MALTA PROPERTIES COMPANY P.L.C.

C 51272

Annual Report and Consolidated Financial Statements

31 December 2021

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Readers are reminded that the official statutory Annual Financial Report 2021, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) and is published on www.maltaproperties.com.mt. A copy of the Independent auditor’s report issued on the official statutory Annual Financial Report 2021, is included within this printed document and comprises the auditor’s report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the ESEF RTS), by reference to Capital Markets Rule 5.55.6.

Chairman's message

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Malta Properties Company (the "Company" or "MPC"), it is my honour to present the Company's annual report for the year 2021, which covers its operational and financial results.

Strong foundations lead to success

First and foremost, I thank you for the trust and support you show in our Company. Secondly, I would like to take this opportunity to assure you that the Board and I remain fully committed in doing all we can to help our Company grow and prosper.

Success depends on having a clear vision, which at MPC, has always been the case. We aspire to be Malta's leading provider of commercial real estate. We aim to achieve this objective by meeting the needs of tenants and fostering stronger relationships with them by exceeding their expectations. In line with recent trends in commercial real estate and shift in the working culture, we expect to evolve our offering in the years ahead and offer tenants with a broader range of services and facilities. Our value proposition is evolving towards providing our tenants with a richer work environment, amongst other elements via creating communities around our properties. Success also depends on having a competent, dedicated and dynamic team. The results achieved this year, showcase the hard work and dedication of the team to deliver despite facing the challenges of 2021.

Delivering growth in a challenging year

In 2021, our revenues grew by 6.0% from €3.44 million to €3.64 million. This increase was aided by the growth strategy that MPC is pursuing, both organically via the development of new projects as well as acquisition of new properties. At the same time, we have had to contend both with the impact of Covid-19 and other uncertainties within the Maltese economy. These include those created when Malta was placed on the Financial Action Task Force (FATF) grey list in June 2021. Fortunately, this latter development does not yet appear to have had any significant impact on us at MPC. With a strong client base who have a long-term view and commitments to Malta, we believe that our partnerships will allow us to overcome any medium or long-term effects of these challenges.

Future remains a bright one

MPC has a number of plans for 2022, and our long-term outlook remains positive. At the same time, Malta continues to score well across a number of economic indicators and its economy appears resilient. The Board remains committed to supporting the executive team in identifying and pursuing new opportunities which are aligned with our main priority of keeping our shareholders best interest at heart by delivering sustainable growth.

With a very dynamic economic landscape ahead of us, MPC is in a solid position to grow further and continue to deliver results with its business strengths, competent team, and a high-quality portfolio with a strong tenant base.

Finally, I would like to extend my thanks to the Board members, shareholders, our partners and the MPC team for their continued support and trust in MPC. I am optimistic that the future of our Company remains a bright one which will continue to drive growth and shareholder value.

Thank you

Mohamed Sharaf
Chairman of the Board of Directors
Malta Properties Company p.l.c.

Chief Executive Officer’s review

Progress despite uncertainty

2021 proved to be another uncertain year as the Covid-19 pandemic has continued. While many hoped that this pandemic would come to an end, the development of new variants has continued to impact all of us. Like many businesses, at MPC, we have learnt to operate within this reality and I am happy to report that we continue to obtain satisfactory results.

As highlighted by our Chairman, the Company’s financial performance in 2021 saw revenues grow from €3.44 million to €3.64 million. Contributing to this increase were the first full year of contribution from our property in Swatar and inflation-linked adjustments in rents we received from our other leased properties. These increases more than offset the loss of income from our Marsa Spencer Hill property which GO vacated in February 2021. We also benefited from gains in the value of our properties, which reflects our ongoing development at Zejtun as well as recycling of our portfolio.

The successful management of our relationships with tenants is the cornerstone of our success. Throughout 2021 this process ran smoothly, and I am happy to report that our existing tenants continue to be satisfied with the service they receive from MPC.

The recycling of our portfolio, both in terms of disposing off non-core properties as well as making new investments to grow the portfolio, is a strategic priority for us. Over 2021, significant progress was made on both fronts. The sale of the St George’s property was concluded, contributing to an increase in our Net Asset Value, while a promise of sale was agreed to dispose of the old exchange at Birkirkara. During the year, we also made progress on investments in existing and new properties which better fit our vision to become Malta’s premier commercial real estate provider. We continue to progress towards the completion of our Zejtun project. Although its completion has been somewhat delayed due to various factors relating to the installation of particular state-of-the-art technology and the impact of Covid-19, we are confident that we will hand over the property within a few months and begin generating new revenues during 2022. We have also continued to seek new properties to enhance our portfolio. On this front, in September 2021 we signed a promise of sale agreement to acquire the Mediterranean Insurance Building in Ta’ Xbiex. This is a well-positioned, fully-leased property and the successful conclusion of this purchase will have an immediate, positive impact on our revenues. The portfolio recycling activities have contributed towards an increase in our Net Asset value, which grew from €55.3 million in 2020 to €56.7million in 2021.

More opportunities ahead

As I look forward to the year ahead, it is with a sense of renewed optimism. While challenges remain, shareholders can look forward to MPC continuing to increase revenues in 2022, as our development at Zejtun is completed and as we continue to pursue acquisitions. Together with my team I look forward to further success and to a more prosperous future for us all.

Mohsin Majid
Chief Executive Officer
Malta Properties Company p.l.c.

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2021.

Principal activities

The main activity of the Group and the Company is property investment and development. The 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.

As the holding company of the Malta Properties Company p.l.c. (MPC) Group, the Company is ultimately dependent upon the operations and performance of its subsidiaries and their respective operations.

Review of the business

Review of Group operations

Performance

During 2021, the Group's total income amounted to €3.64 million (2020: €3.44 million), an increase of 6.0% over that of the previous year. The increase mainly related to a full year of rental income from the HSBC Contact Centre in Swatar which was bought in September 2020 netted off by the rental income lost as GO p.l.c. vacated the Spencer Hill Old Exchange in Q1 of 2021, following its migration to MPC's newly built exchange in Marsa. There was also an increase in other income, namely maintenance income and income generated from the photovoltaic panels installed towards the end of 2020. The Group's EBITDA remained broadly in line with the previous year and stood at €2.11 million (2020: €2.15 million). Administrative expenses increased by €0.25 million, mainly due to increased professional fees, insurance and repairs and maintenance costs and staff related costs, netted off by a decrease in business development costs. Profit before tax reached €3.61 million (2020: €4.33 million), a decrease of €0.72 million resulting from lower gains in changes in fair value and additional finance costs paid both on refinancing the €16 million loan and a full year of interest on the Swatar property. Rental income is expected to increase in 2022 with rents from new developments being handed over, potential acquisitions and in line with inflation. The Group's revenue streams are secured for the medium to long-term through the leases in place with MPC's various blue-chip tenants.

Throughout the year, the Group continued to analyse various investment opportunities for growth. On 13 September 2021, the Company signed a promise of sale agreement for a tenanted office block in Ta' Xbiex which expires on 28 March 2022.

Financial position

The Group is in a strong financial position. Total non-current assets plus assets classified as held for sale as at the end of 2021 amounted to €79.41 million (2020: €89.22 million). During the year, the St. George's property was sold for €14 million. Throughout 2021, planning and development works continued on a number of properties, contributing to additional property value mainly due to the progress of the development of the Zejtun site, and, to a lesser extent, fair value increases across the Group's property portfolio. Current assets (excluding assets classified as held for sale) as at year end amounted to €13.40 million (2020: €4.88 million), mainly as a result of the cash received on the St. George's sale. 'Assets classified as held for sale' relates to the B'Kara Old Exchange. On 28 September 2021, a promise of sale agreement was signed in respect of this property, which expires on 28 September 2022.

The Group's borrowings decreased as the Group has been repaying the Swatar and Zejtun loans. As at year end, the Group's gearing ratio, measured as borrowings to equity, stood at 0.47 (2020: 0.50) and its loan-to-value ratio, measured as borrowings net of cash and cash equivalents to property value, stood at 0.18 (2020: 0.27).

Risk analysis

The Group’s risks can be analysed into three categories: strategic risk, operational risk and financial risk. Below is a description of each of these risks and the mitigating factors in place:

Risk	*Description*	*Mitigating factors*
Strategic risk	This risk relates to the value of the Group’s assets and the local property market in general.	- The Group has strict guidelines on quality and valuation of any acquired property. - The Group’s properties are fully rented out to various tenants, except for those sites where development or refurbishment is in progress. Moreover, the Group already has long term lease agreements in place with GO p.l.c. for the property that is currently being developed. - The long term leases on the various properties help shield the Group from any potential unforeseen circumstances and allow it to carry out its operations in a stable manner as revenue levels are expected to increase in line with inflation.
Operational risk	This risk relates to the timely execution of the redevelopment pipeline.	- Project management is carried out by professionals and experts in the field at each of the sites being developed. - The Group engages some of the top contractors and consultants. - Contracts include penalties for contractors not delivering within the agreed timeframes. - Constant monitoring of project timelines and critical paths.
Financial risk	This risk mainly relates to the fluctuation in interest rates and refinancing risk.	- The Group is exposed to floating interest payments on bank borrowings amounting to €16,000,000 as at 31 December 2021. The loan is to be repaid as a bullet repayment at the end of 2026 (refer to Note 12 to the financial statements). Therefore, the Group is exposed to fluctuation in interest rates over the coming five years. - The Group continued with the drawdown of the Zejtun project loan during the year and this stood at €4,983,172 as at year end. The loan had a moratorium period until 20 November 2020 and is being repaid on a quarterly basis with a bulk repayment to be made in November 2022. - The balance of the bank loan taken in 2020 for the purchase of the Swatar property stood at €5,762,996 as at year end and is being repaid on a half year basis over a term of 12 years. The loan is at a fixed interest rate for the first four years. Therefore, the Group will be exposed to fluctuation in interest rate thereafter. - Further details relating to financial risks are disclosed in Note 2 to the financial statements.

The Group’s financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group’s risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

Covid-19 has not resulted in a significant financial impact on the Group and MPC has shown to be resilient in its business operations. As explained in the investment property note (Note 5), MPC’s income is secured for the medium term by lease agreements in place. In view of the situation, Malta is currently experiencing an uncertain and unpredictable real estate market. This has led to valuation uncertainty which is not measurable, because the only inputs and metrics available for the valuation are likely to relate to the market before the event occurred and the impact of the event on prices will not be known until the market has stabilised. However, most of the Group’s properties are leased to tenants whose operation has not been as heavily impacted as other players in the market. Particularly, some of the properties consist of purpose-built buildings to serve the specific tenant. The company will continue to monitor closely how the market evolves and MPC’s strategy will be adapted accordingly.

Results and dividends

The results of the Group and the Company are set out in the respective Income Statement. The Directors recommend that at the forthcoming Annual General Meeting, the shareholders approve the payment of a net dividend of €0.012 per share after taxation (2020: €0.012 per share) – such dividend to be payable after shareholder approval at the AGM.

Retained earnings, consisting of both distributable and non-distributable reserves, amounting to €24,047,620 (2020: €22,617,531) of the Group and €4,721,877 (2020: €4,636,649) of the Company are being carried forward to the next financial year.

Directors

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

Mr. Mohamed Sharaf (Chairman)
Mr. Deepak S. Padmanabhan
Dr. Brigitte Zammit
Mr. Aziz Moolji (appointed on 15 July 2021)
Dr. Cory Greenland (appointed on 15 July 2021)
The Noble Paul S. Testaferrata Moroni Viani (retired on 15 July 2021)
Mr. Edmond Brincat (retired on 15 July 2021)

On 16 February 2022, Mr. Aziz Moolji resigned from the post of Director and Mr. Saqib Salman Saeed was appointed in his stead.

In terms of Article 96.1 of the Articles of Association, the term of appointment of the Directors still in office expires at the end of the forthcoming Annual General Meeting.

Mr. Deepak S. Padmanabhan, The Noble Paul S. Testaferrrata Moroni Viani and Dr. Cory Greenland offered themselves for election at the last Annual General Meeting for the two seats on the Board of Directors, and Mr. Deepak S. Padmanabhan and Dr. Cory Greenland were elected to represent the Company's shareholders.

Of the Directors of the Company, Mr. Deepak S. Padmanabhan and Mr. Edmond Brincat (up to 13 May 2021) were acting as Directors of the following subsidiary companies at 31 December 2021: BKE Property Company Limited, MCB Property Company Limited, MSH Property Company Limited, SGE Property Company Limited, SLM Property Company Limited, SPB Property Company Limited, SWT Property Company Limited and ZTN Property Company Limited.

Remuneration Committee and corporate governance

The Board of Directors deems that the setting up of a Remuneration Committee is not necessary within the context of the size, nature and operations of the Group and Company. The Board of the Company will be submitting to the Shareholders at the next Annual General Meeting the Remuneration Report for the financial year ending 31 December 2021 (the 'Reporting Period'). The Report is drawn up in accordance with, and in fulfilment of the provisions of Chapter 12 of the Capital Markets Rules issued by the Malta Financial Services Authority ('Listing Rules') relating to the Remuneration Report and Section 8A of the Code of Principles of Good Corporate Governance (Appendix 5.1 of the Capital Market Rules) regarding the Remuneration Statement.

The Report provides a comprehensive overview of the nature and quantum of remuneration paid to the individual Directors and the Chief Executive Officer during the reporting period and details how this complies with the Company's Remuneration Policy. The Report is intended to provide increased corporate transparency, increased accountability and a better shareholder oversight over the remuneration paid to Directors and the Chief Executive Officer. The contents of this Remuneration Report have been reviewed by the Company's Auditors to ensure that the information required in terms of Appendix 12.1 of the Capital Market Rules has been included.

The Group's arrangements for corporate governance are reported in the 'Corporate governance - Statement of compliance' section.

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent 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; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining 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, and that comply with the Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Group and the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Malta Properties Company p.l.c. for the year ended 31 December 2021 are included in the Annual Report 2021, which is published in hard-copy printed form and is made 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.

Information provided in accordance with Capital Markets Rule 5.70.1

There were no material contracts to which the Company, or any of its subsidiaries was a party, and in which anyone of the Company's Directors was directly or indirectly interested.

Going concern

The Directors, as required by Capital Markets Rule 5.62, have considered the Group's operating performance, the statement of financial position at year end, as well as the business plan for the coming year, and they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

Pursuant to the Company's statutory obligations in terms of the Companies Act and the MFSA Capital Markets Rules, the appointment of the auditors and the authorisation of the Directors to set their remuneration will be proposed and approved at the Company's AGM.

Information provided in accordance with Capital Markets Rule 5.64

The authorised share capital of the Company is forty million Euro (€40,000,000) divided into one hundred and twenty five million (125,000,000) shares of thirty two Euro cents (€0.32) each share.

The issued share capital of the Company is thirty two million four hundred and nineteen thousand, three hundred and fifty six Euro (€32,419,356) divided into one hundred and one million three hundred and ten thousand, four hundred and eighty eight (101,310,488) ordinary shares of thirty two Euro cents (€0.32) each share, which have been subscribed for and allotted fully paid-up.

The issued shares of the Company consist of one class of ordinary shares with equal voting rights attached.

The Directors confirm that as at 31 December 2021, only Emirates International Telecommunications (Malta) Limited held a shareholding in excess of 5% of the total issued share capital.

Any shareholder holding in excess of 40% of the issued share capital of the Company having voting rights may appoint the Chairman. In the event that there is no one single shareholder having such a shareholding, the Chairman shall be elected by shareholders at the Annual General Meeting of the Company.

The rules governing the appointment of Board members are contained in Clause 96 of the Company's Articles of Association as follows:

The Directors shall be appointed as set out hereunder:

a) Any Member holding separately not less than twenty per cent (20%) of the total voting rights of the Company shall have the right to appoint a Director for each and every complete 20% of such rights.
b) Any shares remaining unused by Members in the appointment of a Director may be used to elect Directors at the Annual General Meeting or at any Extraordinary General Meeting convened for the purpose of electing Directors.
c) The Directors appointed shall be appointed by letter addressed to the Company which shall indicate the shareholding used for the purpose and shall be signed by the Member making the appointment. The letter must be delivered to or received by the Company not later than twenty one (21) days prior to the Annual or Extraordinary General Meeting, as the case may be, at which the other Directors are to be elected.
d) The other Directors (being such number as would together with the Directors appointed under the preceding paragraphs make a total of five Directors) shall be elected at the Annual General Meeting or at the Extraordinary General Meeting convened for the purpose of electing Directors by those members who have not exercised any of their rights under the foregoing paragraphs; and for the purposes of any such election, voting shall take place on the basis that one share entitles the holder to vote for only one candidate for election, and the Chairman of the Meeting shall declare elected those candidates who obtain the greater number of votes on that basis.

Any amendment to the Company's Memorandum and Articles of Association has to be made in accordance with the Companies Act (Cap. 386).

Without prejudice to any special rights previously conferred on the holders of any of the existing shares or class thereof, any share in the Company may be issued with such preferred, deferred, or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Board of Directors may from time to time determine, as provided for in Clause 3 of the Articles of Association, as long as any such issue of Equity Securities falls within the authorised share capital of the Company.

The Company may, subject to the applicable restrictions, limitations and conditions contained in the Companies Act (Cap. 386), acquire its own shares and/or Equity Securities.

Pursuant to Capital Market Rules 5.64.2, 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 it is hereby declared that, as at 31 December 2021, none of the requirements apply to the Company.

Statement by the Directors pursuant to Capital Markets Rule 5.68

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole, and that this report includes a fair review of the performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 17 March 2022 by Mr Deepak Padmanabhan (Director) and Dr Cory Greenland (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

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Floriana, Malta
Telephone: (+356) 2123 0032

Dr Francis Galea Salomone
Company Secretary

Corporate governance - Statement of compliance

A. Introduction

Pursuant to the Malta Financial Services Authority Capital Markets Rules, Malta Properties Company p.l.c. ("the Company") whose equity securities are listed on a regulated market should endeavour to adopt the Code of Principles of Good Corporate Governance ("the Code") as contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules. In terms of the Capital Markets Rules, the Company is hereby reporting on the extent of its adoption of the Code.

The Company acknowledges that the Code does not prescribe mandatory rules but recommends principles so as to provide proper incentives for the Board of Directors ("the Board") and the Company's management to pursue objectives that are in the interests of the Company and its shareholders. Good corporate governance is the responsibility of the Board, and in this regard the Board has carried out a review of the Company's compliance with the Code during the period under review, and hereby provides its report thereon.

As demonstrated by the information set out in this statement, the Company believes that it has, save as indicated herein the section entitled Non-Compliance with the Code, throughout the period under review, applied the principles and complied with the provisions of the Code.

B. Compliance

Principle 1: The Board

The Board, the members of which are appointed by the shareholders, is primarily tasked with the administration of the Company's resources in such a way as to enhance the prosperity of the business over time, and therefore the value of the shareholders' investment. The Board is composed of five non-executive Directors, one of whom is the Chairman.

The Board is in regular contact with the Chief Executive Officer and is continuously informed of any decisions taken in order to ensure an effective contribution to the decision-making process, whilst at the same time exercising prudent and effective controls. Directors, individually and collectively, are of appropriate calibre, with the necessary skill and experience to assist the Chief Executive Officer in providing leadership, integrity and judgement in directing the Company towards the maximisation of shareholder value.

Further detail in relation to Board Committees and the responsibilities of the Board is found in "Principles 4 and 5" of this statement.

Principle 2: Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are filled by separate individuals, and the Chief Executive Officer is appointed by the Board for a definite period. During the year under review Mr. Mohsin Majid was re-appointed as Chief Executive Officer of the Company.

The responsibilities and roles of the Chairman and the Chief Executive Officer are clearly established and agreed to by the Board of Directors.

The Chairman is responsible to lead the Board and set its agenda. The Chairman ensures that the Board is in receipt of precise, timely and objective information and also encourages active engagement by all members of the Board for discussion of complex and contentious issues.

Principle 3: Composition of the Board

In accordance with the provisions of the Company's Articles of Association, the appointment of Directors to the Board is exclusively reserved to the Company's shareholders, except in so far as appointment is made to fill a casual vacancy on the Board, and which appointment would expire at the Company's Annual General Meeting following appointment. Any vacancy among the Directors may be filled by the co-option of another person to fill such vacancy. Such co-option shall be made by the Board of Directors.

The Board has the overall responsibility for the activities carried out within the Company and the Group and thus decides on the nature, direction, strategy and framework of the activities and sets the objectives for the activities.

The Board of Directors is currently chaired by Mr. Mohamed Sharaf and comprises five (5) non-executive Directors. The following Directors served on the Board during the period under review:

Non-executive directors
Mr. Mohamed Sharaf (Chairman)
Mr. Deepak S. Padmanabhan
Dr. Brigitte Zammit
Mr. Aziz Moolji (appointed on 15 July 2021)
Dr. Cory Greenland (appointed on 15 July 2021)
The Noble Paul S. Testaferrata Moroni Viani (retired on 15 July 2021)
Mr. Edmond Brincat (retired on 15 July 2021)

For the purposes of the Code, the non-executive Directors are independent. The Company deems that, although Mr. Mohamed Sharaf and Dr. Brigitte Zammit have an employee and director relationship with the controlling shareholder, in terms of Supporting Principle 3 (vii) of the Code of Principles of Good Corporate Governance such relationship is not considered to create a conflict of interest such as to jeopardise exercise of their free judgement.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The Board has a formal schedule of matters reserved to it for decisions, but also delegates specific responsibilities to Board committees and sub-committees, the most prominent being the Audit Committee. Directors receive Board and committee papers in advance of meetings and have access to the advice and services of the Company Secretary. Directors may, in the course of their duties, take independent professional advice on any matter at the Company's expense. The Directors are fully aware of their responsibility always to 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. As delegated and monitored by the Board, the Company Secretary keeps detailed records of all dealings by Directors and senior executives of the Company and its subsidiaries in the Company's shares and all minutes of meetings of the Board and its sub-committees.

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

The following is the attendance at Board meetings of each of the Directors during 2021:

Mr. Mohamed Sharaf (Chairman)	9
Mr. Deepak S. Padmanabhan	8
Dr. Brigitte Zammit	6
The Noble Paul S. Testaferrata Moroni Viani (retired on 15 July 2021)	4
Mr. Edmond Brincat (retired on 15 July 2021)	5
Mr. Aziz Moolji (appointed on 15 July 2021)	1
Dr. Cory Greenland (appointed on 15 July 2021)	4

On joining the Board, a Director is provided with a presentation on the activities of the Company and its subsidiaries.

The Board has the responsibility to ensure that the activities are organised in such a way that the accounts, management of funds and financial conditions in all other respects are controlled in a satisfactory manner and that the risks inherent in the activities are identified, defined, measured, monitored and controlled in accordance with external and internal rules, including the Articles of Association of the Company. The Board of Directors, through the work carried out by the executive team, continuously assesses and monitors the Company's operational and financial performance, assesses and controls risk, and monitors competitive forces in all areas of operation. It also ensures that both the Company and its employees maintain the highest standards of corporate conduct.

Board Committees

Audit Committee

The Audit Committee supports the work of the Board in terms of quality control of the Group's financial reports and internal controls. The Audit Committee is currently chaired by Dr. Cory Greenland, with the other members being Mr. Deepak S. Padmanabhan and Dr. Brigitte Zammit. The Audit Committee is independent and is constituted in accordance with the requirements of the Capital Markets Rules, with Mr. Deepak S. Padmanabhan being chosen as the member competent in accounting and/or auditing in view of his experience in the field. The Chief Finance Officer and the external auditors of the Company attend the meetings of the Committee by invitation. Other executives are requested to attend when required. The Company Secretary also acts as Secretary to the Audit Committee.

The Committee scrutinises and monitors related party transactions. It considers the materiality and the nature of the related party transactions carried out by the Company to ensure that the arm's length principle is adhered to at all times.

As part of its duties, the Committee receives and considers the audited statutory financials statements of all companies comprising the Group. The Committee held five (5) meetings during the year. The external auditors attended four (4) meetings.

Principle 6: Information and Professional Development

The Board is responsible for the appointment of the Chief Executive Officer. The Chief Executive Officer is responsible for the appointment of senior management.

On joining the Board, Board members are informed in writing by the Company Secretary of the Directors' duties and obligations, relevant legislation as well as rules and bye-laws. In addition, Directors have access to the advice and services of the Company Secretary and the Board is also advised directly, as appropriate, by its legal advisors. Directors are also provided with a presentation on the activities of the Company and subsidiaries. The Company Secretary ensures effective information flows within the Board, committees and between senior management and Directors, as well as facilitating professional development. The Company Secretary advises the Board through the Chairman on all governance matters.

Directors may, in the course of their duties, take independent professional advice on any matter at the Company's expense. The Company will provide for additional individual Directors' training on a requirements basis.

Principle 7: Evaluation of the Board's Performance

The Chairman of the Board informally evaluates the performance of the Board members, which assessment is followed by discussions within the Board. Through this process, the activities and working methods of the Board and each committee member are evaluated. Amongst the things examined by the Chairman through his assessment are the following: how to improve the work of the Board further, whether or not each individual member takes an active part in the discussions of the Board and the committees; whether they contribute independent opinions and whether the meeting atmosphere facilitates open discussions. Under the present circumstances the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the Board's performance is furthermore also under the scrutiny of the shareholders. On the other hand, the performance of the Chairman is evaluated by the Board of Directors of the ultimate controlling party, taking into account the manner in which the Chairman is appointed. The self-evaluation of the Board has not led to any material changes in the Company's governance structures and organisations.

Principle 8: Committees

The Company has opted not to set up a Remuneration Committee and a Nomination Committee. Further explanation is provided under the section entitled Non-Compliance with the Code of this Statement. The Board of Directors deems that the setting up of a Remuneration Committee is not necessary within the context of the size, nature and operations of the Group and Company. During the year ended 31 December 2021, the Board of Directors performed the functions of a Remuneration Committee and this is further explained within the Remuneration Report.

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

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. During the period under review, the Company has maintained an effective communication with the market through a number of channels including Company announcements, Circulars, etc.

The Company also communicates with its shareholders through the Company's Annual General Meeting ("AGM"). Both the Chairman of the Board and the Chairman of the Audit Committee are available to answer shareholder questions.

The Chairman/Chief Executive Officer also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

Apart from the AGM, the Company communicates with its shareholders by way of the Annual Report and Financial Statements and also through the Company's website (www.maltaproperties.com.mt) which also contains information about the Company and its business, including an Investor Relations section.

The Office of the Company Secretary maintains regular communication between the Company and its investors. Individual shareholders can raise matters relating to their shareholdings and the business of the Company at any time throughout the year, and are given the opportunity to ask questions at the AGM or to submit written questions in advance.

As provided by the Companies Act (Cap. 386), minority shareholders may convene Extraordinary General Meetings.

Principle 11: Conflicts of Interest

The Directors are fully aware of their responsibility always to 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.

On joining the Board and regularly thereafter, the 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.

Directors' interest in the shareholding of the Company:

	Number of shares as at 31 December 2021
Mr. Mohamed Sharaf (Chairman)	nil
Mr. Deepak S. Padmanabhan	nil
Dr. Brigitte Zammit	nil
Mr. Aziz Moolji (appointed on 15 July 2021)	nil
Dr. Cory Greenland (appointed on 15 July 2021)	3,000

On the date of retirement, Mr. Edmond Brincat had 1,620 shares in MPC. On the same date, The Noble Paul S. Testaferrata Moroni Viani had a beneficial interest in the Company of 75,494, 2,900 and 16,050 shares through the shareholding of Testaferrata Moroni Viani (Holdings) Ltd., Testaferrata Moroni Viani Ltd. and other related parties, respectively.

None of the Directors of the Company have any interest in the shares of the Company's subsidiaries or investees or any disclosable interest in any contracts or arrangements either subsisting at the end of the last financial year or entered into during this financial year. No other changes in the Directors' interest in the shareholding of the Company between year-end and 10 March 2022.

Principle 12: Corporate Social Responsibility

The Directors also seek to adhere to accepted principles of corporate social responsibility in their management practices of the company in relation to the Company's workforce, the country's cultural and historical heritage, the environment and the local community. During 2021, the Company has continued to support several voluntary organisations through donations with the aim of improving the quality of life of the local community and society at large. As in previous years, the Company is also committed to constructing buildings which are energy efficient.

C. Non-compliance with the Code

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

As explained in Principle 3 in Section B, the Board is composed entirely of non-executive Directors. Notwithstanding this, it is considered that the Board, as composed, provides for sufficiently balanced skills and experience to enable it to discharge its duties and responsibilities effectively. In addition, no cases of conflict of interest are foreseen. The Directors believe that the executive role should be performed by the Chief Executive Officer who reports directly to the Board. As such, the Board shall maintain a supervisory role and monitor the operations of the Chief Executive Officer.

Principle 4: Succession Policy for the Board

Code Provision 4.2.7 recommends "the development of a succession policy for the future composition of the Board of Directors and particularly the executive component thereof, for which the Chairman should hold key responsibility". In the context of the appointment of Directors being a matter reserved exclusively to the Company's shareholders (except where the need arises to fill a casual vacancy) as explained under Principle 3 in Section B, considering that every Director retires from office at the AGM and that all five Directors have a non-executive role, the Company does not consider it feasible to have in place such a succession policy.

Principle 6: Succession Plan for Senior Management

Although the Chief Executive Officer is responsible for the recruitment and appointment of senior management, the Company has not established a formal succession plan. This is basically due to the size of the Company's work force.

Principle 7: Evaluation of the Board's Performance

Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under scrutiny of the shareholders.

Principle 8A: Remuneration Committee

The Board deems that the setting up of a Remuneration Committee is not necessary within the context of the size, nature and operations of the Company. However, as aforementioned, its function was carried out by the Board of Directors.

Principle 8B: Nomination Committee

Pursuant to the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders. Shareholders holding not less than 20% (twenty per centum) of the issued share capital of the Company having voting rights shall be entitled to appoint one Director for every such 20% holding by letter addressed to the Company. The other shareholders are entitled to appoint the remaining Board members at the AGM in accordance with the provisions of the Articles of Association. Within this context, the Board believes that the setting up of a Nomination Committee is currently not suited to the Company since it will not be able to undertake satisfactorily its full functions and responsibilities as envisaged by the spirit of the Code.

Principle 9: Conflicts between Shareholders (code provision 9.3)

Currently there is no established mechanism disclosed in the Company's Memorandum and Articles of Association to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. In any such cases should a conflict arise, the matter is dealt with in the appropriate fora in the Board meetings, wherein the minority shareholders are represented. There is also an open channel of communication between the Company and the minority shareholders via the Office of the Company Secretary.

D. Internal control

The key features of the Group's system of internal controls are as follows:

Organisation

The Group operates through Boards of Directors of subsidiaries with clear reporting lines and delegation of powers. The Company's Chairman is also the Chairman of the Board of Directors of the Company's subsidiaries.

Control environment

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives. Lines of responsibility and delegation of authority are documented.

The Group and the individual companies comprising it have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and reviews by management and the external auditors.

Risk identification

Group management is responsible together with each of the subsidiary companies' management, for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

Information and communication

Group companies participate in periodic strategic reviews which include consideration of long term financial projections and the evaluation of business alternatives.

Monitoring and corrective action

There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Audit Committee meets regularly during the year and, within its terms of reference as approved by the Malta Financial Services Authority, reviews the effectiveness of the Group's systems of internal financial controls. The Committee receives reports from management and the external auditors.

E. General meetings

Shareholders' influence is exercised at the Annual General Meeting (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. A shareholder who cannot participate in the Meeting can be represented by proxy.

Business at the Company's AGM will cover the Annual Report and Financial Statements, the declaration of dividends, election of Directors and the approval of their remuneration, the appointment of the auditors and the authorisation of the Directors to set the auditors' fees. Shareholders' meetings are called with sufficient notice to enable the use of proxies to attend, vote or abstain. The Company clearly recognises the importance of maintaining a regular dialogue with its shareholders in order to ensure that its strategies and performance are understood. It communicates with the shareholders through the AGM by way of the Annual Report and Financial Statements and by publishing its results on a regular basis during the year. This it does through the Investor Relations Section on the Company's internet site, the Office of the Company Secretary, and Company announcements to the market in general.

Remuneration report

A. Remuneration Committee

The functions of the Remuneration Committee were performed by the Board of Directors composed of Mohamed Sharaf, Deepak S. Padmanabhan, Brigitte Zammit, Edmond Brincat (retired on 15 July 2021), Paul S. Testaferrata Moroni Viani (retired on 15 July 2021), Aziz Moolji (appointed on 15 July 2021) and Cory Greenland (appointed on 15 July 2021). The Board discusses and approves remuneration and bonuses of senior executives.

B. Remuneration policy - Directors and CEO

The Company is required to establish a Remuneration Policy with respect to its Directors. The remuneration policy has been approved by the shareholders at the Annual General Meeting held on 29 July 2020 and is applicable for a maximum period of four years. All remuneration for directors was in conformity with this policy. The policy describes the components of such remuneration and how this contributes to the Company's business strategy, in the context of its long-term sustainable value creation. This remuneration policy is divided into two parts distinguishing between Directors and Executive Directors.

It is the shareholders, in terms of the Memorandum and Articles of Association of the Company, who elect the Directors and determine their maximum annual aggregate emoluments by resolution at the Annual General Meeting of the Company. Remuneration payable to directors (in their capacity as directors) is reviewed as and when necessary and is not linked to the share price or the company's performance. These are benchmarked against market practice for major local companies of similar size and complexity.

The aggregate amount fixed for this purpose during the last Annual General Meeting was €200,000 (2020: €200,000). None of the Directors have any service contracts with the Company but two (2) of the Directors (three (3) up to 15 September 2021) are employees of the ultimate parent company of Malta Properties Company p.l.c. However, there are no specific amounts of their remuneration allocated to their role at Malta Properties Company p.l.c. Moreover, none of the Directors, in their capacity as Directors of the Company, are entitled to profit sharing, share options, pension benefits or any other remuneration. The Directors' fees as approved by the Board for 2021 were set at €25,000 (2020: €25,000) per annum for each Director. Since their appointment as Directors, Mr. M. Sharaf, Dr. B. Zammit and Mr. A. Moolji opted to waive fees due to them as Directors. No variable remuneration is paid to Directors in their capacity as Directors of the Company. Total emoluments received by Directors during the financial year 2021 in terms of Code Provisions 8.A.5 are as follows: fixed remuneration of €63,575 (2020: €73,992). Directors are provided with electronic equipment to be able to connect to any online Board meetings for assisting in providing advice and to provide their inputs on the market.

In terms of Code Provision 12.1 and 12.2 of the Malta Financial Services Authority Capital Markets Rules, directors' emoluments paid for the financial years 2021 and 2020 were as follows:

	2021	**2020**
	€	€
Mr. Deepak S. Padmanabhan (as from 10 June 2020)	25,000	13,958
The Noble Paul Testaferrata Moroni Viani (retired on 15 July 2021)	13,508	25,000
Mr. Mohsin Majid (resigned on 9 June 2020)	-	10,034
Dr. Cory Greenland (retired on 29 July 2020 and appointed on 15 July 2021)	11,559	14,583
Mr. Edmond Brincat (appointed on 29 July 2020 and retired on 15 July 2021)	13,508	10,417

The total emoluments received by the Chief Executive Officers for the financial years 2021 and 2020 were as follows:

	2021		**2020**	
	Fixed	**Variable**	**Fixed**	**Variable**
	€	€	€	€
Mr. Mohsin Majid (as from 10 June 2020)	155,603	61,584	78,392	37,697
Mr. Deepak S. Padmanabhan (resigned on 9 June 2020)	-	-	62,425	30,083

C. Remuneration policy - Senior executives

It is the Board of Directors who determines the overall structure and parameters of the Remuneration Policy and the individual remuneration packages for senior executives (including the CEO). The Board of Directors considers that the Remuneration Policy which is being adopted in respect of the remuneration packages of senior executives is fair and reasonable and in keeping with local equivalents. The Board of Directors is also of the opinion that the packages offered ensure that the Company attracts and retains management staff that is capable of fulfilling their duties and obligations towards the Company. Senior executives are on an indefinite contract of employment except for the CEO who is on a definite contract of employment and their contracts specify their remuneration package. None of the contracts provide for profit sharing or share options, pension benefits, early retirement schemes or payments linked to termination in the contracts.

The variable component comprises an incentive that reflects the business performance or profit of the Company as well as the individual's performance as measured on the basis of the level of achievement over one financial period of financial and non-financial objectives established by the Board which are consistent with the Company's strategy and aligned with the shareholders' interest. These objectives and benchmarks set include targets for operating income and growth as well as measures for diversification and development, financing and governance processes. The Board evaluates the fulfilment of criteria by comparing the targeted levels to realised outcomes. The Company does not have the possibility to reclaim any variable remuneration. The Board considers the linkage between the fixed remuneration and the variable remuneration to be appropriate.

As regards to non-cash benefits, senior executives are entitled to health insurance, telephone expenses and car-cash allowance. Total emoluments received by senior executives (including the CEO) during the financial year 2021 and 2020 in terms of Code Provisions 8.A.5 are as follows: fixed remuneration of €262,000 (2020: €232,000) and variable remuneration of €101,000 (2020: €108,000); and other benefits referred to above.

D. Remuneration policy - Employees

The CEO, within the overall structure and parameters of the Remuneration Policy determined by the Board, determines the individual remuneration packages for all other employees. The Board of Directors considers that the Remuneration Policy which is being adopted in respect of the remuneration packages of the employees is fair and reasonable and in keeping with local equivalents. The Board of Directors is also of the opinion that the packages offered ensure that the Company attracts and retains staff that is capable of fulfilling their duties and obligations towards the Company. All other employees are on an indefinite contract of employment and their contracts specify their remuneration package. None of the contracts provide for profit sharing or share options, pension benefits, early retirement schemes or payments linked to termination in the contracts.

The variable component comprises an incentive that reflects the business performance or profit of the Company as well as the individual's performance as measured on the basis of the level of achievement over one financial period of financial and non-financial objectives established by the CEO which are consistent with the Company's strategy and aligned with the shareholders' interest. The CEO evaluates the fulfilment of criteria by comparing the targeted levels to realised outcomes.

As regards to non-cash benefits, employees are entitled to health insurance, telephone expenses and car-cash allowance or company car.

E. Other information on remuneration in terms of Appendix 12.1 of the Capital Markets Rules

In terms of the requirements within Appendix 12.1 of the Capital Market Rules, the following table presents the annual change of remuneration, of the company's performance, and of average remuneration on a full-time equivalent basis of the company's employees (other than directors) over the two most recent financial years. The Company's Directors, which are all non-executive Directors, have been excluded from the table below since they have a fixed fee as described in Section B above.

	2021	**2020**	**Change**
	€	€	%
Annual aggregate employee remuneration	681,625	620,495	
Employee remuneration (excluding CEO)	464,438	411,898	
CEO remuneration	217,187	208,597	4.1
Company performance - EBITDA	2,110,065	2,145,910	(1.7)
Average employee remuneration (excluding CEO) - full-time equivalent	66,348	58,843	12.8

The Company's performance is measured using EBITDA since the profit before tax fluctuates year on year due to extraordinary gains on sale of property and changes in fair value, which depend on changes in the local property market conditions.

The contents of the Remuneration Report have been reviewed by the external auditor to ensure that the information required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets rules have been included.

Statements of financial position

		As at 31 December			
		Group		**Company**	
		2021	2020	**2021**	2020
	Notes	**€**	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**894,632**	901,610	**894,632**	901,610
Investment property	5	**71,356,700**	75,571,773	**15,420,362**	15,476,704
Investment in subsidiaries	6	**-**	-	**79,993**	79,993
Loans receivable from subsidiaries	7	**-**	-	**38,789,122**	38,796,894
Trade and other receivables	8	**201,180**	175,419	**192,570**	-
Total non-current assets		**72,452,512**	76,648,802	**55,376,679**	55,255,201
Current assets					
Trade and other receivables	8	**1,250,313**	180,690	**14,175,197**	12,221,154
Current tax asset		**8,558**	20,991	**-**	-
Deposits	9	**271,000**	609,000	**262,000**	600,000
Cash and cash equivalents	9	**11,867,689**	4,064,626	**189,597**	92,034
		13,397,560	4,875,307	**14,626,794**	12,913,188
Assets classified as held for sale	5	**6,962,388**	12,575,000	**-**	-
Total current assets		**20,359,948**	17,450,307	**14,626,794**	12,913,188
Total assets		**92,812,460**	94,099,109	**70,003,473**	68,168,389

	Notes				
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	10	**32,419,356**	32,419,356	**32,419,356**	32,419,356
Other reserves	11	**250,521**	249,515	**250,521**	249,515
Retained earnings		**24,047,620**	22,617,531	**4,721,877**	4,636,649
Total equity		**56,717,497**	55,286,402	**37,391,754**	37,305,520
LIABILITIES					
Non-current liabilities					
Borrowings	12	**21,277,195**	10,214,698	**16,000,000**	4,452,441
Deferred tax liability	13	**7,461,297**	8,456,723	**1,499,482**	1,505,618
Trade and other payables	14	**122,930**	102,408	**122,930**	102,408
Total non-current liabilities		**28,861,422**	18,773,829	**17,622,412**	6,060,467
Current liabilities					
Borrowings	12	**5,468,973**	17,577,344	**4,983,172**	17,100,000
Trade and other payables	14	**1,639,445**	2,282,243	**10,004,886**	7,594,873
Current tax liability		**125,123**	179,291	**1,249**	107,529
Total current liabilities		**7,233,541**	20,038,878	**14,989,307**	24,802,402
Total liabilities		**36,094,963**	38,812,707	**32,611,719**	30,862,869
Total equity and liabilities		**92,812,460**	94,099,109	**70,003,473**	68,168,389

The accompanying notes are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 17 March 2022. The financial statements were signed on behalf of the Board of Directors by Mr Deepak Padmanabhan (Director) and Dr Cory Greenland (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Income statements

		Year ended 31 December			
		Group		Company	
		2021	2020	**2021**	2020
	Notes	**€**	€	**€**	€
Rental income	15	**3,576,541**	3,405,891	**932,573**	922,740
Other income	15	**66,945**	32,764	**53,765**	32,764
Net impairment gains/(loss) on financial assets	7,8,9	**(19,358)**	-	**(12,052)**	1,127
Administrative expenses	16	**(1,545,017)**	(1,302,091)	**(1,274,841)**	(1,094,107)
Operating profit/(loss)		**2,079,111**	2,136,564	**(300,555)**	(137,476)
Dividend income	15	**-**	-	**1,500,000**	-
Finance income	19	**6,273**	-	**1,219,609**	1,457,215
Finance costs	20	**(692,229)**	(549,894)	**(764,056)**	(693,792)
Fair value movement arising on property	5,5.1	**2,219,403**	2,743,532	**(59,897)**	(15,000)
Profit before tax		**3,612,558**	4,330,202	**1,595,101**	610,947
Tax expense	21	**(966,757)**	(1,350,317)	**(294,161)**	(184,762)
Profit for the year		**2,645,801**	2,979,885	**1,300,940**	426,185
Earnings per share	22	**0.03**	0.03		

The accompanying notes are an integral part of these financial statements.

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
		2021	2020	**2021**	2020
	Note	**€**	€	**€**	€
Comprehensive income					
Profit for the year		**2,645,801**	2,979,885	**1,300,940**	426,185
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Surplus arising on revaluation of land and buildings	11	**1,006**	150	**1,006**	150
Total other comprehensive income for the year, net of tax		**1,006**	150	**1,006**	150
Total comprehensive income for the year		**2,646,807**	2,980,035	**1,301,946**	426,335

The accompanying notes are an integral part of these financial statements.

Statements of changes in equity

Group	Notes	Share capital €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2020		32,419,356	249,365	20,650,747	53,319,468
Comprehensive income					
Profit for the year		-	-	2,979,885	2,979,885
Other comprehensive income:					
Surplus arising on revaluation of land and buildings, net of deferred tax	11	-	150	-	150
Total comprehensive income		-	150	2,979,885	2,980,035
Transactions with owners					
Dividends	25	-	-	(1,013,101)	(1,013,101)
Balance at 31 December 2020		**32,419,356**	**249,515**	**22,617,531**	**55,286,402**
Comprehensive income					
Profit for the year		-	-	2,645,801	2,645,801
Other comprehensive income:					
Surplus arising on revaluation of land and buildings, net of deferred tax	11	-	1,006	-	1,006
Total comprehensive income		-	1,006	2,645,801	2,646,807
Transactions with owners					
Dividends	25	-	-	(1,215,712)	(1,215,712)
Balance at 31 December 2021		**32,419,356**	**250,521**	**24,047,620**	**56,717,497**

As at 31 December 2021, total retained earnings of the Group amounted to €24,047,620 (2020: €22,617,531). Distributable reserves within retained earnings amounted to €2,468,544 (2020: €4,253,284), while non-distributable reserves amounted to €21,579,076 (2020: €18,364,247).

Company	Notes	Share capital €	Other reserves €	Retained earnings €	Total €
Balance 1 January 2020		32,419,356	249,365	5,223,565	37,892,286
Comprehensive income					
Profit for the year		-	-	426,185	426,185
Other comprehensive income:					
Surplus arising on revaluation of land and buildings, net of deferred tax	11	-	150	-	150
Total comprehensive income		-	150	426,185	426,335
Transactions with owners					
Dividends	25	-	-	(1,013,101)	(1,013,101)
Balance at 31 December 2020		**32,419,356**	**249,515**	**4,636,649**	**37,305,520**
Comprehensive income					
Profit for the year		-	-	1,300,940	1,300,940
Other comprehensive income:					
Surplus arising on revaluation of land and buildings, net of deferred tax	11	-	1,006	-	1,006
Total comprehensive income		-	1,006	1,300,940	1,301,946
Transactions with owners					
Dividends	25	-	-	(1,215,712)	(1,215,712)
Balance at 31 December 2021		**32,419,356**	**250,521**	**4,721,877**	**37,391,754**

As at 31 December 2021, total retained earnings of the Company amounted to €4,721,877 (2020: €4,636,649). Distributable reserves within retained earnings amounted to €2,051,409 (2020: €1,912,420), while non-distributable reserves amounted to €2,670,468 (2020: €2,724,229).

The accompanying notes are an integral part of these financial statements.

Statements of cash flows

	Notes	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
		Year ended 31 December			
Cash flows from operating activities					
Cash generated from/(used in) operations	23	**2,020,979**	2,159,992	**2,725,519**	(105,339)
Interest paid		**(692,229)**	(549,894)	**(764,056)**	(693,792)
Interest received		**6,273**	-	**-**	-
Tax paid		**(2,003,916)**	(516,067)	**(406,577)**	(303,618)
Net cash (used in)/generated from operating activities		**(668,893)**	1,094,031	**1,554,886**	(1,102,749)
Cash flows from investing activities					
Additions to investment property		**(2,600,846)**	(9,831,891)	**(6,730)**	(6,154)
Purchase of property, plant and equipment		**(3,612)**	(73,920)	**(3,612)**	(73,920)
Proceeds from disposal of property		**13,000,000**	-	**-**	-
Investment in subsidiary		**-**	-	**-**	(10,000)
Restricted deposits		**338,000**	-	**338,000**	-
Net cash generated from/(used in) investing activities		**10,733,542**	(9,905,811)	**327,658**	(90,074)
Cash flows from financing activities					
Bank loan drawdown		**528,307**	7,700,192	**530,731**	1,200,192
Bank loan repayments		**(1,574,181)**	(535,399)	**(1,100,000)**	(275,000)
Dividends paid		**(1,215,712)**	(1,013,101)	**(1,215,712)**	(1,013,101)
Net cash (used in)/generated from financing activities		**(2,261,586)**	6,151,692	**(1,784,981)**	(87,909)
Net movement in cash and cash equivalents		**7,803,063**	(2,660,088)	**97,563**	(1,280,732)
Cash and cash equivalents at beginning of year		**4,064,626**	6,724,714	**92,034**	1,372,766
Cash and cash equivalents at end of year	9	**11,867,689**	4,064,626	**189,597**	92,034

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Malta Properties Company p.l.c. and its subsidiaries and have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention as modified by the fair valuation of property, plant and equipment and investment property.

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

The directors have concluded that at the time of approving these consolidated financial statements the Group's business is considered to be a going concern.

Standards, interpretations and amendments to published standards effective in 2021

In 2021, the Group and Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 January 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's and Company's accounting policies impacting the Group and Company's financial performance and position.

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, that are mandatory for the Group's and Company's accounting periods beginning after 1 January 2021. The Group and Company have 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 possible significant impact on the Group and Company's financial statements in the period of initial application.

1.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the Directors, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the Company's investment in that subsidiary. Loans to subsidiaries for which settlement is planned are classified as financial assets (Note 1.7).

1.3 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 consolidated financial statements are presented in euro, which is the Group and Company's functional and presentation currency.

(b) Transactions and balances

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

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings comprise offices and are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. 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 asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged to profit or loss, and then reflected in other comprehensive income and shown as a revaluation reserve.

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's property portfolio at periodical intervals. The fair values are based on market values, being the estimated amount or price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risk inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The rates of depreciation used for the current and comparative periods are as follows:

	%
Buildings	1
Office furniture and equipment	10 - 25

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.6).

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised in profit or loss.

When revalued assets are sold, the amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

1.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group or Company is classified as investment property. 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. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location, or condition of the specific asset. If this information is not available, the Group and Company use alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the end of the reporting period by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active 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 Group or Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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.

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.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for the following accounting period and is subsequently shown at fair value. When the Group or Company decides to dispose of an investment property without development, the Group or Company continues to treat the property as an investment property until it is derecognised (eliminated) from the statement of financial position and does not reclassify it as inventory. Similarly, if the Group or Company begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment. If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sell, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

Investment property classified as held for sale

Investment property (or disposal groups) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Investment property is measured at fair value as per above and continues to be carried as such even when the held for sale criteria are met. Investment property classified as held for sale is presented separately from the other assets on the statement of financial position.

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 Financial assets

Classification

The Group classifies its financial assets as financial assets measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group's main financial assets that are subject to IFRS 9's expected credit loss model comprise cash and cash equivalents and in the case of the Company also loans receivable and amounts owed by subsidiaries.

Expected credit loss (ECL) model

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1.8 Inventories – property held for resale

Property held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

1.9 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowance (Note 1.7). Details about the Group's impairment policies and the calculation of loss allowance are provided in Note 1.7.

1.10 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 bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

1.11 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.

1.12 Financial liabilities

The Group and Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group and Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities'). 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, except for derivative financial instruments, are subsequently measured at amortised cost. The Group and 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.

1.13 Trade and other payables

Trade and other 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.

1.14 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 Group or Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.15 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.

1.16 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.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

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 consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; 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.

Under this method, the Group and Company are required to make a provision for deferred taxes on the fair valuation of certain non-current assets. Such deferred tax is charged or credited directly to profit or loss.

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.

1.17 Provisions

Provisions for legal claims are recognised when the Group or 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.

1.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises rental income from the rental of immovable property in the ordinary course of the Group or Company's activities. Revenue from investment property is recognised in profit or loss on a straight-line basis over the term of the lease and is stated net of sales tax, rebates and discounts.

Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

The Group and 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 the Group and Company's activities as described above.

1.19 Operating leases

The Group or Company is the lessor

Assets leased out under operating lease are included in investment property in the statement of financial position and are accounted for in accordance with Note 1.5. Rental income from operating lease is recognised in profit or loss in accordance with Note 1.18.

1.20 Dividend distribution

Dividend distribution to the Group or Company's shareholders is recognised as a liability in the Group or Company's financial statements in the period in which the dividends are approved by the Group or Company's shareholders.

1.21 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. The capitalisation of borrowing costs is ceased once the asset is substantially ready for its intended use or sale 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. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

2. Financial risk management

2.1 Financial risk factors

The Group's and Company's activities potentially expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. Malta Properties Company p.l.c.'s (MPC) overall risk management, covering risk exposures for all group entities, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. MPC's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Accordingly, the Board provides principles for overall Group risk management, as well as risk management policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group and Company did not make use of derivative financial instruments to hedge certain risk exposures during the current period.

The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) Market risk

Cash flow and fair value interest rate risk

The Group's interest rate risk principally arises from bank borrowings (Note 12) issued at variable rates that are partially offset by balances held with banks (Note 9) and other financial assets subject to floating interest rates, which expose the Group to cash flow interest rate risk. Floating interest rates on these financial instruments are linked to reference rates such as Euribor or the respective banker's base rate. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments taking into consideration refinancing, renewal of existing positions, alternative financing and hedging techniques.

Management monitors the impact of changes in market interest rates on amounts reported in the statement of comprehensive income in respect of these instruments. 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. The Group's operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

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

	Group		**Company**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Financial assets at amortised cost				
Loans receivable from subsidiaries (Note 7)	**-**	-	**38,789,122**	38,796,894
Other receivables (Note 8)	**53,721**	11,913	**14,036,181**	12,006,436
Cash and cash equivalents (Note 9)	**11,867,689**	4,064,626	**189,597**	92,034
	11,921,410	4,076,539	**53,014,900**	50,895,364

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 Group does not hold any collateral as security in this respect.

The Group banks only with local financial institutions with high quality standing or rating. The Company's other receivables include significant amounts due from its subsidiaries (Note 7). The Group's finance function monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management.

The Group assesses the credit quality of these receivables taking into account the financial position, performance and other factors. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group and Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The tables below show the reconciliation of the Group's and Company's opening allowance to the closing loss allowance as at 31 December 2021:

Group

	Bank balances €	**Total €**
Loss allowance as at 1 January 2021	-	-
Increase in allowance recognised in profit or loss during the year	19,358	19,358
Closing loss allowance as at 31 December 2021	**19,358**	**19,358**

Company

	Loans receivable from subsidiaries €	**Amounts owed by subsidiaries €**	**Total €**
Loss allowance as at 1 January 2020	68,003	14,506	82,509
(Decrease)/increase in allowance recognised in profit or loss during the year	(5,829)	4,702	1,127
Closing loss allowance as at 31 December 2020	**62,174**	**19,208**	**81,382**
Increase in allowance recognised in profit or loss during the year	7,772	4,280	12,052
Closing loss allowance as at 31 December 2021	**69,946**	**23,488**	**93,434**

The estimated expected credit loss on other receivables in the case of the Group and on cash and cash equivalents for the Company was immaterial. The Group presently has a small number of clients as tenants, the major tenant being GO p.l.c.. The Group assessed the respective credit risk and concluded that despite the concentration these tenants are able to honour their contractual commitments.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 14). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group'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 Group's and 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 intra-group financing that it can access to meet liquidity needs. In addition, the Company is in the process of renegotiating the facility falling due towards the end of 2022, which should address the liquidity needs for the next twelve months.

The Group's and Company's trade and other payables are in the main repayable within one year from the end of the reporting period.

The table below analyses the Group's and the Company's borrowings into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group

	Carrying amount €'000	Contractual cash flows €'000	Less than 1 year €'000	Between 1 and 5 years €'000	Over 5 years €'000
31 December 2021					
Bank loan	**26,746**	**29,940**	**6,189**	**20,320**	**3,431**
31 December 2020					
Bank loan	27,792	29,375	18,330	6,962	4,083

Company

	Carrying amount €'000	Contractual cash flows €'000	Less than 1 year €'000	Between 1 and 5 years €'000	Over 5 years €'000
31 December 2021					
Bank loan	**20,983**	**23,509**	**5,589**	**17,920**	**-**
31 December 2020					
Bank loan	21,552	22,292	17,730	4,562	-

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group monitors the level of capital on the basis of the ratio of aggregated debt to total equity. Aggregated debt is calculated as total borrowings (as shown in the statement of financial position).

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital, as reflected in the consolidated statement of financial position, is maintained by reference to the Group's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the Directors.

2.3 Fair values of financial instruments

Fair values of financial instruments not carried at fair value

At 31 December 2021 and 2020, the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances to related parties and other balances with related parties is equivalent to their carrying amount.

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 except as disclosed in Notes 4 and 5, 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. Property, plant and equipment

Group and Company	Land and buildings €	Office furniture and equipment €	Total €
At 1 January 2020			
Cost or valuation	799,450	75,242	874,692
Accumulated depreciation	-	(37,806)	(37,806)
Carrying amount	799,450	37,436	836,886
Year ended 31 December 2020			
Opening net book amount	799,450	37,436	836,886
Additions	2,045	71,875	73,920
Depreciation charge	(2,195)	(7,151)	(9,346)
Revaluation of land and buildings			
- Effect on additions	(2,045)	-	(2,045)
- Effect on accumulated depreciation	2,195	-	2,195
Closing carrying amount	799,450	102,106	901,610
At 31 December 2020			
Cost or valuation	799,450	147,117	946,567
Accumulated depreciation	-	(44,957)	(44,957)
Carrying amount	799,450	102,160	901,610
Year ended 31 December 2021			
Opening net book amount	799,450	102,160	901,610
Additions	1,200	2,412	3,612
Depreciation charge	(2,206)	(9,390)	(11,596)
Revaluation of land and buildings			
- Effect on additions	(1,200)	-	(1,200)
- Effect on accumulated depreciation	2,206	-	2,206
Closing carrying amount	**799,450**	**95,182**	**894,632**
At 31 December 2021			
Cost or valuation	799,450	149,529	948,979
Accumulated depreciation	-	(54,347)	(54,347)
Carrying amount	**799,450**	**95,182**	**894,632**

Borrowings are secured by the Group’s and Company’s property, plant and equipment (Note 12).

5. Investment property

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
At 31 December				
Opening carrying amount	**75,571,773**	75,740,550	**15,476,704**	15,485,550
Additions	**1,952,912**	9,662,691	**3,555**	6,154
Net gains/(losses) from changes in fair value	**794,403**	2,743,532	**(59,897)**	(15,000)
Reclassified to assets held for sale (Note 5.1)	**(6,962,388)**	(12,575,000)	**-**	-
Closing carrying amount	**71,356,700**	75,571,773	**15,420,362**	15,476,704
At 31 December				
Cost or valuation	**60,437,894**	64,418,370	**12,588,207**	12,584,652
Net fair value gains	**10,918,806**	11,153,403	**2,832,155**	2,892,052
Carrying amount	**71,356,700**	75,571,773	**15,420,362**	15,476,704

Investment property comprises commercial properties mainly leased out to a related party. Minimum lease payments receivable on leases of investment properties are disclosed in Note 26. Borrowings are secured by the Group's and Company's investment property (Note 12).

5.1 Investment property classified as held for sale

Assets classified as held for sale include a property known as the B'Kara Old Exchange owned by one of the Company's subsidiaries. The subsidiary entered into a promise of sale agreement on 28 September 2021 and bound itself to sell and transfer the property to third parties by September 2022. During the current financial year fair value movements on such property amounted to €1,029,000. In 2020, assets classified as held for sale included a property known as the St. George's Exchange owned by one of the Company's subsidiaries. The subsidiary signed the deed of sale of the property on 12 August 2021. During 2021, fair value movements on such property amounted to €1,425,000. On the date of sale of this property, the aforementioned fair value gains of €1,425,000 were realised.

The fair value of the properties together with the valuation technique is disclosed in the note below. Deferred tax considerations of sale are disclosed in Note 14.

5.2 Fair valuation of land and buildings

The Group's investment property was revalued in December 2021 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 31 December 2021, on the basis of an assessment by the independent property valuers, and the carrying amounts were adjusted accordingly during the current financial year.

Valuations were made on the basis of open market value after considering the returns being attained by the property and its intrinsic value.

Most of the Group's investment properties are covered by medium term leases which secure the Group's income and returns for the coming years, and no difficulty in collecting rent due is foreseen. The fair value of the properties which will be vacated in the short term is not considered to be significantly different from their book value. The B'Kara Old Exchange property, which is currently on promise of sale, is expected to be sold at the contracted amount, which is higher than the book value of the property.

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 investment property comprises various exchanges and offices. All the recurring property fair value measurements at 31 December 2021 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 year ended 31 December 2021.

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 for the year ended 31 December 2021 reflects additions and changes in fair value.

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.

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.

Valuation techniques

The external valuations of the Level 3 property have been performed using a variety of methods, including the discounted cash flow method and an adjusted sales comparison method. Each property was valued using the method considered by the external valuers to be the most appropriate valuation method for that type of property.

In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals in the respective markets in which the properties are located, the valuations have been performed using unobservable inputs.

The significant inputs to the approaches used are generally those described below:

- Discounted cash flow method considers the free cash flows arising from the projected income streams expected to be derived from the operation of property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

  Projected post-tax cash flows which are initially mainly based on the existing rental income streams less operating costs that reflect the existing cost structure. Going forward, all the rental streams are adjusted to reflect contracted rental adjustments including annual growth rates. An average growth rate of 1.3% per annum is being assumed. In the case of properties currently under development, estimated development costs to complete were also considered.

  Discount rates based on current market interest rates and a risk premium that reflects the valuers' assessment to specific risk attached to the property being valued and its underlying activity.

- The adjusted sales comparison method - The significant input to the sales comparative approach is generally a sales price per square metre related to transactions or advertised listings of 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)

	Fair value at 31 December 2021 €000	**Valuation technique**	**Significant unobservable input**	**Range of unobservable inputs**
Land and buildings				
Current use as office premises	**39,758**	Discounted cash flow method	Discount rate	**5.25% - 6.5%**
Developable land for industrial/ commercial use	**22,829**	Discounted cash flow method	Discount rate	**6.0% - 6.5%**
Marketed as extended-commercial premises	**6,400**	Adjusted sales comparison method	Sales price per square metre	**€1,244**
Marketed as residential-commercial developments	**2,370**	Discounted cash flow method	Discount rate	**5.25%**
Investment property classified as held for sale				
Marketed as residential-commercial developments	**6,962**	Adjusted sales comparison method	Sales price per square metre	**€1,554**

	Fair value at 31 December 2020 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs
Land and buildings				
Current use as office premises	**40,017**	Discounted cash flow method	Discount rate	**6.1% - 7.4%**
Developable land for industrial/ commercial use	**19,760**	Discounted cash flow method	Discount rate	**6.0% - 6.7%**
Marketed as extended-commercial premises	**6,500**	Adjusted sales comparison method	Sales price per square metre	**€1,260**
Marketed as residential-commercial developments	**6,950**	Adjusted sales comparison method	Sales price per square metre	**€2,080**
	2,345	Discounted cash flow method	Discount rate	**6.1%**
Investment property classified as held for sale				
Marketed as extended-commercial premises	**12,575**	Adjusted sales comparison method	Sales price per square metre	**€5,260**

For the sales comparative method, the higher the rate per square metre, the higher the resultant fair valuation. Conversely, the lower the capitalisation rate, the higher the resultant fair valuation.

In respect of the discounted cashflow approach, the higher the annualized net cash inflows, and growth rate, the higher the fair value. Conversely, the lower the discount rate, the estimated development costs, and capitalisation rate used in calculating the annualized net cash inflows, the higher the fair value.

6. Investment in subsidiaries

	Company €
Year ended 31 December 2021 and 2020	
Opening and closing cost and carrying amount	79,993

The carrying amount of the investments at 31 December 2021 and 2020 is equivalent to the cost of the investment net of impairment charges.

The subsidiaries at 31 December 2021 and 2020 are shown below:

Subsidiary	Registered office	Class of shares held	Percentage of shares held	
			2021	2020
BKE Property Company Limited	The Bastions Emvin Cremona Street Floriana FRN1281	Ordinary Shares of €1 each	99.99	99.99
MCB Property Company Limited	The Bastions Emvin Cremona Street Floriana FRN1281	Ordinary Shares of €1 each	99.99	99.99
MSH Property Company Limited	The Bastions Emvin Cremona Street Floriana FRN1281	Ordinary Shares of €1 each	99.99	99.99
SGE Property Company Limited	The Bastions Emvin Cremona Street Floriana FRN1281	Ordinary Shares of €1 each	99.99	99.99
SLM Property Company Limited	The Bastions Emvin Cremona Street Floriana FRN1281	Ordinary Shares of €1 each	99.99	99.99
SPB Property Company Limited	The Bastions Emvin Cremona Street Floriana FRN1281	Ordinary Shares of €1 each	99.99	99.99
ZTN Property Company Limited	The Bastions Emvin Cremona Street Floriana FRN1281	Ordinary Shares of €1 each	99.99	99.99
SWT Property Company Limited	The Bastions Emvin Cremona Street Floriana FRN1281	Ordinary Shares of €1 each	100.00	100.00

7. Loans receivable from subsidiaries

	Company	
	2021	2020
	€	€
Loans receivable from subsidiaries	**38,859,068**	38,859,068
Loss allowance	**(69,946)**	(62,174)
Closing carrying amount	**38,789,122**	38,796,894

The loans are unsecured, subject to interest at 3.75% and repayable in 2023. The Group assessed the impairment for all classes of assets under IFRS 9 and the loss allowance represents the amount that the Company recognised as an expected loss provided under IFRS 9.

8. Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current				
Amounts owed by subsidiaries	**-**	-	**14,014,296**	12,008,294
Loss allowance	**-**	-	**(23,488)**	(19,208)
	-	-	**13,990,808**	11,989,086
Advance payments	**-**	106,974	**-**	-
Indirect taxation	**91,257**	26,281	**-**	-
Other receivables and related assets	**1,029,371**	19,850	**58,522**	204,483
Prepayments	**129,685**	27,585	**125,867**	27,585
	1,250,313	180,690	**14,175,197**	12,221,154
Non-current				
Other assets	**201,180**	175,419	**192,570**	-

Amounts owed by subsidiaries are unsecured, interest free and repayable on demand. The Group and Company assessed the impairment for all classes of assets under IFRS 9 and the loss allowance of €23,488 (2020: €19,208) represents the amount that the Company recognised as an expected loss provided under IFRS 9. Information about the Group's and Company's exposure to credit risk is disclosed in Note 2.

Other receivables and related assets includes an amount of €962,500 paid on the promise of sale agreement signed in September 2021 to acquire the building in Ta' Xbiex.

9. Cash and cash equivalents

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

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Cash at bank and in hand	**11,867,689**	4,064,626	**189,597**	92,034

Cash excludes an amount of €271,000 (2020: €609,000) for the Group and €262,000 (2020: €600,000) for the Company shown as deposits in the statement of financial position as these are restricted cash in terms of the ability to withdraw until the Zejtun project is completed. The Group assessed the impairment methodology for all classes of assets under IFRS 9 and the identified expected credit loss on cash and cash equivalents for 2021 amounted to €19,358 (2020: nil).

10. Share capital

	Group and Company	
	2021	2020
	€	€
Authorised		
125,000,000 (2020: 125,000,000) ordinary shares of €0.32 (2020: €0.32) each	**40,000,000**	40,000,000
Issued and fully paid		
101,310,488 (2020: 101,310,488) ordinary shares of €0.32 (2020: €0.32) each	**32,419,356**	32,419,356

11. Other reserves

Group and Company

	Property revaluation reserve €
At 31 December 2020	
Opening carrying amount	249,365
Surplus arising on revaluation of land and buildings (Note 4)	150
Closing carrying amount	249,515
At 31 December 2021	
Opening carrying amount	249,515
Surplus arising on revaluation of land and buildings (Note 4)	1,006
Closing carrying amount	**250,521**

12. Borrowings

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Carrying amount at 1 January	**27,792,042**	20,627,249	**21,552,441**	20,627,249
Bank loan drawdowns	**528,307**	7,700,192	**530,731**	1,200,192
Bank loan repayments	**(1,574,181)**	(535,399)	**(1,100,000)**	(275,000)
Carrying amount at 31 December	**26,746,168**	27,792,042	**20,983,172**	21,552,441
Classified as:				
Non-current	**21,277,195**	10,214,698	**16,000,000**	4,452,441
Current	**5,468,973**	17,577,344	**4,983,172**	17,100,000

The bank loans are subject to financial covenants and are secured by guarantees for a maximum amount of €31,000,000 (2020: €31,000,000) for the Group and €24,500,000 (2020: €24,500,000) for the Company, provided by the Company and a number of subsidiaries. The bank loans are also secured by guarantees and by special hypothecs over the present and future assets of the Company and a number of its subsidiaries.

The €16,000,000 bank loan is repayable through a bullet repayment in December 2026. The floating interest rate applicable on the loan is computed using a 3% margin over the 3-month Euribor.

The €8,500,000 loan facility started being withdrawn during 2017. This loan was subject to a 3 year moratorium on the capital repayments and it is to be repaid in full by November 2022. The floating interest rate applicable on the loan is computed using a 3% margin over the 3-month Euribor. During the year the company repaid an amount of €1,100,000 (2020: €275,000). As at 31 December 2021, the Company had an unutilised loan facility amounting to €2,141,828 (2020: €2,672,559).

A €6,500,000 bank loan was drawn in September 2020 by one of the subsidiaries to finance the purchase of the immovable property in Swatar. The loan is to be repaid in full by November 2032. The bank loan is subject to a fixed interest rate of between 2.0% and 2.15% for the first four years, shifting to a floating interest rate thereafter. During the year, the Company repaid an amount of €476,607 (2020: Nil).

This note provides information about the contractual terms of the Group's and Company's borrowings. For more information about the Group's and Company's exposure to liquidity and interest rate risk see Note 2.

13. Deferred tax assets and liabilities

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35%, with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property, that is, a tax effect of 8% or 10% of the transfer value.

The balance at 31 December represents temporary differences arising on:

	Group		**Company**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Deferred tax liabilities				
Revaluation of property, plant and equipment	**79,945**	79,945	**79,945**	79,945
Fair valuation of investment property	**7,381,352**	8,376,778	**1,419,537**	1,425,673
	7,461,297	8,456,723	**1,499,482**	1,505,618

The recognised deferred tax liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period. The deferred tax liabilities reflected in other comprehensive income relate to fair valuation of cash flow.

The deferred tax liability includes an amount of €619,836 (2020: €1,257,500) in relation to the investment property being classified as held for sale.

The movement on the deferred liability account is as follows:

Group	Deferred tax liabilities		
	Investment property €	Property, plant and equipment €	Total €
Balance as at 1 January 2020	7,574,055	79,945	7,654,000
Recognised in profit or loss (Note 21)	802,723	-	802,723
Balance as at 31 December 2020	8,376,778	79,945	8,456,723
Recognised in profit or loss (Note 21)	(995,426)	-	(995,426)
Balance as at 31 December 2021	**7,381,352**	**79,945**	**7,461,297**

Company	Deferred tax liabilities		
	Investment property €	Property, plant and equipment €	Total €
Balance as at 1 January 2020	1,548,555	79,945	1,628,500
Recognised in profit or loss (Note 21)	(122,882)	-	(122,882)
Balance as at 31 December 2020	1,425,673	79,945	1,505,618
Recognised in profit or loss (Note 21)	(6,136)	-	(6,136)
Balance as at 31 December 2021	**1,419,537**	**79,945**	**1,499,482**

14. Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current				
Amounts owed to subsidiaries	**-**	-	**9,559,973**	7,120,766
Other payables	**417,061**	333,953	**96,488**	67,675
Indirect taxes	**128,673**	142,504	**32,367**	28,938
Advance deposits	**7,899**	1,000,000	**4,581**	-
Accruals and deferred income	**1,085,812**	805,786	**311,477**	377,494
	1,639,445	2,282,243	**10,004,886**	7,594,873
Non-current				
Other payables	**122,930**	102,408	**122,930**	102,408

Amounts owed to subsidiaries are unsecured, interest free and repayable on demand. The Group's and Company's exposure to liquidity risk relating to trade and other payables is disclosed in Note 2.

15. Rental income, other income and dividend income

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Rental income on property rented to related party	**2,310,956**	2,642,795	**553,914**	550,392
Other rental income	**1,265,585**	763,096	**378,659**	372,348
Total rental income	**3,576,541**	3,405,891	**932,573**	922,740
Other income	**66,945**	32,764	**53,765**	32,764
Total rental and other income	**3,643,486**	3,438,655	**986,338**	955,504
Dividend income	**-**	-	**1,500,000**	-

The Group primarily operates in one segment that comprises the provision of rental services to customers, which activities are substantially subject to the same risks and returns. Accordingly, the presentation of segment information as required by IFRS 8, Operating segments, within these financial statements is not deemed applicable.

16. Expenses by nature

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Depreciation (Note 4)	**11,596**	9,346	**11,596**	9,346
Auditor's remuneration	**37,510**	36,800	**13,610**	13,600
Professional fees	**199,838**	110,025	**187,761**	97,228
Employee benefit expense (Note 17)	**597,388**	527,428	**588,589**	525,090
Directors' emoluments (Note 18)	**63,575**	73,992	**63,575**	73,992
Insurance	**110,010**	65,674	**110,010**	65,674
Listing and related fees	**65,231**	62,320	**65,231**	62,320
Registration fees	**2,685**	2,345	**1,400**	1,400
Business development	**180,000**	242,827	**17,323**	80,150
Other	**277,184**	171,334	**215,746**	165,307
Total administrative expenses	**1,545,017**	1,302,091	**1,274,841**	1,094,107

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2021 and 2020 relate to the following:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Annual statutory audit	**37,510**	36,800	**13,610**	13,600
Other assurance services	**9,850**	6,000	**9,850**	6,000
Other non-audit services	**34,469**	24,566	**27,035**	18,511
	81,829	67,366	**50,495**	38,111

The following non-audit services were provided to the Group and the Company:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
General tax advice and tax compliance services	**22,219**	19,566	**14,785**	13,511
Other services	**12,250**	5,000	**12,250**	5,000
	34,469	24,566	**27,035**	18,511

17. Employee benefit expense

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Wages and salaries	**660,531**	600,653	**660,531**	600,653
Social security costs	**21,094**	19,842	**21,094**	19,842
	681,625	620,495	**681,625**	620,495
Capitalised wages	**(82,387)**	(75,017)	**-**	(4,610)
Recharges	**(1,850)**	(18,050)	**(93,036)**	(90,795)
	597,388	527,428	**588,589**	525,090

In 2021, the average number of persons employed by the Group and Company was 8 (2020: 8).

18. Directors' emoluments

	Group and Company	
	2021	2020
	€	€
Directors' fees	**63,575**	73,992

Directors' emoluments are included within 'administrative expenses' (Note 16).

19. Finance income

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Interest receivable from subsidiaries	**-**	-	**1,219,609**	1,457,215
Bank interest	**6,273**	-	**-**	-
	6,273	-	**1,219,609**	1,457,215

20. Finance costs

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Bank interest	**610,061**	511,464	**652,623**	627,340
Bank charges	**82,168**	38,430	**111,433**	66,452
	692,229	549,894	**764,056**	693,792

21. Tax expense

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current tax expense	**1,962,183**	547,594	**300,297**	307,644
Deferred tax (income)/expense (Note 13)	**(995,426)**	802,723	**(6,136)**	(122,882)
Tax expense	**966,757**	1,350,317	**294,161**	184,762

21.1 Tax expense reconciliation

The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Profit before tax	**3,612,558**	4,330,202	**1,595,101**	610,947
Tax on profit at 35%	**1,264,395**	1,515,571	**558,285**	213,831
Tax effect of:				
Tax rates applicable to property	**(279,203)**	(157,513)	**(171,687)**	(117,632)
Further allowances on rental income	**(139,427)**	(158,838)	**(3,985)**	-
Income taxed at reduced rates	**(329,549)**	(227,358)	**(525,000)**	(184,548)
Expenses not deductible for tax purposes	**450,413**	468,482	**424,791**	363,281
(Over)/under provision in prior years	**-**	(97,822)	**-**	(97,965)
Other differences	**128**	7,795	**11,757**	7,795
Tax expense	**966,757**	1,350,317	**294,161**	184,762

21.2 Tax recognised in other comprehensive income

The tax impacts, which are entirely attributable to deferred taxation, relating to components of other comprehensive income and accordingly presented directly in equity are as follows:

Group and Company

	Before tax	Tax credit	Net of tax
	€	€	€
As at 31 December 2021			
Revaluation of land and buildings	1,006	-	1,006
As at 31 December 2020			
Revaluation of land and buildings	150	-	150

22. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	Group	
	2021	2020
Profit attributable to equity holders (€)	**2,645,801**	2,979,885
Number of shares in issue (Note 10)	**101,310,488**	101,310,488
Earnings per share (€)	**0.03**	0.03

The Company has no instruments or arrangements which give rise to potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

23. Cash generated from/(used in) operations

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

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Operating profit/(loss)	**2,079,111**	2,136,564	**(300,555)**	(137,476)
Adjustments for:				
Depreciation (Note 4)	**11,596**	9,346	**11,596**	9,346
Changes in working capital:				
Trade and other receivables	**(1,095,384)**	(114,139)	**(919,232)**	(2,271,434)
Trade and other payables	**1,025,656**	128,221	**2,433,710**	2,294,225
Dividends received from subsidiaries	**-**	-	**1,500,000**	-
Cash generated from/(used in) operations	**2,020,979**	2,159,992	**2,725,519**	(105,339)

24. Contingencies

Guarantees of €31,000,000 (2020: €31,000,000) were issued by the Company, together with its fellow subsidiaries, in favour of its bankers for facilities provided.

25. Dividends

A dividend in respect of the year 31 December 2021 of €0.012 per share (2020: €0.012), amounting to €1,215,712 (2020: €1,215,712) was proposed by the Board of Directors subsequent to the end of the reporting period. The financial statements do not reflect this proposed dividend. Dividends of €1,215,712 proposed in 2020 have been approved and reflected in the current year's financial statements.

26. Commitments

(a) Capital commitments

Capital expenditure for investment property at the end of the reporting period is as follows:

	Group	
	2021	2020
	€	€
Authorised and contracted	**1,800,185**	1,070,538
Authorised but not yet contracted	**39,195**	1,846,708

(b) Operating leases – Group and Company as lessor

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Within 1 year	**3,804,000**	2,965,000	**754,000**	754,000
Between 1 and 2 years	**4,079,000**	3,926,000	**754,000**	754,000
Between 2 and 3 years	**3,511,000**	3,772,000	**601,000**	601,000
Between 3 and 4 years	**2,301,000**	3,251,000	**551,000**	551,000
Between 4 and 5 years	**1,683,000**	1,609,000	**-**	-
After 5 years	**7,789,000**	8,290,000	**-**	-
	23,167,000	23,811,000	**2,660,000**	2,660,000

In 2020, an amount of €94,552 in relation to rents for financial year 2021 have been paid in advance by the tenant and excluded from the above table.

27. Related party transactions

The Company and its subsidiaries form part of EITML Group, which comprises Emirates International Telecommunications (Malta) Limited (EITML) and its subsidiaries. EITML is the Company's immediate parent, and Dubai Holdings LLC, EITML's ultimate parent, is this reporting entity's ultimate parent company.

In the ordinary course of its operations, the Company and its subsidiaries carry out business with entities owned or controlled by Dubai Holding LLC.

During the year the Company and its subsidiaries entered into transactions with related parties including rental income and finance income (Notes 17 and 21). Year end balances owed by/to related parties are disclosed in Notes 7, 9 and 16 to these financial statements.

Key management personnel compensation, consisting of directors' and senior management remuneration, is disclosed as follows:

	Group and Company	
	2021	2020
	€	€
Directors	**63,575**	73,992
Senior management	**363,000**	340,000
	426,575	413,992

28. Statutory information

Malta Properties Company p.l.c. is a public limited liability company domiciled and incorporated in Malta. The Company's immediate parent company is Emirates International Telecommunications (Malta) Limited which is ultimately controlled by Dubai Holding LLC, with registered office situated at Um Suqeim 3, PO Box 66000, Dubai, UAE. Dubai Holding LLC is owned by H.H. Sheikh Mohammad Bin Rashid Al Makhtoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai.

Independent auditor's report

To the Shareholders of Malta Properties Company p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position of Malta Properties Company p.l.c. as at 31 December 2021, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Malta Properties Company p.l.c.'s financial statements comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2021;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

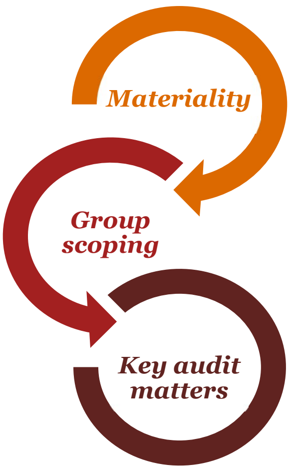
We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code)] together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the parent company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the parent company and its subsidiaries, in the period from 1 January 2021 to 31 December 2021, are disclosed in Note 16 to the financial statements.

Our audit approach

Overview



- Overall group materiality: €193,000, which represents 5% of the average profit before tax of the last three years.

- The Group is composed of 9 reporting units all located in Malta.
- The Group engagement team carried out the audit of the financial statements of the Parent Company as well as the audit of the financial statements of all the subsidiaries of the Company.

- Valuation of the Group's and the Company's property portfolio.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€193,000
How we determined it	5% of average profit before tax of the last three years
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. Average profits of the last three years was chosen since profits fluctuate as a result of fair value movements on properties. We chose 5% which is within the range of materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €19,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of the Group's and the Company's property portfolio (refer to Note 5) The Group's and the Company's property portfolio has a carrying amount of €78 million and €15.4 million respectively as at 31 December 2021. On an annual basis, management assesses the fair value of its property portfolio based on external valuations performed by independent property valuers using adequate valuation models, including the discounted cash flow method and an adjusted sales comparison method. In view of a limited number of similar comparable properties and property transactions, comprising sales or rentals in the respective markets in which the properties are located, the valuations have been performed using unobservable inputs. Such unobservable inputs usually include the rental rate per square metre, discount rates and capitalisation	We evaluated the competence of the external valuers, which included due consideration of their qualifications and expertise. We discussed with the external valuers the valuation approach adopted, the key valuation assumptions and other judgements made in arriving at their conclusions with respect to the property valuations. We obtained an overall understanding of any changes in the valuation methodology adopted in any circumstance where the approach varied from prior years. We engaged our own in-house experts to review the valuation approach adopted and underlying assumptions applied in the property valuations in order to assess the reasonableness of the fair value assigned to the properties. We discussed the valuations with Group/Company management and the external valuers and concluded, based on our work, that the Group's

rates in the case of the income approach and sales price per square metre in the case of the adjusted sales comparison method.

The valuation of the Group's and the Company's property portfolio is inherently subjective, principally due to the judgemental nature of the factors mentioned above and the assumptions used in the underlying valuation models. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

The extent of judgement and the size of the property value, resulted in this matter being identified as an area of audit focus.

and Company's property valuations are within an acceptable range of values.

In addition, we evaluated the adequacy of the disclosures in Note 5 to the financial statements, including those regarding the key valuation assumptions applied in the property valuations.

How we tailored our group audit scope

The Group is composed of 9 reporting units all located in Malta. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group audit team performed all of this work by applying the overall group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's message, the Chief Executive Officer's review, the Directors' report, the Corporate governance – Statement of compliance, and the Remuneration report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's and the Parent company's trade, customers and suppliers, and the disruption to their business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of Malta Properties Company p.l.c. for the year ended 31 December 2021, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, comply in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2021 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Report and Consolidated Financial Statements 2021* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Financial Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Directors' report The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Corporate governance - Statement of Compliance The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance 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 Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
Remuneration report The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.	We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- adequate accounting records have not been kept, or 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 which, to the best of our knowledge and belief, we require for our audit.

We also have responsibilities under the Capital Markets 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.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, 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 written consent.

Appointment

We were first appointed as auditors of the Company on 21 December 2010. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 11 years. The Company became listed on a regulated market on 23 November 2015.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Lucienne Pace Ross
Partner

17 March 2022