



VBL Group



## **VBL p.l.c.**

### Interim Directors' Report and Interim Consolidated Financial Statements (unaudited)

For the six-month period from 1 January 2022 to 30 June 2022

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## VBL p.l.c. INTERIM DIRECTORS' REPORT

### Accounts

The Directors present their interim report for the period from 1<sup>st</sup> January 2022 to 30<sup>th</sup> June 2022, pursuant to Listing Rules Capital Markets Rule 5.75.2.

The financial figures for the interim reporting period have been extracted from the unaudited consolidated financial statements of VBL p.l.c. (the "Company") for the period ended 30<sup>th</sup> June 2022 and the comparative period for the year 2021. The comparative balance sheet information is at 31<sup>st</sup> December 2021, and has been extracted from the audited financial statements of the VBL Group (as hereunder defined) for the year ended on that date.

This interim Directors' report is being published in terms of Capital Markets Rule 5.74 issued by the Malta Financial Services Authority and has been prepared in accordance with the applicable Capital Markets Rules and applicable IFRS standards.

In terms of Capital Markets Rule 5.75.5, the Directors are stating that this Interim Directors' Report and Financial Statements have not been audited or reviewed by the Company's independent auditors.

### Principal activities of VBL p.l.c.

The Company and its fully owned subsidiaries the "VBL Group" or "Group" are involved in the full process of real estate acquisitions, integrated real estate development, property management, operations, utilization (rental) and disposal of properties. The Company's main market of operation is Valletta, which is a UNESCO world heritage site, and is a protected, unique fortified city, the political and administrative centre of Malta.

Over the course of its over ten years of operations, the Group has established itself as one of the most active investors in immovable property in Valletta. VBL Group has a successful track record of identifying, acquiring, developing and managing real estate all around Valletta and has built a substantial asset portfolio covering all major property segments, such as residential, hospitality, commercial and office space.

The Group has developed fully integrated skills and management structure with large range of in-house capabilities in each of the principal activities undertaken by the Group, spanning the asset acquisition, asset development, management and operation activities. The Group has established a vertically integrated business process, based on a very well defined and focused target market - the city of Valletta, where it has proven skills to deliver on all aspects of the whole business cycle, whereby ensuring acquisition at very competitive terms, high quality of products and/or services based on established integrated in-house systems and structures, supported by outsourced services provided by a selection of trusted long-term business partners and sub-contractors, to ensure high efficiency and to reduce dependency on more vulnerable, short-term commercial relations, thus also ensuring that maximum benefit is derived from all margins.

Currently only about circa 25% of the Group's owned properties are renovated and operational, while the remaining owned properties are currently being in process of renovation or prepared for development in the next development phase.

### **Dividends**

Final dividends of €160,000 were approved by the Shareholders at the Annual General Meeting held in April 2022, and were paid out as announced, on 24<sup>th</sup> June, 2022. This amount corresponds to a higher dividend amount than what was distributed to the Shareholders for the previous year, ended 31<sup>st</sup> December 2020 (€150,000).

**Review of the Financial and Business Performance for the Period**

The period from 1<sup>st</sup> January 2022 to 30<sup>th</sup> June 2022 shows significant recovery compared to the same period of the previous year but remains below the performance indicators achieved by the Company in year 2019. While the pace of recovery has been fast, the impact of the various government restrictions introduced in January 2022 have had negative effect on performance of the hospitality market during the first quarter of the current year (1Q22). Whilst recovery was experienced in 2Q22, the disruption caused by the various government restrictions and related overall effect of the COVID-19 pandemic on the global economy and within this, specifically the impact on the European hospitality industry, remain affecting the markets and the performance of the Company, as the Maltese tourism market and hospitality industry were no exception to these trends.

Upon significantly reducing operations in its operating hospitality properties in the 1Q22, the Company kept on implementing various measures intended to maintain the full operational functionality of its established systems and structure, while attempting to reduce operating costs and maintain profitability across the board. Personnel costs have increased compared to the same period of the previous year as the full operational capacity was maintained, while the secured wage supplement under the respective Government support schemes has helped the Company to maintain a fully-fledged operational team. The Company was still benefiting from such schemes until they were phased out at the end of May 2022.

Challenges from significantly reduced flights and seat numbers (airlines' carrying capacity) and subsequently, a significantly lower number of incoming business and tourist passengers have affected the food and beverage, commercial and services segments across Malta, which has resulted in disruption of a large number of operators in these industries and the need for various supporting measures to be elaborated and introduced by the landlords to the viable long-term commercial tenants. VBL Group has extended most of its supporting measures to its long-term commercial tenants during the reporting period, which were first introduced in 2Q20. At the same time the Company has managed to retain almost all of its commercial tenants and was successful in attracting new long-term tenants since the beginning of the pandemic.

In the reporting period, yet again experiencing an unprecedented market situation, VBL Group registered revenues of €894,884, of which approximately 16% is not hospitality related. This is an increase of 315% on the previous year's comparative period. The Company achieved an EBITDA of €47,907 for the period of the interim report. This compares to revenue of €203,499 and a negative EBITDA of €207,408 in the corresponding period of the previous year. This performance clearly indicates the Company's ability to adjust its operational running costs to the level of revenues, which is evidenced by the fact that despite underperformance when compared to the planned budget in 1Q22, the Company managed to maintain a positive EBITDA during the reporting period. The cost control and expense reduction measures implemented were effective to the extent that even though the predominant part of the Company's costs are fixed in nature, the EBITDA in the reporting period returned to positive compared to the same period of the previous year.

In reviewing the financial results for the first six months of 2022, one should also note the following:

- The Company does not recognize half-yearly Investment Income results, as property valuations and revaluation values resulting from new acquisitions and development works carried out during the period are only assessed and recognized on annual basis, at the end of each financial year.
- The Company has realized a lower than planned CAPEX for the period, as it has delayed some development works as a preventive risk management measure, due to the market uncertainty and lower than expected revenues in the 1Q22. This is not expected to have a major impact on the overall development programme of the Group, although smaller delays could be experienced.
- The short-term market disruptions are not expected to negatively affect the Company's long-term consolidated gross profit and EBITDA margins, which are expected to remain sustainable and forecasted to converge to the long-term projections.
- The Profit/Loss before and after tax figures for the period are presented without considering the effect of the Investment Income (valuation of assets are only carried out annually), which if these were to be recognized at half-year term, then the bottom line figures are likely to be positive, instead of the current loss of €129,943.

- The consolidated Balance Sheet does not recognize any changes and improvements in Investment Property over and above additions registered at cost in the interim reporting period, as any other value adjustments are assessed and reflected on an annual basis, at the end of each financial year.

### **State of Affairs and Outlook**

Following the periods of significant and continuous operational disruption over the past 28 months since the outbreak of the pandemic, the Company remains in a stable financial position. Its interim profitability results show that ongoing operations are able to remain profitable, although performance is affected by the general market conditions and industry developments. The VBL Group's main investment and development projects are being executed according to the announced plans and although interim delays have occasionally occurred or may occur in the future, the facts of the current reporting period confirmed the ability for fast recovery of the business and therefore the financial performance, when the government imposed lockdowns and significant operational disruptions are removed. The Company's hospitality operations and the ongoing development projects are expected to continue developing according to the projections, which projections are supported by the very strong beginning of 3Q22 in terms of passenger and tourist arrivals, as also evidenced by the reports of MHRA and other professional organizations. In any case, the Company's management remains entirely focused on achieving the declared projections and maintaining tight cost discipline while ensuring that the renovation and development projects continue progressing as per the long-term plans. The Company has continued its financing negotiations with various financial institutions to ensure competitive financial facilities are available for the full financing of the long-term development plans, as per the presented growth plans. The currently experienced labour market challenges and work force shortages, particularly in the hospitality segment, are considered to be a general industry struggle, which the Company aims to resolve at its own level by providing attractive compensation packages and long term carrier plans. The development CAPEX is adjusted to assure that strong liquidity and financial stability is present at all times. Investment in the ongoing development projects therefore remains very tightly controlled and continuously monitored. In terms of cash and bank balances, as at end the reporting period, VBL Group had sufficient liquidity resources to support stable and undisrupted operations.

The Company's long term projections and forecasted year end results are currently considered realistic and not overly ambitious in the present market environment, despite the negative impact of the 1Q22 in the general hospitality market developments in Malta. The management of the Company's liquidity and financial planning remains based on conservative revenue expectations. It is considered that the recent high inflationary environment and growing global political and economic uncertainty may result in increased operational and financial risks in the future periods, however at this stage and based on the currently available information, the previously announced mid- and long-term projections are considered realistic and sustainable at Company level.

### **Material, post reporting period events**

The Company is negotiating and is in a very advanced stage of obtaining a significant financing facility, according to and within the long-term financing plans announced in its Prospectus dated 23 July 2021. Besides the currently experienced strong main hospitality season and high occupancy forecasted for 3Q22, the growing international uncertainty and global political tension may result in a new wave of various business and administrative disruptions in the following periods, which may result in a general negative impact on the Maltese economy, the European and the global economy. Other than these, there were no specific materially important events that may adversely affect the Company's long-term outlooks which occurred since the end of the reporting period. The long-term effects of the above world-wide developments cannot yet be assessed and might have a future negative impact on the VBL Group's business beyond the course of 2022.

### **Future Developments**

The VBL Group plans to continue its dynamic growth and maintain its clear strategy on its core market, Valletta, and keep its main focus on development of the already owned assets, specifically those already with full development permits, as well as improve further the capacity utilization and financial performance of its developed assets, in line with its long-term business strategy and financial plans, as they were announced before.

**Board of Directors**

The Board of Directors of the Company currently<sup>1</sup> consists of the following Directors:

Dr. Andrei Imbroll, Chairman, Chief Operational Officer and Executive Director  
Dr. Geza Szephalmi, Chief Executive Officer and Executive Director  
Mr. Julian Tzvetkov, Chief Financial Officer and Executive Director  
Mr. Arthur Haze, Non-Executive Director, Member of the Audit Committee  
Mr. David Galea Souchet, Non-Executive Director, Member of the Audit Committee  
Ms. Isabella Vella, Non-Executive Director, Chairperson of the Audit Committee

**Auditors**

The Company's auditors, as appointed by Annual General Meeting are RSM Malta.

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<sup>1</sup> Please note that Mr. Csaba Bato served as Independent, Non-executive Director and Chairman of the Audit Committee until the conclusion of the Company's annual general meeting held on the 20th April 2022.

## INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Notes	Jan-June 2022 €	Jan-June 2021 €
Revenue	4	894,884	203,499
Cost of sales	5	(456,323)	(98,160)
<b>Gross profit</b>		<b>438,561</b>	<b>105,339</b>
Administrative expenses	5	(390,654)	(312,747)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>47,907</b>	<b>(207,408)</b>
Depreciation and amortisation	5	(147,963)	(132,071)
<b>Operating loss</b>		<b>(100,056)</b>	<b>(339,479)</b>
Interest receivable		3,933	231
Finance costs		(33,820)	(76,619)
<b>Loss before income tax</b>		<b>(129,943)</b>	<b>(415,867)</b>
Income tax (expense)/credit		-	-
<b>Loss for the period</b>		<b>(129,943)</b>	<b>(415,867)</b>
<b>Total comprehensive loss for the period</b>		<b>(129,943)</b>	<b>(415,867)</b>

## INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2022 €	30 June 2021 €
<b>ASSETS</b>			
<b>Non-current asset</b>			
Intangible assets		133,762	152,879
Property, plant and equipment		849,468	877,644
Investment properties		61,005,108	59,991,129
Investment in subsidiaries		1,200	1,200
Loans receivable		110,560	107,470
Deferred tax assets		209,930	209,930
		<b>62,310,028</b>	<b>61,340,252</b>
<b>Current assets</b>			
Trade and other receivables	6	1,501,653	1,581,779
Cash and cash equivalents	7	1,189,941	1,947,792
		<b>2,691,594</b>	<b>3,529,571</b>
<b>TOTAL ASSETS</b>		<b>65,001,622</b>	<b>64,869,823</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	8	48,894,243	48,894,243
Share premium		731,733	731,733
Other reserves		357,896	375,397
General reserves		1,218	1,218
Retained earnings		6,155,337	6,427,779
<b>TOTAL EQUITY</b>		<b>56,140,427</b>	<b>56,430,370</b>
<b>Non-current liabilities</b>			
Long-term borrowings		1,137,302	1,297,203
Deferred tax liabilities		3,889,901	3,889,901
Trade and other payables		310,140	346,176
		<b>5,337,343</b>	<b>5,533,280</b>
<b>Current liabilities</b>			
Short-term borrowings		2,331,188	2,328,699
Trade and other payables		1,192,664	577,474
		<b>3,523,852</b>	<b>2,906,173</b>
<b>TOTAL LIABILITIES</b>		<b>8,861,195</b>	<b>8,439,453</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>65,001,622</b>	<b>64,869,823</b>



## STATEMENT OF CHANGES IN EQUITY

	Share capital €	Share premium €	Other reserves €	General reserves €	Retained earnings €	Total €
<b>Balance at 1 January 2022</b>	48,894,243	731,733	375,397	1,218	6,427,779	56,430,370
<b>Total comprehensive loss</b>						
- Loss for the year					(129,943)	(129,943)
- Depreciation of revaluation reserve			(17,501)		17,501	0
	0		(17,501)		(112,442)	(129,943)
<b>Transactions with owners</b>						
- Issuance of new shares					(160,000)	(160,000)
- Dividends declared during the period					(160,000)	(160,000)
<b>Balance at 30 June 2022</b>	<b>48,894,243</b>	<b>731,733</b>	<b>357,896</b>	<b>1,218</b>	<b>6,155,337</b>	<b>56,140,427</b>

\*Note: Interim Statement of Comprehensive Income does not reflect the 'Investment Income', as Investment properties are valued only annually, involving independent valuers engaged by the Company. Hence no changes in fair values are recorded in the profit or loss of the reporting period.

## INTERIM STATEMENT OF CASH FLOWS

	Jan-June 2022	Jan-June 2021
	€	€
<b>Cash flows from operating activities</b>		
Profit before tax	(129,943)	(415,868)
Depreciation and amortisation	147,963	132,071
Interest income	(3,933)	(231)
Interest expense	33,820	76,619
<b>Cash generated before working capital changes</b>	<b>47,907</b>	<b>(207,409)</b>
Increase in trade and other receivables	80,969	(399,567)
Increase/(decrease) in trade and other payables	539,576	164,738
<b>Net cash from/(used in) operating activities</b>	<b>668,452</b>	<b>(442,238)</b>
<b>Cash flows used in investing activities</b>		
Purchase of intangible assets	(7,150)	(18,956)
Purchase of tangible fixed assets	(1,107,499)	(117,598)
Proceeds from sale of investment		(1,517)
<b>Net cash used in investing activities</b>	<b>(1,114,649)</b>	<b>(138,071)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issuance of share capital	-	(80,000)
Income tax paid	(154,241)	-
Dividends paid	(157,413)	-
Borrowings		
<b>Net cash used in financing activities</b>	<b>(311,654)</b>	<b>(80,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(757,851)</b>	<b>(660,309)</b>
<b>Cash and cash equivalents at beginning of the Year</b>	<b>1,947,792</b>	<b>1,711,962</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,189,941</b>	<b>1,051,653</b>

## NOTES AND EXPLANATIONS TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2022 TO 30 JUNE 2022

### 1. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim Consolidated Financial Statements are the same as those adopted in the preparation of the Consolidated Audited Financial Statements for the year ended 31 December 2021.

### 2. Investment property

Investment property is considered a property as defined in the Audited Annual Consolidated Accounts of the Company and is held to earn rentals or for capital appreciation or both. Investment properties are valued only annually, involving independent valuers engaged by the Company, hence it is to be noted that no changes in fair values are recorded in the profit or loss of the reporting period. According to the best knowledge of the Directors there are no material adverse impact in the Investment property category since the end of the previous year.

### 3. Related parties

Related parties are those persons or bodies of persons having relationships with the Group as defined in IAS 24. The related parties and the volume and type of related party transactions are considered materially the same in the reporting period as they were disclosed in the Consolidated Audited Financial Statements of the Company, disclosed at the end for the previous year.

### 4. Revenues

	Jan-June 2022 €	Jan-June 2021 €
Rental Revenue	860,936	201,284
Management Fees	33,188	-
Other revenues	760	2,215
	<b>894,884</b>	<b>203,499</b>

### 5. Expenses by Nature

	Jan-June 2022 €	Jan-June 2021 €
Direct Costs	456,323	98,160
Staff Costs	156,014	73,396
Auditors' remuneration	8,250	7,450
Depreciation and amortisation	147,963	132,071
Other administrative expenses	226,390	231,901
	<b>994,940</b>	<b>542,978</b>

6. Trade and other receivables

	Jan-June 2022 €	Jan-June 2021 €
VAT refundable	42,017	82,452
Other taxes refundable	14,968	968
Trade & Other receivables (i)	1,188,085	1,357,766
Prepayments and accrued income	256,583	140,593
	<b>1,501,653</b>	<b>1,581,779</b>

(i) Trade receivables are non-interest bearing and are generally on a 30-day term.

7. Cash and Cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Jan-June 2022 €	Jan-June 2021 €
Cash at bank and in hand	1,189,941	1,947,792

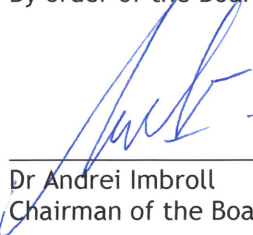
8. Share Capital

	Jan-June 2022 €	Jan-June 2021 €
Authorised:		
330,000,000 Ordinary shares of €0.20 each	66,000,000	66,000,000
Issued and fully paid:		
244,471,217 Ordinary shares of €0.20 each	48,894,243	48,894,243

### Statement Pursuant to Capital Markets Rules 5.75.3

The directors of the Company (as listed under the heading "Board of Directors" above) confirm that to the best of our knowledge, the interim unaudited consolidated financial statements of VBL Plc. comply with the requirements of the Capital Markets Rules and give a true and fair view of the financial position of the Company's affairs as at 30 June 2022, and of its assets, liabilities financial position and profit and loss for the six-month period of the year, in accordance with the applicable International Financial Reporting Standards, as adopted by the Company and detailed in the Consolidated Audited Financial Statements, and the interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.

By order of the Board



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Dr Andrei Imbroll  
Chairman of the Board

22 August 2022