first two urban regeneration investments undertaken by Malita were the acquisition of the Parliament Building and the Open-Air Theatre from the Government of Malta through the grant of a temporary emphyteusis for 65 years against a premium of €82 million and a ground rent of €100,000 per annum.'

Following an appraisal of the various options to finance the premium payable under the emphyteutical deed, Malita's board of directors decided to finance this through long-term financing credit facilities of €40 million with the European Investment Bank (EIB) at a fixed rate of interest, the launch of an IPO for €15 million and the balance out of the Company's own operational cash flows.

The Board worked assiduously to manage two key projects; the financing agreement with the EIB as well as the necessary preparations leading to the Company's initial public offering.

Following months of intensive discussions and negotiations with the senior management of EIB, an agreement was signed on the 25 June 2012 which led to Malita having in place financing facilities amounting to €40 million.

In parallel, the Company also initiated the process to seek regulatory approval from the Listing Authority leading to the issuance of 20,000,000 ordinary B shares at a nominal value of €0.50 each to the public, with a further over allotment of 10,000,000 ordinary B shares. Here again, the Board worked intensively with its legal and financial consultants, as well as the managers and sponsoring stockbrokers to the IPO, to address various legal, regulatory and IPO related matters. All these efforts culminated in the subscriptions for shares in the Company opening up on the 23 July 2012.

The IPO was well received by the market and the Board of directors announced that since the subscriptions were in excess of the over-allotment option, some applications had to be scaled down in accordance with the allocation policy. Following this exercise, the ordinary B shares were thereon listed on the Official List of the Malta Stock Exchange on 16 August 2012 and trading commenced on 17 August 2012.

Over the remaining months of the period under review, the Board also initiated preliminary discussions with various parties on a number of projects of interest to the Company.

CHAIRMAN’S STATEMENT

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2012, the Company registered a pre-tax profit of €2.55 million when compared with the results for the Company for the financial year 2011 amounting to €134,000 (this covering the period 3 June 2011 - the date of the incorporation of the Company, to December 2011).

The change from the previous year was driven by revenues derived from the ground rents from Malta International Airport and Valletta Cruise Port as well as the change in the fair value of the investment property.

Equally, the total assets of the Company, have increased from €97.2 million to €147.2 million, primarily as a result of the emphyteutical deed entered into with the Government of Malta for the Parliament Building and Open Air Theatre, the transfer of the *dominium directum* of Malta International Airport and Valletta Cruise Port.

‘For the financial year ended 31 December 2012, the Company registered a pre-tax profit of €2.55 million.’

GOING FORWARD

Firstly, I wish to extend my sincere appreciation to the members of the Board, both past and present, members of staff as well as the Company's legal and financial consultants for their resolve and commitment over the period under review. The results achieved by Malita in its first full financial year of operation are testimony to their collective effort. Secondly, the Board is grateful to the shareholders of the Company for their confidence and trust in Malita's IPO and is appreciative of the support and accessibility of the Listing Authority during the listing process.

On a final note, the Board and management of Malita Investments p.l.c. will remain firmly committed to its thrust to play an important role in the key urban regeneration opportunities that have been identified so far and others that may be identified going forward.

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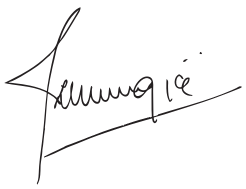

KENNETH FARRUGIA
CHAIRMAN

BOARD OF DIRECTORS

KENNETH FARRUGIA

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

VINCENT MIFSUD

Mr Mifsud was appointed Chief Executive Officer of Malta Investment Management Company Limited in 2010 having joined the company in 2001 as a Manager. For the past 12 years, Mr Mifsud has been involved in several public sector initiatives and was also the Chief Internal Auditor for MITTS Ltd (now MITA) between 2004 and 2008. Mr Mifsud also held a number of directorships including, among others, Casma Limited and Gozo Channel Company Limited. He is a Chartered Certified Accountant and pursued his studies at a post graduate level in Finance. Before his public sector appointment he worked within the accountancy profession mostly on assignments involving external audit, consultancy and finance.

FREDERICK MIFSUD BONNICI

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

PUBLIO DANNY ROSSO

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

DIRECTORS' REPORT

The Directors present their second annual report together with the audited financial statements for the year ended 31 December 2012.

Incorporation

Malita Investments p.l.c. (the "Company" or "Malita") was incorporated on 3 June 2011 in terms of the Maltese Companies Act, 1995. These statutory financial statements have been prepared for the year from 1 January to 31 December 2012.

Principal activities

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

Review of the business

In the year under review, the Company finalised the transfer of properties from the Government of Malta. On the 14 June 2012, Malita and the Government of Malta entered into the two transfer contracts pursuant to which Malita acquired the title of *dominium directum* over the sites of Malta International Airport (MIA) and Valletta Cruise Port (VCP). These real rights entitle Malita to receive all payments of ground rent due by MIA and VCP respectively in terms of the emphyteutical grants originally granted by the Government with effect from the 1 December 2011. In consideration of the said transfers, Malita issued 68,108,064 fully paid up Ordinary A Shares of a nominal value of €0.50 per share in favour of the Government of Malta. Revenue during the year under review amounted to €1,451,379, which was generated from the ground rents received from MIA and VCP.

Additionally, on the 26 June 2012, Malita acquired from Government of Malta the *utile dominium* for 65 years relating to the Parliament Building and the Open Air Theatre. The consideration payable by Malita for the acquisition of the temporary emphyteusis is an annual revisable ground rent of €100,000 and a premium of €82,000,000.

In order to fund its obligations, on 23 July 2012, Malita issued 30,000,000 Ordinary B Shares at a nominal value of €0.50 per share to the general public. The Ordinary B shares were admitted to the Official List of the Malta Stock Exchange on the 7 August 2012.

Furthermore, Malita obtained a €40 million loan facility from the European Investment Bank for the purchase of the Parliament Building and the Open Air Theatre. This loan, which was fully drawn down on the 1 October 2012, consists of a 20-year facility for €25 million and a 25-year facility for €15 million.

Results and dividends

The statement of comprehensive income is set out on page 26. In accordance with the prospectus, the Directors recommend the payment of a final gross dividend of €727,808 or €0.0243 per share equating to a final net dividend of €473,075 or €0.0158 per share.

Directors

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

Kenneth Farrugia	(Chairman - appointed on incorporation)
Vince Mifsud	(appointed on incorporation)
Anne Marie Tabone	(appointed on 1 January 2012 and resigned on 5 November 2012)
Frederick Mifsud Bonnici	(appointed on 27 February 2012)
Publio Danny Rosso	(appointed on 7 March 2012)
Alfred Camilleri	(appointed on incorporation and resigned on 23 April 2012)

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

Directors' Responsibilities

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

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

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

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

The financial statements of Malita Investments p.l.c. for the year ended 31 December 2012 are included in the Annual Report and Statutory Financial Statements – 31 December 2012, which is published in hard-copy printed form and is available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

DIRECTORS' REPORT

Information provided in accordance with Listing Rule 5.70.1

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

Going Concern

As required by Listing Rule 5.62, after making enquiries, the Directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

Information pursuant to Listing Rule 5.64

Share capital information of the Company is disclosed in Note 10 to the Financial Statements. The issued share capital of the Company is split into two classes of shares. The Ordinary A Shares and Ordinary B Shares shall, rank *pari passu* for all intents and purposes of law. Holders of Ordinary A Shares shall not be entitled to receive a dividend or other distribution declared by the Directors of the Company during the Prescribed Dividend Period (the period commencing from the date of incorporation of the Company and ending on the 31st December 2014) and the right to receive the Restricted Dividends shall vest solely in the holders of the Ordinary B Shares.

No person may whether, directly or indirectly, and in any manner whatsoever, acquire or hold a beneficial interest in the Ordinary A and Ordinary B shares in excess of five per cent (5%) of the total issued share capital of the Company having voting rights. This clause does not apply to shares held by:

- the Government of Malta;
- an underwriter or sub-underwriter under the provisions of an underwriting or sub-underwriting agreement;
- custodians in their custodian capacity provided such custodians can only exercise the voting rights attached to such shares under instructions given in writing or by electronic means by the beneficial owner/s.

The Government of Malta, whether directly or indirectly (through an entity or body corporate wholly owned and controlled by the Government of Malta), shall, for a period of 25 years commencing from the date of incorporation of the Company, hold at least seventy per cent (70%) of the issued share capital of the Company.

Any transfer of shares by the Government of Malta or any issuance of shares by the Company which has the effect of reducing the holding or otherwise diluting the holding of the Government of Malta, shall be null and void.

The rules governing the appointment or election of directors are contained in Article 54.1 and Article 61.2 of the Company's Articles of Association. An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association.

The powers of Directors are outlined in Articles 70 to 77 of the Company's Articles of Association.

Pursuant to Listing Rules 5.64.5, 5.64.6, 5.64.7, 5.64.10, 5.64.11 it is hereby declared that, as at 31 December 2012, none of the requirements apply to the Company.

Statement of responsibility pursuant to Listing Rule 5.68

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, 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

22 February 2013

CORPORATE GOVERNANCE STATEMENT

Introduction

Pursuant to the Listing Rules issued by the Malta Financial Services Authority, Malita Investments p.l.c. whose equity securities are listed on a regulated market should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the "Code"). In terms of Listing Rule 5.94, the Company hereby reports on the extent of its adoption of the principles of the Code for the financial year being reported upon.

The Company acknowledges that the Code does not dictate or prescribe mandatory rules, but recommends principles of good practice. However, the Directors strongly believe that such practices are generally in the best interests of the Company and its shareholders. Compliance with the Principles of Good Corporate Governance is not only expected by investors but also evidences the Directors' and the Company's commitment to a high standard of governance.

The Board of Directors (the "Board") has carried out a review of the Company's compliance with the Code for the financial year under review, and hereby provides its report thereon.

General

The Company's governance principally lies in its Board which is responsible for the overall setting of the Company's policies and business strategies. The Company's principal activity is the acquisition, development and management of immovable property, the leveraging of revenue streams arising therefrom and the reinvestment of undistributed profits in national and/or strategic real estate projects as well as in commercial property opportunities.

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

This Corporate Governance Statement (the "Statement") will now set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the 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

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

Principle 2: Chairman and Chief Executive

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

Principle 3: Composition of the Board

The Board is composed of four non-executive Directors. The members of the Board for the year under review were Mr Kenneth Farrugia, Chairman, Mr Vincent Mifsud, Mr Frederick Mifsud Bonnici and Mr Publio Danny Rosso. Ms Anne Marie Tabone and Mr Alfred Camilleri resigned during the period. Pursuant to generally accepted practices, as well as the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board, and which appointment would expire at the Company's AGM following appointment.

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

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

For the purposes of Code Provision 3.2, the Board considers each of the non-executive Directors as independent within the meaning of the Code, notwithstanding the relationship of Mr Vincent Mifsud who is the Chief Executive Officer of Malta Investment Management Company Limited, a Company beneficially owned by Government, who is the major shareholder of the Company. The Company deems that, in terms of Supporting Principle 3(vii) of the Code such relationship is not considered to create a conflict of interest such as to jeopardise exercise of his free judgement.

Compliance - continued

Principle 3: Composition of the Board - continued

None of the non-executive Directors:

(a) are or have been employed in any capacity by the Company;

(b) have, or had within the last three years, a significant business relationship with the Company;

(c) have received or receive significant additional remuneration from the Company;

(d) have close family ties with any of the executive members of the Board;

(e) have served on the board for more than twelve consecutive years; or

(f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the Company.

Principle 4: The Responsibilities of the Board

In terms of Principle Four, it is the Board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development. The Board regularly reviews and evaluates major operational and financial plans, risk policy, performance objectives and monitor implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice. The Board delegates specific responsibilities to various Board committees including the Audit Committee, the Remuneration and Nomination Committee and the Investment Committee.

Board Committees

Audit Committee

The Company has set up an Audit Committee composed of Vincent Mifsud, Frederick Mifsud Bonnici and Anne Marie Tabone. Ms Tabone has resigned from the Board of Directors and this Committee on 5 November 2012 and shall be replaced in due course. 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 establishment and the 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 and is directly responsible and accountable to the Board.

Investment Committee

The Company has set up an Investment Committee where the primary purpose is to determine what investments the Company should undertake within the investment policies parameters as determined from the Board, giving due consideration to the Company's funding requirements as these may vary from time to time. The Investment Committee is currently chaired by Publio Danny Rosso and includes Tom Anastasi Pace as a member. Anne Marie Tabone was a member of this Committee until her resignation on 5 November 2012 and shall be replaced in due course.

Principle 4: The Responsibilities of the Board - continued

The Investment Committee is also responsible for considering proposed ethical positions with respect to appropriate projects and investments. It oversees the management of the Company's investments in accordance with such policies and reviews, where necessary, the Company's investment policies.

In exercising its functions, the Investment Committee is required to ensure that any investment proposed to the Board of Directors does not materially and negatively disrupt the dividend policy adopted by the Board from time to time.

Remuneration and Nomination Committee

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

Principle 5: Board Meetings

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

During the financial year under review, the Board held fifteen (15) meetings.

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

Mr Kenneth Farrugia (Chairman - appointed on incorporation)	15
Mr Vincent Mifsud (appointed on incorporation)	13
Mr Frederick Mifsud Bonnici (appointed on 27 February 2012)	13
Mr Publio Danny Rosso (appointed on 7 March 2012)	13
Ms Anne Marie Tabone (appointed on 1 January 2012 and resigned on 5 November 2012)	13
Mr Alfred Camilleri (appointed on incorporation and resigned on 23 April 2012)	3

Principle 6: Information and Professional development

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

Compliance - continued

Principle 7: Evaluation of the Board's performance

Over the period 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.

Principle 8: Committees

The Remuneration and Nomination 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 period under review the Company has communicated effectively with the market through its Company announcements that it has published informing the market of significant events relevant to the Company.

The Company will soon be holding its first AGM where the Board intends to communicate directly with shareholders on the performance of the Company over the last financial year. The Chairman of the Board will ensure that all Directors attend the AGM and the Chairman of the Board and that of the Audit Committee are available to answer questions. 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 auditors' remuneration.

Apart from the AGM, the Company intends to continue with its active communication, and shall accordingly continue to communicate 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. These 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.

Principle 11: Conflicts of Interest - continued

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

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

Director	Number of shares as at 31 December 2012
Kenneth Farrugia	nil
Vincent Mifsud	nil
Frederick Mifsud Bonnici	10,000
Publio Danny Rosso	nil

There were no changes in the Directors' interest in the shareholding of the Company between year-end and 22 February 2013.

Principle 12: Corporate Social Responsibility

The Directors are committed to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.

Non-compliance with the code

Principle 2: Chief Executive

As explained in Principle Two, the Company does not employ a CEO due to its lean operating structure. Despite this, the Company feels that its current organisational structure is the most adequate for the size of the Company's operation. In view of this the Accounts Manager has the responsibility for the running of the Company's day-to-day activities.

Principle 3: Executive and Non-Executive Directors on the Board

The Board is currently composed entirely of non-executive Directors. However, it is considered that the current composition of the Board provides for sufficiently balanced skills and experience to enable it to discharge its duties and responsibilities effectively.

Principle 4: Succession policy for the future composition of the Board of Directors

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

Principle 6: Succession Plan for senior management

At this early stage of the company's life, the Company has not established a formal succession plan for senior management.

Non-compliance with the code- continued

Principle 7: Evaluation of the Board's performance

At this early stage of the company's life, the Board did not carry out a performance evaluation of its role.

Principle 9.3: Conflicts

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

Internal Control

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

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

General Meetings

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

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

Remuneration Statement

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

Remuneration Statement - continued

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

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

Meetings

During the period under review the Committee held 1 meeting. All Committee members attended the meeting 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 €47,451 during 2012 and the amount of €24,553 was received by the members of the Audit Committee, Investment Committee and Remuneration & Nomination Committee. Details of the remuneration of each individual director are set out in Note 17 of the financial statements.

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

None of the Directors have any service contracts with the Company and none of the Directors, in their capacity as Director of the Company, are entitled to profit sharing, share options, pension benefits or non-cash benefits.

Remuneration policy – Senior Management

The Board notes that the organisational set-up of the Company consists of 2 employees, 1 of whom is considered to be a senior officer. The terms and conditions of employment of the senior officer are set out in the respective contract of employment with the Company. The Senior Officer is not entitled to profit sharing, share options or pension benefits.

The Board deems the disclosure of the total emoluments received by the Senior Officer as commercially sensitive and is hence availing itself of the exemption pursuant to Code Provision 8.A.6.

INDEPENDENT AUDITOR'S REPORT

pwc

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

Report on the Financial Statements for the year ended 31 December 2012

We have audited the financial statements of Malita Investments p.l.c. on pages 24 to 48 which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 11, 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 2012, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on Corporate Governance

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

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

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

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Corporate Governance Statement cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement set out on pages 14 to 21 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Report on Other Legal and Regulatory Requirements

We also have responsibilities:

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

- Under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Simon Flynn
Partner

22 February 2013

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2012 €	2011 €
ASSETS			
Non-current assets			
Property, plant and equipment	5	**4,495**	3,575
Investment property	6	**117,553,752**	-
		117,558,247	3,575
Current assets			
Premium on acquisition of property	6	-	82,000,000
Held-to-maturity investments	7	**2,595,306**	-
Trade and other receivables	8	**391,524**	127,655
Cash and cash equivalents	9	**26,618,331**	15,036,144
		29,605,161	97,163,799
Total assets		**147,163,408**	97,167,374
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**73,295,143**	15,000,000
Retained earnings		**1,486,134**	84,907
Total equity		**74,781,277**	15,084,907
Non-current liabilities			
Borrowings	11	**39,927,885**	-
Deferred tax liabilities	21	**603,882**	-
		40,531,767	-
Current liabilities			
Capital creditor for acquisition of property	12	**30,678,501**	82,000,000
Trade and other payables	13	**663,881**	42,207
Current tax liabilities		**507,982**	40,260
		31,850,364	82,082,467
Total liabilities		**72,382,131**	82,082,467
Total equity and liabilities		**147,163,408**	97,167,374

The notes on pages 29 to 48 are an integral part of these financial statements.

The financial statements on pages 24 to 48 were authorised for issue by the board on 22 February 2013 and were signed on its behalf by:

Kenneth Farrugia Chairman	Frederick Mifsud Bonnici Director

STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2012 €**	Period from 3 June to 31 December 2011 €
Revenue	14	**1,451,379**	115,029
Administrative expenses	15	**(318,129)**	(41,633)
Change in fair value of investment property	6	**1,171,457**	-
Operating profit		**2,304,707**	73,396
Finance income	18	**248,309**	61,011
Finance costs	19	**(2,678)**	(88)
Profit before tax		**2,550,338**	134,319
Tax expense	20	**(1,149,111)**	(49,412)
Profit for the year/period - total comprehensive income		**1,401,227**	84,907
Earnings per share (cents)	22	**1.53**	0.57

The notes on pages 29 to 48 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital €	Accumulated profits €	Total €
Comprehensive income				
Profit for the period		-	84,907	84,907
Transactions with owners				
Issue of share capital		15,000,000	-	15,000,000
Balance at 31 December 2011		**15,000,000**	**84,907**	**15,084,907**
Balance at 1 January 2012		15,000,000	84,907	15,084,907
Comprehensive income				
Profit for the year		-	1,401,227	1,401,227
Transactions with owners				
Issue of Ordinary A shares	10	44,054,032	-	44,054,032
Issue of Ordinary B shares	10	14,241,111	-	14,241,111
		58,295,143	-	58,295,143
Balance at 31 December 2012		**73,295,143**	**1,486,134**	**74,781,277**

The notes on pages 29 to 48 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2012 €	Period from 3 June to 31 December 2011 €
Cash flows from operating activities			
Cash generated from/(used in) operations	23	**1,225,408**	(11,924)
Interest received		**184,879**	61,011
Interest paid and similar charges	19	**(2,678)**	(88)
Tax paid	20	**(77,507)**	(9,152)
Net cash generated from operating activities		**1,330,102**	39,847
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(1,968)**	(3,703)
Payments to acquire investment property	12	**(51,323,499)**	-
Acquisitions of held-to-maturity investments		**(7,090,059)**	-
Disposals of held-to-maturity investments		**4,499,459**	-
Net cash used in investing activities		**(53,916,067)**	(3,703)
Cash flows from financing activities			
Issue of share capital	10	**24,241,111**	15,000,000
Borrowings	11	**39,927,041**	-
Net cash generated from financing activities		**64,168,152**	15,000,000
Net movement in cash and cash equivalents		**11,582,187**	15,036,144
Cash and cash equivalents at beginning of year		**15,036,144**	-
Cash and cash equivalents at end of year/period	9	**26,618,331**	15,036,144

The notes on pages 29 to 48 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention as modified by the fair valuation of investment property.

The comparative period represents the financial period from the date of incorporation to 31 December 2011.

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

The statement of financial position reflects a current liability position of €2,245,203. The cash flow projections for 2013 show that the company will be able to meet liabilities when they fall due through the additional revenue to be earned from the City Gate project. The projections show that this current liability position will be reversed and accordingly the financial statements have been prepared on a going concern basis.

Standards, interpretations and amendments to published standards effective 1 January 2012

The Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2012. The adoption of these revisions to be 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 2012. 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.

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation - continued

(b) Transactions and balances

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

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

1.3 Investment property

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

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost, in accordance with Note 1.16. After initial recognition, investment property is carried at fair value. Given that there is no active market for the investment property held by the Company, the Company establishes fair value by using valuation techniques, including the use of discounted cash flow analyses.

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 repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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

1. Summary of significant accounting policies - continued

1.3 Investment property - continued

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

1.4 Financial assets

1.4.1 Classification

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

(a) Loans and receivables

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

(b) Held-to-maturity financial assets

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

1.4.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade date, which is the date on which an asset is delivered to or by the Company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

1. Summary of significant accounting policies - continued

1.4.2 Recognition and measurement - continued

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

1.4.3 Impairment

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

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

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount at the beginning of the financial period and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is accordingly reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.5 Trade and other receivables

Trade receivables comprise amounts due from customers for ground rents 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.

1. Summary of significant accounting policies - continued

1.5 Trade and other receivables - continued

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.4). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.6 Cash and cash equivalents

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

1.7 Share capital

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

1.8 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.9 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1. 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 Offsetting financial instruments

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

1.12 Current and deferred tax

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

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

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

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

1. Summary of significant accounting policies - continued

1.13 Operating leases

(a) The company is a lessee

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

(b) The company is a lessor

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

1.14 Provisions

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

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

1.15 Revenue recognition

Revenue comprises the fair value of the consideration for ground rents received or receivable as per contracts entered into and included in note 6. Sales are recognised upon delivery of products or performance of services, net of sales tax, returns, rebates and discounts.

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

1.15 Revenue recognition - continued

(a) Interest income

Interest income is recognised for all interest-bearing instruments using the effective interest method.

(b) Dividend income

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

(c) Rental income from investment property

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

1.16 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, investment property or property held for development and resale are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively under way, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Borrowing costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

1.17 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's directors in the case of any interim dividends whilst final dividends that may be proposed by the Board will be recognised as a liability once they are approved by the shareholders of the Company.

2. Financial risk management

2.1 Financial risk factors

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk

Cash flow and fair value interest rate risk

The Company's cash and cash equivalents (note 9) are subject to floating interest rates. Management monitors the impact of changes in market interest rates on amounts reported in the statement of comprehensive income in respect of these instruments. The Company's interest-bearing instruments are short-term in nature and accordingly the level of interest rate risk is contained. The Company's operating cash flows are substantially independent of changes in market interest rates. Fixed interest instruments comprise held-to-maturity investments (note 7) and borrowings (note 11) which are measured at amortised cost and accordingly the company is not exposed to fair value interest rate risk. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period 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 periods are analysed as follows:

	2012	2011
	€	€
Held-to-maturity investments (note 7)	**2,595,306**	-
Loans and receivables category:		
- Trade and other receivables (note 8)	**391,524**	127,655
- Cash and cash equivalents (note 9)	**26,618,331**	15,036,144

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.

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings, capital creditor for acquisition of property and trade and other payables (note 13). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. The Company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments coupled with the Company's committed bank borrowing facilities that it can access to meet liquidity needs.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

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	1,038,414	2,632,600	8,151,670	47,399,890	59,222,574
Capital creditor for acquisition of property	30,678,501	-	-	-	30,678,501
Trade and other payables	663,881	-	-	-	663,881

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 period is deemed adequate by the directors.

2.3 Fair values of financial instruments

At 31 December 2012 and 31 December 2011, the carrying amounts of other financial instruments comprising held-to-maturity financial assets and loans and receivables; cash at bank and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments, the relatively short period of time between the origination of the instruments and their expected realisation or the interest rates to which they are exposed.

3. Critical accounting estimates and judgements

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

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

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 and software €
Period ended 31 December 2011	
Opening net book amount	-
Additions	3,703
Depreciation charge	(128)
Closing net book amount	3,575
At 31 December 2011	
Cost or valuation	3,703
Accumulated depreciation	(128)
Net book amount	3,575
Year ended 31 December 2012	
Opening net book amount	3,575
Additions	1,968
Depreciation charge	(1,048)
Closing net book amount	4,495
At 31 December 2012	
Cost or valuation	5,671
Accumulated depreciation	(1,176)
Net book amount	**4,495**

6. Investment property

On 14 June 2012, the Company and the Government entered into the Transfer Contracts pursuant to which the Company acquired from the Government of Malta by title of *dominium directum* the Malta International Airport and Valletta Cruise Port sites. This entitled the Company to receive, with effect from 1 December 2011, all payments of ground rent due in terms of the temporary emphyteutical grants originally granted by the Government. In consideration of the acquisition, the Company issued in favour of the Government an aggregate amount of 68,108,064 fully paid up Ordinary A Shares of a nominal value of €0.50 per share. The Company is also vested with the privileges and hypothecs originally reserved by or granted to the Government on the said original emphyteutical deeds.

On 26 June 2012, the Company acquired from Government of Malta the 65-year dominium utile over the Parliament Building and Open-Air Theatre. The consideration payable by the Company for the acquisition of the investment property is an annual revisable ground rent of €100,000 and a premium of €82,000,000. On 28 December 2011, the Company and the Government entered into a Novation Agreement pursuant to which, subject to a number of conditions, the Company assumed the Government's obligation to pay Grand Harbour Regeneration Corporation (GHRC) the compensation due to it in terms of the Contracting Agreement (that is, in connection with the construction and development of City Gate area), subject to the maximum amount of €82,000,000.

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 2012. Accordingly, the fair value of the investment property is subject to variation owing to, amongst other things, movements in market interest rates and changes in the contractual cash flows owing to the passage of time.

The discount rate, used to discount the cash flows, is based on the yield to maturity on the longest term MGS in issue at the time when the prospectus was published plus a premium reflecting the risk inherent in the underlying cash flows. The directors believe that there have been no substantive changes in the domestic macro-economic indicators to suggest that the discount rate applied on 2 July 2012 (the date of the prospectus) is no longer applicable at the date of these financial statements.

	2012	2011
	€	€
Balance as at 1 January	-	-
Additions	**116,056,032**	-
Fair value gains	**1,171,457**	-
Capitalisation of borrowing costs (at a capitalisation rate of 3.32%)	**326,263**	-
Carrying amount	**117,553,752**	-

Direct operating expenses recognised in statement of comprehensive income include €51,648 (2011: Nil) relating to investment property that did not generate rental income.

7. Held-to-maturity investments

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

	2012	2011
	€	€
Held-to-maturity investments		
Treasury bills	**2,595,306**	-

8. Trade and other receivables

	2012	2011
	€	€
Current		
Ground rents receivable	**279,525**	115,029
Prepaid expenses	**4,923**	12,626
Prepaid City Gate ground rents	**48,352**	-
Bank interest receivable	**58,724**	-
	391,524	127,655

9. Cash and cash equivalents

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

	2012	2011
	€	€
Cash at bank and in hand	**124,670**	53,500
Short-term bank deposits	**26,493,661**	14,982,644
	26,618,331	15,036,144

10. Share capital

	2012	2011
	€	€
Authorised		
150,000,000 (2011: 113,000,000) Ordinary A shares of €0.50 (2011: €1) each	**75,000,000**	113,000,000
50,000,000 (2011: 37,000,000) Ordinary B shares of €0.50 (2011: €1) each	**25,000,000**	37,000,000
	100,000,000	150,000,000
Issued and fully paid		
15,000,000 Ordinary A shares of €1 each	-	15,000,000
118,108,064 Ordinary A shares of €0.50 each	**59,054,032**	-
30,000,000 Ordinary B shares of €0.50 each	**15,000,000**	-
	74,054,032	15,000,000
Issue costs	**(758,889)**	-
	73,295,143	15,000,000

The Company was incorporated on 3 June 2011 under the terms of the Maltese Companies Act, 1995 with an issued share capital of 15,000,000 shares of €1 each fully paid.

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

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

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

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

11. 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.

Initial borrowing costs amounting to €72,115 incurred upon drawdown have been recognised as a reduction from the proceeds and are being amortised in accordance with accounting policy number 1.16.

12. Capital creditor for acquisition of property

During the year, the Company paid the GHRC the amount of €51,321,499 for completed works done on the Parliament Building and Open-Air Theatre. The outstanding balance of €30,678,501 is due within the coming year and is hence classified as a current liability.

	2012 **€**	2011 €
Capital creditor for acquisition of property	**30,678,501**	82,000,000

13. Trade and other payables

	2012 **€**	2011 €
Current		
Trade payables	**16,356**	17,682
Amounts owed to related party	**10,325**	1,475
Indirect taxes and social security	**13,818**	6,752
Deferred ground rent income	**280,535**	-
Interest payable on long-term loan	**325,419**	-
Accrued expenses	**17,428**	16,298
	663,881	42,207

14. Revenue

Revenue represents ground rents receivable during the year on the Company's investment property.

15. Expenses by nature

	Year ended 31 December 2012 €	Period from 3 June to 31 December 2011 €
Directors' emoluments (note 17)	**70,717**	14,583
Professional fees	**40,403**	10,679
Printing & advertising	**40,253**	2,188
Employee benefit expenses (note 16)	**42,448**	5,029
Ground rents payable	**51,648**	-
Depreciation of property, plant and equipment (note 5)	**1,048**	128
Lease of premises	**8,850**	1,475
Other expenses	**62,762**	7,551
Total administrative expenses	**318,129**	41,633

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2012 and 2011 relate to the following:

	Year ended 31 December 2012 €	Period from 3 June to 31 December 2011 €
Annual statutory audit	**10,000**	4,720
Other assurance services	**87,025**	5,959
Other services	**52,651**	-
Tax services	**1,180**	-
	150,856	10,679

16. Employee benefit expenses

	2012 €	2011 €
Wages and salaries	**35,000**	2,507
Fees	**5,278**	2,333
Social security costs	**2,170**	189
	42,448	5,029

The average number of persons employed during the year by the Company amounted to 2 (2011: 1).

17. Directors' emoluments

	Year ended 31 December 2012 €	Period from 3 June to 31 December 2011 €
Kenneth Farrugia (Chairman)	**25,000**	11,666
Vincent Mifsud (Director)	**12,500**	2,917
Frederick Mifsud Bonnici (Director)	**12,625**	-
Anne Marie Tabone (Director)	**10,411**	-
Publio Danny Rosso (Director)	**10,181**	-
Total directors' fees	**70,717**	14,583

Mr. Alfred Camilleri, permanent secretary at the Ministry of Finance, waived his right to receive his entitlement to director's remuneration.

18. Finance income

	Year ended 31 December 2012 €	Period from 3 June to 31 December 2011 €
Bank interest income	**248,309**	61,011

19. Finance costs

	Year ended 31 December 2012 €	Period from 3 June to 31 December 2011 €
Bank charges	**2,678**	88

20. Tax expense

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

	Year ended 31 December 2012 €	Period from 3 June to 31 December 2011 €
Current tax expense	**545,229**	49,412
Deferred tax expense	**603,882**	-
Tax expense	**1,149,111**	49,412

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 2012 €	Period from 3 June to 31 December 2011 €
Profit before tax	**2,550,338**	134,319
Tax on profit at 35%	**892,618**	47,012
Tax effect of:		
Income subject to 15% final withholding tax	**(49,662)**	(12,202)
Expenses not deductible for tax purposes	**112,283**	14,602
Tax rules applicable to immovable property	**193,872**	-
Tax charge in the accounts	**1,149,111**	49,412

21. 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 is based on the assumption that the Company will retain the immovable investment property beyond the initial seven-year period from acquisition in which the Company has the option to select the tax regime under which the fair value gain would be brought to tax. Accordingly, the Company provides annually for deferred tax so as to accumulate a provision equivalent to the principal tax rate of 12% of the fair value of investment property by the end of the expiry of the initial seven year period from acquisition.

The deferred tax balance as at 31 December 2012 represents:

	31 December 2012 €	31 December 2011 €
Temporary differences on:		
Fair value gains	**603,882**	-

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

22. 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 period.

	Year ended 31 December 2012	Period from 3 June to 31 December 2011
Profit for the year/period (€)	**1,401,227**	84,907
Total number of ordinary shares in issue	**91,310,713**	15,000,000
Earnings per share (cents)	**1.53**	0.57

23. Cash generated from/(used in) operations

Reconciliation of operating profit to cash generated from/(used in) operations:

	Year ended 31 December 2012 €	Period from 3 June to 31 December 2011 €
Operating profit	**2,304,707**	73,396
Adjustments for:		
Depreciation of property, plant and equipment (note 5)	**1,048**	128
Change in fair value of investment property (note 6)	**(1,171,457)**	
Changes in working capital:		
Trade and other receivables	**(205,145)**	(127,655)
Trade and other payables	**296,255**	42,207
Cash generated from/(used in) operations	**1,225,408**	(11,924)

24. Related party transactions

The major shareholder of the Company is the Goverment of Malta through its 79.75% (2011: 99.99%) shareholding. The remaining 20.25% (2011: Nil) of the shares are held by the public. Other related entities are the following:
- Malta Investment Management Company Limited (MIMCOL)
- GHRC

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

	2012 €	2011 €
Government of Malta		
Transfer of the *dominium directum* of the property occupied by the MIA, by Goverment	**21,529,637**	-
Transfer of the *dominium directum* of the property occupied by the VCP, by Government	**12,524,395**	-
Payment of City Gate ground rent to Government	**(51,648)**	-
Malta Investment Management Company Limited		
Office Lease payable to MIMCOL	**(8,850)**	(1,475)
Grand Harbour Regeneration Corporation		
Payments to GHRC for investment property	**(51,321,499)**	-

25. Statutory information

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

COMPANY INFORMATION

Company Secretary	Dr Noel Buttigieg-Scicluna
Auditors	PricewaterhouseCoopers 78 Mill Street, Qormi, QRM3101, Malta.
Legal Advisors	Camilleri Preziosi Level 2 , Valletta Buildings, South Street, Valletta, VLT1103, Malta.
Registered Office	Clock Tower, Level 1, Tigné Point, Sliema TP01, Malta.
Shareholder Information	Tel: 2132 3503 Email: info@malitainvestments.com Website: www.malitainvestments.com
Company Reg. No.	C53047
Financial Calendar	Preliminary Announcement of Results 22 February 2013 Annual General Meeting 10 April 2013

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Malita Investments p.l.c.
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Registration № C 53047