

MPC032017

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Malta Properties Company p.l.c. (“**the Company**”) pursuant to Malta Financial Services Authority Listing Rules.

Quote

The Board of Directors of the Company has approved the attached Financial Statements of annual results for the financial year ended 31 December 2016. These audited financial statements are also available for viewing on the Company’s website at www.maltaproperties.com.mt. The Board of Directors also recommended to the annual general meeting that no dividend will be paid.

The Annual General Meeting will be held on Thursday 25 May 2017 at The Westin Dragonara Resort, St. Julians.

Unquote



Dr. Francis Galea Salomone LL.D.
Company Secretary

21 March 2017

Preliminary Statement of Group Results and State of Affairs for the year ended and as at 31 December 2016

This Statement is published pursuant to The Malta Financial Services Authority Listing Rules Chapter 5 and Article 4(2)(b) of the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005.

The financial information has been extracted from Malta Properties Company p.l.c.'s Annual Report and Consolidated Financial Statements for the year ended 31 December 2016 as approved by the Board of Directors on 21 March 2017, which have been audited by PricewaterhouseCoopers.

These financial statements will be laid before the members at the general meeting to be held on 25 May 2017. The Group's financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Maltese Companies Act, 1995.

Statements of financial position

	As at 31 December			
	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
ASSETS				
Non-current assets				
Property, plant and equipment	464,829	8,491	464,829	8,491
Investment property	50,090,000	54,018,149	10,655,000	10,812,435
Investment in subsidiaries	-	-	69,993	69,993
Loans receivable from subsidiaries	-	-	38,859,068	38,859,068
Deferred tax asset	28,662	-	28,662	-
Trade and other receivables	18,879	12,142	-	-
Total non-current assets	50,602,370	54,038,782	50,077,552	49,749,987
Current assets				
Inventories – property held for resale	6,360,000	-	-	-
Trade and other receivables	332,673	91,443	4,300,229	2,002,225
Current tax asset	59,268	38,094	-	-
Cash and cash equivalents	1,376,510	1,602,639	1,364,010	1,599,024
Total current assets	8,128,451	1,732,176	5,664,239	3,601,249
Total assets	58,730,821	55,770,958	55,741,791	53,351,236

Statements of financial position - continued

	As at 31 December			
	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	32,419,356	32,419,356	32,419,356	32,419,356
Hedging reserve	(53,229)	-	(53,229)	-
Retained earnings	3,725,053	1,168,142	696,747	319,884
Total equity	36,091,180	33,587,498	33,062,874	32,739,240
LIABILITIES				
Non-current liabilities				
Borrowings	16,000,000	16,000,000	16,000,000	16,000,000
Deferred tax liability	5,645,000	5,401,815	1,065,500	1,081,243
Derivative financial instruments	81,891	-	81,891	-
Total non-current liabilities	21,726,891	21,401,815	17,147,391	17,081,243
Current liabilities				
Trade and other payables	337,872	481,501	5,072,049	3,315,780
Current tax liability	574,878	300,144	459,477	214,973
Total current liabilities	912,750	781,645	5,531,526	3,530,753
Total liabilities	22,639,641	22,183,460	22,678,917	20,611,996
Total equity and liabilities	58,730,821	55,770,958	55,741,791	53,351,236

The financial statements were authorised for issue by the Board on 21 March 2017 and were signed on its behalf by:



Mr. Deepak S Padmanabhan
Chairman



Mr. Edmond Brincat
Director

Income statements

	Year ended 31 December			
	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Rental income	3,235,816	3,174,500	618,176	719,000
Other income	5,000	251,731	-	251,731
Administrative expenses	(711,253)	(541,664)	(670,306)	(528,813)
Operating profit/(loss)	2,529,563	2,884,567	(52,130)	441,918
Finance income	-	-	1,457,216	1,457,216
Finance costs	(778,710)	(1,557,957)	(778,712)	(1,557,957)
Adjustment arising on fair valuation of property	1,696,843	89,783	145,311	-
Profit before tax	3,447,696	1,416,393	771,685	341,177
Tax (expense)/credit	(890,785)	447,333	(394,822)	(38,210)
Profit for the year				
- total comprehensive income	2,556,911	1,863,726	376,863	302,967
Earnings per share	0.03¹	0.07 ²		

¹ 2016 EPS was calculated using the number of shares outstanding as at year end.

² 2015 EPS was calculated using the weighted average number of shares outstanding during the year.

Statements of comprehensive income

	Year ended 31 December			
	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Comprehensive income				
Profit for the year	2,556,911	1,863,726	376,863	302,967
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Change in fair value of derivative designated as hedging instrument in cash flow hedge	(81,891)	-	(81,891)	-
Income tax relating to components of other comprehensive income	28,662	-	28,662	-
Total other comprehensive income for the year, net of tax	(53,229)	-	(53,229)	-
Total comprehensive income for the year	2,503,682	1,863,726	323,634	302,967

Statements of changes in equity

Group	Share capital €	Hedging reserve €	Retained earnings €	Total €
Balance at 1 January 2015	50,000	-	(695,584)	(645,584)
Comprehensive income				
Profit for the year	-	-	1,863,726	1,863,726
Transactions with owners				
Issue of share capital	32,369,356	-	-	32,369,356
Balance at 31 December 2015	32,419,356	-	1,168,142	33,587,498
Comprehensive income				
Profit for the year	-	-	2,556,911	2,556,911
Other comprehensive income: Cash flow hedge, net of deferred tax	-	(53,229)	-	(53,229)
Balance at 31 December 2016	32,419,356	(53,229)	3,725,053	36,091,180
Company	Share capital €	Hedging reserve €	Retained earnings €	Total €
Balance 1 January 2015	50,000	-	16,917	66,917
Comprehensive income				
Profit for the year	-	-	302,967	302,967
Transactions with owners				
Issue of share capital	32,369,356	-	-	32,369,356
Balance at 31 December 2015	32,419,356	-	319,884	32,739,240
Comprehensive income				
Profit for the year	-	-	376,863	376,863
Other comprehensive income: Cash flow hedge, net of deferred tax	-	(53,229)	-	(53,229)
Balance at 31 December 2016	32,419,356	(53,229)	696,747	33,062,874

Statements of cash flows

	Year ended 31 December			
	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Cash flows from operating activities				
Cash generated from operations	2,145,131	4,146,540	870,510	4,213,144
Interest paid	(778,710)	-	(778,712)	-
Tax paid	(394,043)	-	(166,059)	-
Net cash generated from/(used in) operating activities	972,378	4,146,540	(74,261)	4,213,144
Cash flows from investing activities				
Acquisition of/additions to investment property	(1,148,008)	(2,655,831)	(110,254)	(2,655,831)
Purchase of property, plant and equipment	(50,499)	(8,491)	(50,499)	(8,491)
Net cash used in investing activities	(1,198,507)	(2,664,322)	(160,753)	(2,664,322)
Cash flows from financing activities				
Bank loan drawdown	16,000,000	-	16,000,000	-
Repayment of related party loan	(16,000,000)	-	(16,000,000)	-
Net cash generated from financing activities	-	-	-	-
Net movement in cash and cash equivalents	(226,129)	1,482,218	(235,014)	1,548,822
Cash and cash equivalents at beginning of year	1,602,639	120,421	1,599,024	50,202
Cash and cash equivalents at end of year	1,376,510	1,602,639	1,364,010	1,599,024

Review of Group operations

Performance

The Group delivered a solid financial performance in 2016. During the financial year under review, MPC's profit before tax increased by €2.03 million over that of the previous year and amounted to €3.45 million (2015: €1.42 million). Revenues from rental income increased by 2% and stood at €3.24 million (2015: €3.17 million). Revenues are expected to increase gradually in line with inflation. The long term leases in place on the various properties secure the Group's revenues at these levels for the foreseeable future. In 2016, administrative expenses amounted to €0.71 million (2015: €0.54 million). This increase was in line with expectations as this was MPC's first full year of independent operations and as the Group is undertaking its planned redevelopment projects.

During 2016, work has commenced across a number of the Group's sites, namely the redevelopment of the former Zejtun Exchange into a state of the art technical and data centre for MPC's anchor tenant GO p.l.c. Preparatory works have also begun on the Group's properties in Birkirkara and in Marsa where new exchanges are being developed for the use by GO p.l.c. Moreover, the Floriana offices are currently being refurbished into modern offices and this refurbishment is expected to be completed by the end of the year.

Financial position

MPC's financial position is also satisfactory. As at the end of the year, total non-current assets amounted to €50.60 million (€54.04 million). The decrease from the previous year was mainly as a result of the transfer of two of the Group's properties amounting to €6.36 million from investment property to inventories, as these properties are earmarked for resale. On 31 January 2017, one of the company's subsidiaries entered into a promise of sale agreement and bound itself to sell and transfer the property known as the Sliema Old Exchange to a third party. The consideration for the sale of the property amounts to €5 million.

The decrease in non-current assets was partly set off by the development of and improvements made to existing properties. The transfer to inventories was the main factor that contributed to an increase of €6.40 million in the Group's current assets which amounted to €8.13 million as at year end (2015: €1.7 million). The major movement within other current assets resulted due to advance payments made to the Group's contractors, reflecting a decrease in the cash balance as at year end.

During the year, MPC refinanced the loan to related party through a bank loan and the Group entered into an interest rate swap agreement to hedge its exposure to floating interest payments on these bank borrowings. The Group's borrowings are less than half of its equity, and in fact as at year end the Group had a low gearing ratio of 0.44. The Group has a loan to value of 0.28, that is, it has at least three times more assets than debt.