

MALTA PROPERTIES COMPANY P.L.C.

**Condensed Consolidated
Interim Financial Statements**

For the period 1 January 2017 to 30 June 2017

MALTA PROPERTIES COMPANY P.L.C.
Condensed Consolidated Interim Financial Statements
For the period 1 January 2017 to 30 June 2017

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Directors' Report pursuant to Listing Rule 5.75.2

This Half-Yearly Report is being published in terms of Chapter 5 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The half-yearly report comprises the reviewed (not audited) condensed consolidated interim financial statements for the six months ended 30 June 2017 prepared in accordance with International Financial Reporting Standards adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). The condensed consolidated interim financial statements have been reviewed in accordance with the requirements of ISRE 210, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. The comparative statement of financial position has been extracted from the audited financial statements for the year ended 31 December 2016.

Principal activities

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

Review of financial performance

The Group's revenues from the leasing of its properties amounted to €1,538,256 for the six-month period ended 30 June 2017 (2016: €1,662,925). The long term lease agreements the Group has with its tenants secure revenues at these levels for the foreseeable future. Revenue is expected to increase once the new developments are completed and rented out, and in line with inflation.

During this six-month period, the Group's operating profit amounted to €1,065,954 (2016: €1,370,713). The decrease in operating profit is a reflection of the substantial increase in administrative expenses which totalled €472,616 (2016: €292,212) as a result of the increased operations of the company. Finance costs decreased to €338,180 (2016: €442,355) following a decrease in interest rates on the Group's borrowings.

Profit for the period ended 30 June 2017 stood at €447,047, a decrease of €104,068 from the prior year six-month profit of €551,115. This decrease is mainly attributable to the decrease in revenue as a result of properties handed over to the Group for redevelopment and the aforementioned increase in administrative expenses. Earnings per share in 2017 amounted to €0.004 (2016: €0.005).

The Group continued to deliver a strong financial performance and a satisfactory financial position. During the first six months of 2017, cash generated from operations amounted to €1,615,526 (2016: €972,675) and as at 30 June 2017 the Group's cash and cash equivalents amounted to €1,876,097 (2016: €1,490,209).

Directors' Report pursuant to Listing Rule 5.75.2 - continued

Dividends

The Board of Directors has resolved to determine the extent of any dividend distribution for 2017 on the basis of the full year results. Accordingly, no dividends are declared upon the issue of the results for the six-month period ended 30 June 2017.

Approved by the Board of Directors on 7 August 2017 and signed on its behalf by



Mr. Deepak S. Padmanabhan
Chairman



Mr. Edmond Brincat
Director

Statement of financial position

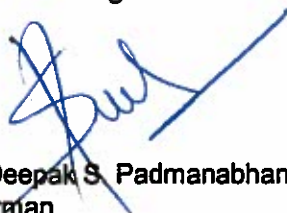
	As at 30.06.2017 Unaudited €	As at 31.12.2016 Audited €
ASSETS		
Non-current assets		
Investment property	51,084,799	50,090,000
Property, plant and equipment	464,618	464,829
Deferred tax asset	13,925	28,662
Trade and other receivables	29,473	18,879
Total non-current assets	51,592,815	50,602,370
Current assets		
Inventories – property held for resale	6,360,000	6,360,000
Trade and other receivables	121,175	332,673
Current tax assets	22,280	59,268
Cash and cash equivalents	1,876,097	1,376,510
Total current assets	8,379,552	8,128,451
Total assets	59,972,367	58,730,821

Statement of financial position - continued

	As at 30.06.2017 Unaudited €	As at 31.12.2016 Audited €
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	32,419,356	32,419,356
Hedging reserve	(25,860)	(53,229)
Retained earnings	4,172,100	3,725,053
Total equity	36,565,596	36,091,180
LIABILITIES		
Non-current liabilities		
Borrowings	16,218,824	16,000,000
Deferred tax liability	5,645,000	5,645,000
Derivative financial instruments	39,785	81,891
Total non-current liabilities	21,903,609	21,726,891
Current liabilities		
Trade and other payables	682,329	337,872
Current tax liability	820,833	574,878
Total current liabilities	1,503,162	912,750
Total liabilities	23,406,771	22,639,641
Total equity and liabilities	59,972,367	58,730,821

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

The condensed consolidated interim financial statements on pages 3 to 13 were authorised for issue by the Board on 7 August 2017 and were signed on its behalf by:



Mr. Deepak S. Padmanabhan
Chairman



Mr. Edmond Brincat
Director

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Income statement

	Six-months ended 30.06.2017 Unaudited €	Six-months ended 30.06.2016 Unaudited €
Rental income	1,538,256	1,662,925
Other income	314	-
Administrative expenses	(472,616)	(292,212)
Operating profit	1,065,954	1,370,713
Finance costs	(338,180)	(442,355)
Profit before tax	727,774	928,358
Tax expense	(280,727)	(377,243)
Profit for the period - total comprehensive income	447,047	551,115
Earnings per share	0.004	0.005

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

Statement of comprehensive income

	Six-months ended 30.06.2017 Unaudited €	Six-months ended 30.06.2016 Unaudited €
Comprehensive income		
Profit for the period	447,047	551,115
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Change in fair value of derivative designated as hedging instrument in cash flow hedge	42,106	-
Income tax relating to components of other comprehensive income	(14,737)	-
Total other comprehensive income for the period, net of tax	27,369	-
Total comprehensive income for the period	474,416	551,115

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

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Statement of changes in equity

Unaudited	Share capital €	Hedging reserve €	Retained earnings €	Total €
Balance at 1 January 2016	32,419,356	-	1,168,142	33,587,498
Comprehensive Income				
Profit for the period	-	-	551,115	551,115
Balance at 30 June 2016	32,419,356	-	1,719,257	34,138,613
Balance at 1 January 2017	32,419,356	(53,229)	3,725,053	36,091,180
Comprehensive income				
Profit for the period	-	-	447,047	447,047
Other comprehensive income:				
Cash flow hedge, net of deferred tax	-	27,369	-	27,369
Balance at 30 June 2017	32,419,356	(25,860)	4,172,100	36,565,596

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

Statement of cash flows

	Six-months ended 30.06.2017 Unaudited €	Six-months ended 30.06.2016 Unaudited €
Cash flows from operating activities		
Cash generated from operations	1,615,526	972,675
Interest paid	(338,180)	(442,355)
Income tax refunded/(paid)	2,216	(36,400)
Net cash generated from operating activities	1,279,562	493,920
Cash flows from investing activities		
Additions to investment property	(994,799)	(602,633)
Purchase of property, plant and equipment	(4,000)	(3,717)
Net cash used in investing activities	(998,799)	(606,350)
Cash flows from financing activities		
Bank loan drawdown	218,824	-
Net cash generated from financing activities	218,824	-
Net movement in cash and cash equivalents	499,587	(112,430)
Cash and cash equivalents at beginning of period	1,376,510	1,602,639
Cash and cash equivalents at end of period	1,876,097	1,490,209

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

Notes to the consolidated interim financial statements

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, have been extracted from the Company's unaudited accounts for the six months ended 30 June 2017 and have been reviewed in terms of ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The half-yearly results are being published in terms of Chapter 5 of the Listing Rules of the Malta Financial Services Authority.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those of the annual financial statements of Malta Properties Company p.l.c. for the year ended 31 December 2016, as described in those financial statements. Adoption of new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2017 did not result in changes to the Company's accounting policies.

Investment property

	As at 30.06.2017 €	As at 31.12.2016 €
Opening carrying amount	50,090,000	54,018,149
Reclassification to inventories – property held for resale	-	(6,360,000)
Reclassification to property, plant and equipment	-	(413,000)
Additions	994,799	1,148,008
Gains from changes in fair value of property	-	1,696,843
Closing carrying amount	51,084,799	50,090,000
Cost	48,557,897	47,563,098
Net fair value gains	2,526,902	2,526,902
Carrying amount	51,084,799	50,090,000

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

Notes to the consolidated interim financial statements - continued

Investment property - continued

Fair valuation of land and buildings

The Group's land and buildings were revalued on 17 October 2016 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The Directors have reviewed the carrying amounts of the properties as at 30 June 2017, on the basis of an assessment by the independent property valuers, and no adjustment to the carrying amount was deemed necessary as at that date.

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

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

The Group's land and buildings comprises various telephone exchanges, a data centre and offices. All the recurring property fair value measurements at 30 June 2017 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the six-month period ended 30 June 2017.

A reconciliation from the opening balance to the closing balance for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above. The movement reflects additions during the six-month period ended 30 June 2017.

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.

Notes to the consolidated interim financial statements - continued

Investment property - continued

Valuation techniques

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

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

Description by class based on highest and best use	Fair value at 30 June 2017 €000	Valuation technique	Significant unobservable input	Range of unobservable Inputs (weighted average) €
Land and buildings				
Current use as office premises	18,764	Adjusted sales comparison approach	Sales price per square metre	1,200 – 3,000 (1,700)
Developable land for residential/commercial use	12,451	Adjusted sales comparison approach	Sales price factor per square metre	800 – 1,100 (970)
Marketed as extended-commercial premises	8,588	Adjusted sales comparison approach	Sales price per square metre	1,180 – 2,400 (1,500)
Marketed as residential-commercial developments	11,282	Adjusted sales comparison approach	Commercial: Sales price per square metre	1,170 – 2,100 (1,890)
		Adjusted sales comparison approach	Residential: Sales price per square metre	650 – 1,170 (730)

Notes to the consolidated interim financial statements - continued

Investment property - continued

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

Description by class based on highest and best use	Fair value at 31 December 2016 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average) €
Current use as office premises	18,740	Adjusted sales comparison approach	Sales price per square metre	1,200 – 3,000 (1,700)
Developable land for residential/commercial use	11,700	Adjusted sales comparison approach	Sales price factor per square metre	750 – 1,100 (870)
Marketed as extended-commercial premises	8,500	Adjusted sales comparison approach	Sales price per square metre	1,180 – 2,400 (1,500)
Marketed as residential-commercial developments	11,150	Adjusted sales comparison approach	Commercial: Sales price per square metre	1,170 – 2,100 (1,890)
		Adjusted sales comparison approach	Residential: Sales price per square metre	640 – 1,170 (720)

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

Commitments

Commitments which have been authorised and contracted for relating to the development of investment property not provided for in the interim financial statements amounted to €3,651,999 as at 30 June 2017 (2016: €220,000). Commitments which have been authorised but not yet contracted for relating to the development of investment property not provided for in the interim financial statements amounted to €5,992,524 as at 30 June 2017 (2016: €9,989,751).

Notes to the consolidated interim financial statements - continued

Related party

(a) Parent and ultimate controlling party

The Company's ultimate parent is Dubai Holding LLC, the registered office of which is situated at Emirates Towers, Level 49, Office Block, Sheikh Zayed Road, Dubai, UAE. The immediate parent of the Company, with a 60% holding, is Emirates International Telecommunications (Malta) Limited, a company which is ultimately controlled by Dubai Holding LLC as it forms part of the same group of companies of which Dubai Holding LLC is the ultimate parent. Dubai Holding LLC is owned by H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

(b) Related party transactions

Consistent with the disclosures in the audited financial statements for the year ended 31 December 2016, the Group has a related party relationship with its ultimate parent and entities ultimately controlled by it (see above); key management personnel (group companies' directors) together with close members of their family and entities controlled by them.

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

	Six months ended 30.06.2017 €	Six months Ended 30.06.2016 €
Related entities		
Services provided to	1,452,321	1,576,990
Finance costs paid to	-	299,178

(c) Related party balances

The principal balances with related parties are analysed as follows:

	As at 30.06.2017 €	As at 31.12.2016 €
Related entities		
Loans payable	-	16,000,000

Events after the end of the reporting date

On 4 August 2017, one of the company's subsidiaries entered into a promise of sale agreement and bound itself to sell and transfer the property known as the St. Paul's Bay Old Exchange to a third party. The consideration for the sale of the property amounts to €3,750,000.

Statement pursuant to Listing Rule 5.75.3

I confirm that to the best of my knowledge:

- the condensed consolidated interim financial information gives a true and fair view of the financial position of the Group as at 30 June 2017, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting');
- the Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Mr. Deepak S. Padmanabhan
Chairman

7 August 2017



Independent auditor's report

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Malta Properties Company p.l.c. as at 30 June 2017, the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and the explanatory notes ('the interim financial information'). The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 'Interim Financial Reporting'). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

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

Conclusion

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

A handwritten signature in blue ink, appearing to read 'Simon Flynn', is written over a light blue horizontal line.

Simon Flynn
Partner

7 August 2017

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