

MALTA PROPERTIES COMPANY P.L.C.

**Condensed Consolidated
Interim Financial Statements**

For the period 1 January 2018 to 30 June 2018

MALTA PROPERTIES COMPANY P.L.C.
Condensed Consolidated Interim Financial Statements
For the period 1 January 2018 to 30 June 2018

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Directors' Report pursuant to Listing Rule 5.75.2

This Half-Yearly Report is being published in terms of Chapter 5 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The half-yearly report comprises the reviewed (not audited) condensed consolidated interim financial statements for the six months ended 30 June 2018 prepared in accordance with International Financial Reporting Standards adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). The condensed consolidated interim financial statements have been reviewed in accordance with the requirements of ISRE 210, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. The comparative statement of financial position has been extracted from the audited financial statements for the year ended 31 December 2017.

Principal activities

The main activities of the Group are property development and the holding of immovable property for rental to others. As the holding company of the Malta Properties Company (MPC) p.l.c. Group, MPC p.l.c is ultimately dependent upon the operations and performance of its subsidiaries and their respective operations. The parent company may, inter alia, directly or through subsidiary companies, acquire by any title whatsoever, and take on lease or sub-lease and dispose of, grant and/or lease and hold property of any kind, whether movable or immovable for the purposes of its business, and construct, develop and enter into arrangements with contractors and other service providers in connection with its properties.

Review of financial performance

The Group's revenues from the leasing of its properties amounted to €1,639,868 for the six-month period ended 30 June 2018 (2017: €1,538,256). The increase from the previous period is as a result of the completion of new developments and inflation. The long term lease agreements the Group has with its tenants secure revenues at these levels for the foreseeable future. Revenue is expected to increase further once additional developments are completed and rented out, and in line with inflation.

During this six-month period, the Group's operating profit amounted to €1,117,784 (2017: €1,065,954). The increase in operating profit is a reflection of the increased revenue partly offset by an increase in administrative expenses which totalled €529,045 (2017: €472,616) as a result of growth in the Group's operations and the planned redevelopment projects being undertaken. Finance costs decreased to €307,528 (2017: €338,180) following a decrease in bank charges.

Profit for the period ended 30 June 2018 stood at €501,818, an increase of €54,771 from the prior year six-month profit of €447,047. This increase is mainly attributable to the increase in revenue as a result of the aforementioned completion of new developments. Earnings per share in 2018 amounted to €0.005 (2017: €0.004).

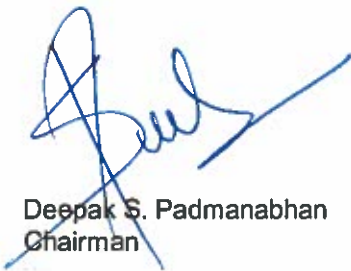
The Group continued to deliver a strong financial performance and a satisfactory financial position. During the first six months of 2018, cash generated from operations amounted to €2,683,319 (2017: €1,615,526) and as at 30 June 2018 the Group's cash and cash equivalents amounted to €586,925 (2017: €1,876,097).

Directors' Report pursuant to Listing Rule 5.75.2 - continued

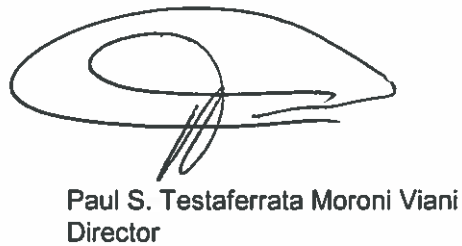
Dividends

The Board of Directors has resolved to determine the extent of any dividend distribution for 2018 on the basis of the full year results. Accordingly, no dividends are declared upon the issue of the results for the six-month period ended 30 June 2018.

Approved by the Board of Directors on 1 August 2018 and signed on its behalf by



Deepak S. Padmanabhan
Chairman



Paul S. Testaferrata Moroni Viani
Director

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Statement of financial position

	As at 30.06.2018 Unaudited €	As at 31.12.2017 Audited €
ASSETS		
Non-current assets		
Investment property	62,114,928	58,810,000
Property, plant and equipment	774,248	749,547
Deferred tax asset	19,357	26,360
Trade and other receivables	29,472	29,472
Total non-current assets	62,938,005	59,615,379
Current assets		
Inventories – property held for resale	6,360,000	6,360,000
Trade and other receivables	596,121	559,107
Current tax assets	10,169	42,541
Cash and cash equivalents	586,925	954,771
Total current assets	7,553,215	7,916,419
Total assets	70,491,220	67,531,798

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Statement of financial position - continued

	As at 30.06.2018 Unaudited €	As at 31.12.2017 Audited €
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	32,419,356	32,419,356
Other reserve	183,264	170,259
Retained earnings	8,899,826	8,398,008
Total equity	41,502,446	40,987,623
LIABILITIES		
Non-current liabilities		
Borrowings	17,967,270	17,017,258
Deferred tax liability	6,587,000	6,587,000
Derivative financial instruments	55,306	75,313
Trade and other payables	96,702	96,702
Total non-current liabilities	24,706,278	23,776,273
Current liabilities		
Trade and other payables	3,854,301	2,258,230
Current tax liability	428,195	509,672
Total current liabilities	4,282,496	2,767,902
Total liabilities	28,988,774	26,544,175
Total equity and liabilities	70,491,220	67,531,798

The notes on pages 9 to 13 are an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements on pages 3 to 13 were authorised for issue by the Board on 1 August 2018 and were signed on its behalf by:


Deepak S. Padmanabhan
Chairman


Paul S. Testaferrata Moroni Viani
Director

MALTA PROPERTIES COMPANY P.L.C.
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Income statement

	Six-months ended 30.06.2018 Unaudited €	Six-months ended 30.06.2017 Unaudited €
Rental income	1,639,868	1,538,256
Other income	6,961	314
Administrative expenses	(529,045)	(472,616)
Operating profit	1,117,784	1,065,954
Finance costs	(307,528)	(338,180)
Profit before tax	810,256	727,774
Tax expense	(308,438)	(280,727)
Profit for the period - total comprehensive income	501,818	447,047
Earnings per share	0.005	0.004

The notes on pages 9 to 13 are an integral part of these condensed consolidated interim financial statements.

Statement of comprehensive income

	Six-months ended 30.06.2018 Unaudited	Six-months ended 30.06.2017 Unaudited
	€	€
Comprehensive income		
Profit for the period	501,818	447,047
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	20,007	42,106
Income tax relating to components of other comprehensive income	(7,002)	(14,737)
Total other comprehensive income for the period, net of tax	13,005	27,369
Total comprehensive income for the period	514,823	474,416

The notes on pages 9 to 13 are an integral part of these condensed consolidated interim financial statements.

Statement of changes in equity

Unaudited	Share capital €	Other reserve €	Retained earnings €	Total €
Balance at 1 January 2017	32,419,356	(53,229)	3,725,053	36,091,180
Comprehensive income				
Profit for the period	-	-	447,047	447,047
Other comprehensive income:				
Cash flow hedge, net of deferred tax	-	27,369	-	27,369
Balance at 30 June 2017	32,419,356	(25,860)	4,172,100	36,565,596
Balance at 1 January 2018	32,419,356	170,259	8,398,008	40,987,623
Comprehensive income				
Profit for the period	-	-	501,818	501,818
Other comprehensive income:				
Cash flow hedge, net of deferred tax	-	13,005	-	13,005
Balance at 30 June 2018	32,419,356	183,264	8,899,826	41,502,446

The notes on pages 9 to 13 are an integral part of these condensed consolidated interim financial statements.

Statement of cash flows

	Six-months ended 30.06.2018 Unaudited €	Six-months ended 30.06.2017 Unaudited €
Cash flows from operating activities		
Cash generated from operations	2,683,319	1,615,526
Interest paid	(307,528)	(338,180)
Income tax (paid)/refunded	(357,543)	2,216
Net cash generated from operating activities	2,018,248	1,279,562
Cash flows from investing activities		
Additions to investment property	(3,304,928)	(994,799)
Purchase of property, plant and equipment	(31,178)	(4,000)
Net cash used in investing activities	(3,336,106)	(998,799)
Cash flows from financing activities		
Bank loan drawdown	950,012	218,824
Net cash generated from financing activities	950,012	218,824
Net movement in cash and cash equivalents	(367,846)	499,587
Cash and cash equivalents at beginning of period	954,771	1,376,510
Cash and cash equivalents at end of period	586,925	1,876,097

The notes on pages 9 to 13 are an integral part of these condensed consolidated interim financial statements.

Notes to the consolidated interim financial statements

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, have been extracted from the Company's unaudited accounts for the six months ended 30 June 2018 and have been reviewed in terms of ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The half-yearly results are being published in terms of Chapter 5 of the Listing Rules of the Malta Financial Services Authority.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those of the annual financial statements of Malta Properties Company p.l.c. for the year ended 31 December 2017, as described in those financial statements. Adoption of new standards, amendments and interpretations to existing standards that are mandatory for accounting period beginning on 1 January 2018 did not result in changes to the Company's and its subsidiaries' accounting policies and did not require retrospective adjustments.

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

IFRS 16 'Leases', was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date and does not expect this standard to have a material impact on the Group.

Investment property

	As at 30.06.2018 €	As at 31.12.2017 €
Opening carrying amount	58,810,000	50,090,000
Additions	3,304,928	3,746,089
Gains from changes in fair value of property	-	4,973,911
Closing carrying amount	62,114,928	58,810,000
Cost	54,614,115	51,309,187
Net fair value gains	7,500,813	7,500,813
Carrying amount	62,114,928	58,810,000

Notes to the consolidated interim financial statements - continued

Investment property - continued

Investment property comprises commercial property mainly leased out to a related party.

Fair valuation of land and buildings

The Group's land and buildings were revalued during December 2017 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The Directors have reviewed the carrying amounts of the properties as at 30 June 2018, on the basis of an assessment by the independent property valuers, and no adjustment to the carrying amount was deemed necessary as at that date.

Valuations were made on the basis of open market value taking cognisance of the specific location of the properties, the size of the sites together with their development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location. The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

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

The Group's land and buildings comprises various telephone exchanges, a data centre and offices. All the recurring property fair value measurements at 30 June 2018 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the six-month period ended 30 June 2018.

A reconciliation from the opening balance to the closing balance for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above. The movement reflects additions during the six-month period ended 30 June 2018.

Valuation processes

The valuations of the properties are performed annually on the basis of valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the Group which is derived from the Group's financial systems and is subject to the Group's overall control environment; and
- assumptions and valuation models used by the valuers - the assumptions are typically market related. These are based on professional judgement and market observation.

Notes to the consolidated interim financial statements - continued

Investment property - continued

Valuation techniques

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by the Chief Financial Officer (CFO). This includes a review of fair value movements over the period. When the CFO considers that the valuation report is appropriate, the valuation report is recommended to the Audit Committee of the parent Company. The Audit Committee considers the valuation report as part of its overall responsibilities. At the end of every reporting period, the CFO assesses whether any significant changes or developments have been experienced since the last external valuation. This is supported by an assessment performed by the independent firm of property valuers. The CFO reports to the Audit Committee on the outcome of this assessment.

The external valuations of the Level 3 land and buildings have been performed using an adjusted sales comparison approach. In view of a limited number of similar sales in the local market, the valuations have been performed using unobservable inputs. The significant input to this approach is generally a sales price per square metre related to transactions in comparable properties located in proximity to the Group's property, with significant adjustments for differences in the size, age, exact location and condition of the property. The term airspace is a conceptual unit representing a packet of three-dimensional accessible, usable and developable space. The concept of sales price factor per airspace or square metre is the value expected to be fetched on the open market and represents the present value of the property after deduction of all development, refurbishment and related costs.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description by class based on highest and best use	Fair value at 30 June 2018 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average) €
Land and buildings				
Current use as office premises	24,919	Adjusted sales comparison approach	Sales price per square metre	1,210 – 1,820 (1,400)
Developable land for industrial/commercial use	15,857	Adjusted sales comparison approach	Sales price factor per square metre	930 – 1,020 (950)
Marketed as extended-commercial premises	8,630	Adjusted sales comparison approach	Sales price per square metre	1,040 – 1,200 (1,150)
Marketed as residential-commercial developments	12,708	Adjusted sales comparison approach	Sales price per square metre	1,340 – 1,600 (1,550)

Notes to the consolidated interim financial statements - continued

Investment property - continued

Information about fair value measurements using significant unobservable inputs (Level 3) - continued

Description by class based on highest and best use	Fair value at 31 December 2017 €000	Valuation Technique	Significant unobservable input	Range of unobservable inputs (weighted average) €
Land and buildings				
Current use as office premises	23,875	Adjusted sales comparison approach	Sales price per square metre	1,210 – 1,820 (1,400)
Developable land for industrial/commercial use	14,000	Adjusted sales comparison approach	Sales price factor per square metre	930 – 1,020 (960)
Marketed as extended-commercial premises	8,630	Adjusted sales comparison approach	Sales price per square metre	1,040 – 1,200 (1,150)
Marketed as residential-commercial developments	12,305	Adjusted sales comparison approach	Sales price per square metre	1,340 – 1,600 (1,550)

The higher the sales price per square metre or the sales price factor per airspace/square metre, the higher the resultant fair valuation. The highest and best use of the latter three classes of land and buildings differs from their current use. The non-financial assets are currently being used as exchanges, offices or retail outlets, which is not deemed to constitute the highest and best use taking cognisance of the size and location of such properties.

Commitments

Commitments which have been authorised and contracted for relating to the development of investment property not provided for in the interim financial statements amounted to €1,826,436 as at 30 June 2018 (2017: €3,651,999). Commitments which have been authorised but not yet contracted for relating to the development of investment property not provided for in the interim financial statements amounted to €3,515,958 as at 30 June 2018 (2017: €5,992,524).

Notes to the consolidated interim financial statements - continued

Related party

(a) Parent and ultimate controlling party

The Company's ultimate parent is Dubai Holding LLC, the registered office of which is situated at EIT Office 1st Floor, Dubai Holding Headquarters, Opp. Madinat Jumeirah, intersection of Jumeirah Beach Road and Um Suqeim Road, UM Suqeim 3, Dubai, UAE. The immediate parent of the Company, with a 60% holding, is Emirates International Telecommunications (Malta) Limited, a company which is ultimately controlled by Dubai Holding LLC as it forms part of the same group of companies of which Dubai Holding LLC is the ultimate parent. Dubai Holding LLC is owned by H.H. Sheikh Mohammed Bin Rashid Al Makhtoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

(b) Related party transactions

Consistent with the disclosures in the audited financial statements for the year ended 31 December 2017, the Group has a related party relationship with its ultimate parent and entities ultimately controlled by it (see above); key management personnel (group companies' directors) together with close members of their family and entities controlled by them.

The principal related party transactions during the six-month period under review comprise:

	Six months ended 30.06.2018 €	Six months ended 30.06.2017 €
Related entities		
Services provided to	1,495,297	1,452,321
Services received from	3,472	2,837

Statement pursuant to Listing Rule 5.75.3

I confirm that to the best of my knowledge:

- the condensed consolidated interim financial information gives a true and fair view of the financial position of the Group as at 30 June 2018, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting');
- the Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Mr. Deepak S. Padmanabhan
Chairman

1 August 2018



Independent auditor's report

To the Board of Directors of Malta Properties Company p.l.c.
Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Malta Properties Company p.l.c. as at 30 June 2018, the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes ('the interim financial information'). The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 'Interim Financial Reporting'). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

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

Conclusion

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Lucienne Pace Ross
Partner

1 August 2018

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- a) The maintenance and integrity of the Malta Properties Company p.l.c. website is the responsibility of the Directors of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed consolidated interim financial information since this was initially presented on the website.
- b) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.