

MIDI p.l.c.

Annual Report and  
Consolidated Financial Statements  
31 December 2010

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## **Directors' report**

The directors present their report and the audited Financial Statements for the year ended 31 December 2010.

### **Principal activity**

The principal activity of the Group and the Company is the development of the Manoel Island and Tigné Point Project.

### **Review of the business**

During the year under review a number of both residential and commercial phases were completed and the first full scale commercial operations came on stream when 'The Point' shopping mall opened its doors to the public in March 2010. In addition, late in the year the Company, by virtue of a prospectus dated 1 November 2010, made an initial public offering of 44,444,444 ordinary shares, at an issue price of €0.45 each and with a nominal value of €0.20 each, and had its shares listed on the Malta Stock Exchange on 20 December 2010.

During the year under review, 31 apartment sales in the form of final contracts with a total value of €22.7 million were concluded. Amongst these were the first 15 apartments in the T10 block, launched in summer of 2008. The block comprises a total of 59 apartments, of which a vast majority have been sold under promise of sale agreements. Other residential construction works were concentrated on 22 new apartments overlooking Pjazza Tigné referred to as the Pjazza apartments. These apartments are expected to be launched during 2011.

A major milestone was the launch of 'The Point' shopping mall and the partial opening of Pjazza Tigné together with the underlying car parking to the public.

Besides the areas referred to earlier, construction work focused mainly on the construction of the basement levels for the Tigné North phases. This is a major undertaking spanning over 4 levels comprising a series of distribution roads, additional car parking and plant rooms. The Group also continued with its obligations in relation to restoration works, particularly on the final phases of Fort Manoel. On the infrastructural side, works were concentrated on the embellishment of public areas at Tigné Point and the Sliema Wanderers sports complex which has been handed over to the football club during the year.

The results achieved during 2010 allow the MIDI Group to look at the year ahead with optimism. Besides having a first full year of operation of 'The Point', the Group will continue to deliver apartments in the T10 block to their new owners, and as outlined previously is also expected to launch 22 new designer apartments overlooking Pjazza Tigné.

The directors look forward to the coming years on the strength of the experience and knowledge accumulated over the last years to ensure that the Group continues achieving sustainable growth for the benefit of the local economy and for all those who have chosen to invest in the securities of the Company.

## Directors' report - continued

### Information pursuant to Listing Rule 5.64

#### Structure of Capital

The Company's Ordinary Shares in issue consist of 214,159,922 Ordinary shares of €0.20 each forming part of one class of Ordinary Shares. Since there are currently no different classes of ordinary shares in the Company, all Ordinary Shares have the same rights, voting rights and entitlements in connection with any distribution whether of dividends or capital (on a winding up or otherwise). There are no shares in issue that have any preferred or deferred rights.

Every Ordinary Share carries the right to participate in any distribution of dividend declared by the Company *pari passu* with all other Ordinary Shares. Each Ordinary Share shall be entitled to one vote at meetings of Shareholders. Every Ordinary Share carries the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise, *pari passu* with all other Ordinary Shares. The Ordinary Shares are freely transferable and since they have been admitted to the Official List of the Malta Stock Exchange the shares are transferable in accordance with the rules and regulations of the Malta Stock Exchange applicable from time to time; provided that Ordinary Shares issued to some of the Shareholders are subject to lock-up arrangements (see Note below).

Subject to the provisions of the Companies Act, the Company may purchase its own shares (Article 9 of the Company's Articles of Association).

#### Appointment and Removal of Directors

Article 98 of the Company's Memorandum and Articles of Association states that at each Annual General Meeting of the Company all the directors shall retire from office. A director retiring from office shall retain office until the dissolution of such Meeting and a retiring director shall be eligible for re-election or re-appointment.

The directors of the Company shall be elected as provided in Article 102 of the Company's Memorandum and Articles of Association that is a maximum of eight (8) directors shall be elected at each Annual General Meeting (or at an Extraordinary General Meeting convened for the purpose of electing directors). Voting shall take place on the basis that every member shall have one (1) vote in respect of each ordinary share held by him. A member may use all his votes in favour of one candidate or may split his votes in any manner he chooses amongst any two or more candidates. The Chairman of the Meeting shall declare elected those candidates who obtain the greater number of votes on that basis.

#### Powers of Directors

The directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts, sue and be sued in representation of the Company. The business of the Company shall be managed by the directors, who may exercise all such powers of the Company as are not, by the Companies Act or by the Articles, required to be exercised by the Company in General Meeting, subject, nevertheless, to the provisions of the Articles and of the Companies Act and to such directions, being not inconsistent with any provisions of the Articles and of the Companies Act, as may be given by the Company in General Meeting; provided that no direction given by the Company in General Meeting shall invalidate any prior act of the directors which would have been valid if such direction had not been given. The general powers conferred upon the directors by this Article shall not be deemed to be abridged or restricted by any specific power conferred upon the directors by any other Article (Article 87).

Subject to the provisions of the Articles of Association, the Board of Directors may exercise all the powers of the Company to borrow money and to hypothecate or charge its undertaking, property and uncalled capital or any part thereof, and to issue debentures and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party (Article 95).

## **Directors' report** - continued

### **Information pursuant to Listing Rule 5.64** - continued

#### *Voting Rights in respect of Ordinary Shares*

As outlined previously, each ordinary share shall be entitled to one vote. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one (1) vote, and on a poll every member present in person or by proxy shall have one (1) vote for each share of which he is the holder (Article 70).

On a poll votes may be given personally or by proxy and a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way (Article 73).

No member shall be entitled, in respect of any share in the capital of the Company held by him, to be present or to vote on any question, either in person or by proxy, at any General Meeting, or upon any poll, or to be reckoned in a quorum, or to exercise any other right or privilege conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such share remains unpaid (Article 71).

#### *Restrictions on Ordinary Shares*

During such time as any part of the call or installment together with interests and expenses remains unpaid, the entitlement of the person from whom the sum is due to the rights and advantages conferred by membership of the Company including the right to receive dividends and the right to attend and vote at meetings of the Company, shall be suspended (Article 21). This provision is similar to the provision in Article 71 referred to above under the heading "Voting rights in respect of Ordinary Shares".

A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall, upon supplying to the Company such evidence as the directors may reasonably require to show his title to the share, be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to Meetings of the Company. Provided always that the directors may at any time give notice requiring any such person to elect either be registered himself or to transfer the share, and if the notice is not complied with within ninety (90) days, the directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with (Article 41).

The Company shall not, at any time after the forfeiture or surrender of a share and before the sale, re-allotment or other disposition of such share, exercise any voting rights in respect of such share (Article 29).

#### *Transfer of Ordinary Shares*

Subject to the provisions of law and of the Company's Articles of Association, the shares of the Company are freely transferable provided that in no case may a part of a share constitute the object of a transfer (Article 32). Also the terms of the Lock-up arrangements refer in this respect.

All transfers of shares in the Company, which are listed on the Malta Stock Exchange, shall be regulated by law and accordingly Articles 34 to 36 of the Company's Articles of Association shall be applicable to such transfers only in so far as the said Articles are not inconsistent therewith.

## Directors' report - continued

### Information pursuant to Listing Rule 5.64 - continued

#### Lock-up arrangements

By virtue of an agreement dated 18 October 2010 ("the Lock-Up Agreement") entered into between the Company and Alf. Mizzi & Sons Ltd., Fortress Developments Limited, MSV Life p.l.c., Gee Five Limited, Bank of Valletta p.l.c. and First Gemini p.l.c. ("the Restricted Shareholders"), each of the Restricted Shareholders has undertaken that during the period commencing on the date of the Lock-Up Agreement and ending twenty four (24) months after the date that the Ordinary Shares were admitted to the Official List of the Malta Stock Exchange (the "Lock-Up Period"), it will not transfer, sell, assign, or dispose of, or offer or agree to transfer, sell, assign or dispose of any of the Ordinary Shares in the Company held by such Restricted Shareholders at the date that the Ordinary Shares were admitted to the Official List of the Malta Stock Exchange; provided that this restriction shall not apply to any transfer, sale, assignment or disposal of the said Ordinary Shares consequent to the enforcement, as a result of default of the underlying obligation by the pledgor, of a *bona fide* pledge made to a credit institution licensed in Malta or holding an equivalent authorisation in an EU member state or EEA state. By virtue of the Lock-Up Agreement, in the event of a new issue(s) of Ordinary Shares during the Lock-Up Period, the Restricted Shareholders undertook that they would retain, during the Lock-Up Period, an amount of Ordinary Shares which is not less than seventy five per cent (75%) of the percentage of Ordinary Shares held by them individually in the capital of the Company as at the date that the Ordinary Shares were admitted to the Official List of the Malta Stock Exchange.

#### General Meetings

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year, and not more than fifteen (15) months shall elapse between the date of one Annual General Meeting of the Company and that of the next (Article 53).

All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings (Article 54). The directors may, whenever they think fit, convene an Extraordinary General Meeting, and Extraordinary General Meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists as provided by the Act. If at any time there are not in Malta sufficient directors capable of acting to form a quorum, the directors in Malta capable of acting, or if there are no directors capable and willing so to act, any two (2) members of the Company, may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the directors (Article 55).

A General Meeting of the Company shall be called by not less than twenty one (21) days' notice in writing (Article 56(1)). The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting, the proposed agenda for the Meeting and, in case of special business, the general nature of the business to be considered (Article 56(2)) as well as other information which is specified in the said Article 56(2).

Subject to such restrictions for the time being, affecting the right to receive notice to the holders of any class of shares, notice of every General Meeting shall be given in any manner hereinbefore authorised to:- (a) every member except those members who have not supplied to the Company an address for the giving of notices to them; and (b) the Auditor for the time being of the Company; and (c) the directors for the time being of the Company. No other person shall be entitled to receive notices of General Meetings (Article 141).

## **Directors' report** - continued

### **Information pursuant to Listing Rule 5.64** - continued

#### General Meetings - continued

A notice calling an Annual General Meeting shall specify the meeting as such and a notice convening a meeting to pass an Extraordinary Resolution as the case may be shall specify the intention to propose the resolution as such and the principal purpose thereof (Article 56(3)). A notice of General Meeting called to consider extraordinary business shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such extraordinary business (Article 56 (5)).

In every notice calling a meeting, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member and such statement shall comply with the provisions of the Act as to informing members of their right to appoint proxies (Article 56(4)).

Any member or members holding not less than five per cent (5%) in nominal value of all the shares entitled to vote at the meeting may: (a) request the Company to include items on the agenda of the General Meeting, provided that each item is accompanied by a justification or a draft resolution to be adopted at the Annual General Meeting; and (b) table draft resolutions for items included in the agenda of a general meeting. The request to put items on the agenda of the General Meeting or the tabling of draft resolutions to be adopted at the General Meeting shall be submitted to the Company (in hard copy or in electronic form to an email address provided by the Company for the purpose) at least forty six (46) days before the date set for the General Meeting to which it relates and shall be authenticated by the person or persons making it. Furthermore, where the right to request items to be put on the agenda of the General Meeting or to table draft resolutions to be adopted at the General Meeting requires a modification of the agenda for the General Meeting that has already been communicated to Shareholders, there shall be made available a revised agenda in the same manner as the previous agenda in advance of the applicable record date or, if no such record date applies, sufficiently in advance of the date of the General Meeting so as to enable other Shareholders to appoint a proxy, or where applicable, to vote by correspondence (Article 56(6)).

The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive notice shall not invalidate the proceedings at that meeting (Article 58).

An "Ordinary Resolution" means a resolution taken at a General Meeting of the Company passed by a member or members having the right to attend and vote at such meeting holding in the aggregate more than fifty per cent (50%) in nominal value of the shares represented and entitled to vote at the meeting. An "Extraordinary Resolution" means a resolution taken at a General Meeting of the Company of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principal purpose thereof has been duly given and passed by a number of members having the right to attend and vote at such meeting holding in the aggregate not less than seventy-five per cent (75%) in nominal value of the shares represented and entitled to vote at the meeting and at least fifty-one per cent (51%) in nominal value of all the shares entitled to vote at the meeting. Provided that, if one of the aforesaid majorities is obtained, but not both, another meeting shall be convened within thirty days in accordance with the provisions for the calling of meetings to take a fresh vote on the proposed resolution. At the second meeting the resolution may be passed by a member or members having the right to attend and vote at the meeting holding in the aggregate not less than seventy-five per cent in nominal value of the shares represented and entitled to vote at the meeting. However, if more than half in nominal value of all the shares having the right to vote at the meeting is represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice (Article 2).

## Directors' report - continued

### Information pursuant to Listing Rule 5.64 - continued

#### Changes to the Company's Memorandum and Articles of Association

The Company may by extraordinary resolution alter or add to its Memorandum and Articles of Association.

#### Other matters

The Company has nothing to report in relation to the requirements of Listing Rules 5.64.4, 5.64.5, 5.64.10 and 5.64.11, since these do not apply to the Company.

### Directors' interests in Share Capital

There are no direct interests of the directors in the share capital of the Company or of its subsidiaries as at 31 December 2010 and 20 April 2011.

Mr. Albert Mizzi and Dr. Alec A. Mizzi have a beneficial interest in 30,422,201 ordinary shares issued by MIDI p.l.c. which are held by Alf. Mizzi & Sons Ltd. and a beneficial interest in 6,784,500 ordinary shares held by Zachary Estates Limited. In addition, Mr. Albert Mizzi and Dr. Alec A. Mizzi have a beneficial interest in 2,012,050 ordinary shares issued by MIDI p.l.c. held by First Gemini p.l.c.

Mr. Paul Bonello has a beneficial interest in 25,351,833 shares in MIDI p.l.c. held by Fortress Developments Limited and a non-beneficial interest in 3,791,000 shares held by Finco Treasury Management Limited as nominees in the course of its' investment business.

Mr. Joseph A. Gasan has a beneficial interest in 19,412,261 shares in MIDI p.l.c. held by Gee Five Limited and a beneficial interest in 4,329,000 shares held by Gasan Investments Ltd.

### Registered Shareholders with 5% or more of the share capital of the Company

	31 December 2010	20 April 2011
Alf. Mizzi & Sons Ltd.	14.21%	14.21%
MSV Life p.l.c.	12.55%	12.55%
Fortress Developments Limited	11.84%	11.84%
Gee Five Limited	9.06%	9.06%
Bank of Valletta p.l.c.	8.91%	8.91%
Investors Limited	7.17%	7.17%
Vassallo Builders Group Limited	5.61%	5.61%



## Directors' report - continued

### Number of Shareholders analysed by range:

Range	31 December 2010		20 April 2011	
	Number of Shareholders	Shares held	Number of Shareholders	Shares held
1 – 500	-	-	5	800
501 – 1000	-	-	2	2,000
1001 – 5000	341	1,080,000	337	1,071,400
5001 – 25000	317	3,376,700	314	3,473,800
25001 – 100000	29	1,370,000	44	2,122,800
100001 – 500000	7	2,423,800	12	3,224,900
More than 500000	20	205,909,422	20	204,264,222
<b>Total</b>	<b>714</b>	<b>214,159,922</b>	<b>734</b>	<b>214,159,922</b>

### Results and dividends

The consolidated income statement is set out on page 23. The directors do not recommend the payment of a dividend.

### Directors

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

Albert Mizzi - Chairman  
 Angelo Buhagiar (resigned on 10 May 2010)  
 Alec A. Mizzi  
 Charles Polidano (resigned on 18 October 2010)  
 David G. Curmi (appointed on 10 May 2010)  
 Paul Bonello  
 Tonio Depasquale  
 Joseph A. Gasan  
 Joseph Said  
 Mario C. Grech  
 Maurice F. Mizzi (resigned on 18 October 2010)  
 Nazzareno Vassallo (resigned on 18 October 2010)

All the directors shall retire from office at the Annual General Meeting of the Company in accordance with articles 98 and 99 of the Company's Articles of Association and those eligible can be re-elected or re-appointed.

## Directors' report - continued

### Senior Management

As at 31 December 2010, the senior management of the Group was composed as follows:

Benjamin Muscat	Chief Executive Officer
Edwin Borg	General Manager – Tigné Mall Limited
Luke Coppini	Group Financial Controller & Company Secretary
James Vassallo	Sales & Marketing Manager

### Directors' statement of responsibilities in relation to the Financial Statements

The directors are required by the Companies Act, 1995 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;
- 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 relevant to the preparation and the fair presentation of the Financial Statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. 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 MIDI p.l.c. for the year ended 31 December 2010 are included in the Annual Report 2010, which is published in hard-copy printed form and made available on the parent 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.

The directors confirm that, to the best of their knowledge:

- the Financial Statements give a true and fair view of the financial position of the group and the parent company as at 31 December 2010, 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 as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

## Directors' report - continued

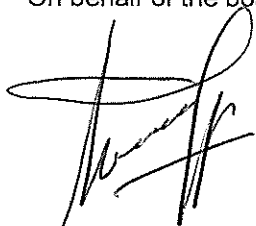
### Going concern basis

After making due enquiries, the directors have a reasonable expectation, at the time of approving the Financial Statements, that the group and the parent company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the Financial Statements.

### Auditors

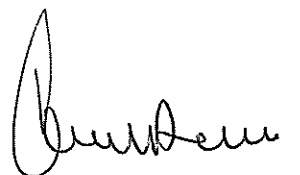
PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Albert Mizzi  
Chairman

28 April 2011



Paul Bonello  
Director

Company secretary: Luke Coppini

Registered office:  
North Shore  
Manoel Island  
Gzira  
Malta

Telephone number: (+356) 2065 5500

## Statement of compliance with the Principles of Good Corporate Governance

Pursuant to the requirements of the Listing Rules MIDI p.l.c. is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance appended to Chapter 5 of the Listing Rules and on the effective measures the Company has taken to ensure compliance throughout the accounting period with these Principles. The directors strongly believe that such practices are in the best interests of the Company, its Shareholders and other stakeholders, since compliance with principles of good corporate governance is expected by investors on the Malta Stock Exchange; and evidences the directors' and the Company's commitment to a high standard of corporate governance.

Accordingly, the Company supports the Code of Principles of Good Corporate Governance. The Board takes such measures as are necessary in order for the Company to comply with the requirements of the Code to the extent that this is considered appropriate and complementary to the size, nature and operations of MIDI p.l.c. In this regard the Board has carried out a review of the Company's compliance with the Principles in the period under review and the Board considers that the Company has, as much as practicable, substantially been in compliance with the Code throughout the period taking cognisance of certain matters highlighted below.

### Roles and responsibilities of the Board

The overall management of the Company is vested in a Board of Directors consisting of a minimum of five (5) and a maximum of eight (8) directors. In terms of the Memorandum and Articles of Association they may transact all business of whatever nature of the Company not expressly reserved by the Memorandum and Articles of Association to the Shareholders in General Meeting or by any provision contained in any law for the time being in force. The primary responsibility for good corporate governance in a company lies with its Board of Directors. In this regard the Board of Directors of the Company carried out a review of its compliance with the Code during the financial period being reported upon.

The Board's key role with respect to the Company's principal activities is to establish policy for the Company and to appoint all executive officers and other key members of management. The powers of the directors emanate directly from the Memorandum and Articles of Association of the Issuer and the law. The Board also exercises its business judgement to act in the best interests of MIDI p.l.c. and its Shareholders. In fulfilling its mandate, the Board of Directors assumes responsibility to:

- a) Establish corporate governance standards;
- b) Review, evaluate and approve, on a regular basis, long-term plans for the Company;
- c) Review, evaluate and approve the Company's budgets and forecasts;
- d) Review, evaluate and approve major resource allocations and capital investments;
- e) Review the financial and operating results of the Company;
- f) Ensure appropriate policies and procedures are in place to manage risks and internal control;
- g) Review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities and plans for senior management development including succession;
- h) Review, evaluate and approve compensation strategy for senior management;
- i) Review periodically the Company's objectives and policies relating to social, health and safety and environmental responsibilities.

Subsequent to 31 December 2010, the Executive Committee was constituted. The Board delegates specified authority to and accountability for the Company to the Executive Committee, which is composed of Dr. Alec A. Mizzi (Chairman of the Committee), Mr. David G. Curmi and Mr. Joseph A. Gasan. The Executive Committee supervises the management of the Company, to ensure the attainment of its strategy and objectives.

## **Statement of compliance with the Principles of Good Corporate Governance - continued**

### **Chairman and Chief Executive**

The directors have appointed Mr. Albert Mizzi as Chairman of the Board. The directors may from time to time appoint any person to the office of Chief Executive of the Company for such period and on such terms as they think fit, and, subject to the terms of any agreement entered into in any particular case, may revoke such appointment. The directors have appointed Mr. Benjamin Muscat as CEO of the Company.

The Board has delegated specific authority to the Chief Executive Officer to manage specific activities within the Company which include, amongst others:

- Implementation of policies as set by the Board;
- Working towards objectives established by the Board;
- Putting into effect plans to organise, direct and manage the human resources available to attain the highest possible profitability or results in the interest of the Company's shareholders and all other stakeholders.

The role of the Chief Executive Officer is to plan, co-ordinate and control the daily operations of the Company through the leadership and direction of MIDI's management team. For this purpose, the CEO communicates on a continuous basis with Senior Managers to direct business activities against plans, to decide on emerging matters, to allocate responsibilities of work and to monitor performance. Together with the Chairman of the Board, the CEO represents the Company with third parties.

### **Composition of the Board**

The Articles of Association of the Company specifically regulate the appointment of directors. The Board is composed of minimum of five (5) and a maximum of eight (8) directors who are appointed or elected by the Shareholders. Unless appointed for a shorter period, a director shall hold office from the end of one Annual General Meeting to the end of the next. A retiring director shall be eligible for re-election or re-appointment.

Every Shareholder owning twelve and a half per cent (12.5%) of the ordinary share capital is entitled to appoint one director for each twelve and a half per cent (12.5%) shareholding. Furthermore, any excess fractional shareholding not so utilised may participate in the voting for the election of further directors. Shareholders who own less than twelve and a half per cent (12.5%) of the ordinary share capital participate in the election of the directors on the basis that each Shareholder shall have one (1) vote in respect of each ordinary share held. The Chairman shall be elected by a simple majority from amongst the directors of the Company.

During the period from 1 January 2010 up to the date of authorisation for issue of the Financial Statements, the Board was composed exclusively of non-executive directors.

In this respect, the Board considers that in accordance with the requirements of the Principles, the Company is headed by an effective Board and the appointments to the Board provide a mix of proficient directors each of whom is able to add value and to bring independent judgement to bear on the decision-making process. Apart from being clearly equally conducive to good corporate governance, the composition of the Board provides, in the Board's view, the added benefits of control and management of the Company's affairs and an efficient decision-making process.

## **Statement of compliance with the Principles of Good Corporate Governance** - continued

### **Exercise of the role of the Board**

The Board of Directors is charged with the supervision of Board Committees and of management and the general course of affairs of MIDI p.l.c. and the business connected with it (including its financial policies and corporate structure). The Board of Directors shall evaluate periodically the main organisational structure and the operation of the internal risk-management and control systems established as well as agree on any necessary changes or corrective actions regarding such systems.

Any meeting that a director wishes to initiate may be arranged through the Company Secretary. The Board shall supervise compliance with procedures set for the preparation and publication of the Annual Report and Financial Statements and approve the Financial Statements for submission to the General Meeting of Shareholders.

More specifically the Board of Directors retains direct responsibility for approving and monitoring:

- (i) The Business Plans of the Company and the subsidiaries;
- (ii) Annual Budget;
- (iii) Annual Financial Statements;
- (iv) Termination of the employment or engagement of a substantial number of employees of the Company simultaneously or within a short period of time;
- (v) Termination of employment or engagement of the Chief Executive Officer and other positions of strategic importance at Senior Management level;
- (vi) Any proposal to increase the issued capital and to materially increase or decrease the Company's funding;
- (vii) Other resolutions which the Board of Directors may determine to be subject to its approval.

A director of the Company will have access to the advice from internal and external sources, which are deemed necessary for carrying out the respective roles and responsibilities and the Company will bear the related expenses. A newly appointed director will be given a thorough induction course in the operations, activities and procedures of the Company to be able to carry out the function of a director in an effective manner. The Company ensures that it provides the necessary training to the individual directors on a requirements basis by formally identifying and addressing such requirements.

The Board convenes regularly, normally once monthly. Board meetings are presided over by the Chairman and all directors are allowed equal opportunity to voice and express their views on matters relating to the Company and its business.

## Statement of compliance with the Principles of Good Corporate Governance - continued

### Board meetings

Thirteen Board of Directors meetings were held during 2010 and attendance was as follows:

<i>Board member</i>	<i>Attended</i>
Albert Mizzi	13
Angelo Buhagiar (resigned on 10 May 2010)	4 (out of 4)
Alec A. Mizzi	13
Charles Polidano (resigned on 18 October 2010)	9 (out of 11)
David G. Curmi (appointed on 10 May 2010)	7 (out of 9)
Paul Bonello	12
Tonio Depasquale	9
Joseph A. Gasan	12
Joseph Said	13
Mario C. Grech	13
Maurice F. Mizzi (resigned on 18 October 2010)	8 (out of 11)
Nazzareno Vassallo (resigned on 18 October 2010)	6 (out of 11)

### Evaluation of the Board's performance

During the financial year under review, the Board did not carry out any formal and rigorous evaluation of its own performance. In the context of the nature of the Company's operations and the stage of its operations together with the composition and roles of the Board, the Board did not consider that such a formal evaluation of performance was necessary. However subsequent to 31 December 2010, taking cognisance of the listing of the Company's ordinary shares and consequent developments, the Company resolved to set up a committee with the principal task of assessing the performance of individual directors, the effectiveness of the Board as a function and that of the Board or other committees.

### Remuneration of the Board

The aggregate emoluments of all directors in any one financial year, and any increases thereto, shall be such amount as may from time to time be determined by the Company in General Meeting, and any notice convening the General Meeting during which an increase in the maximum limit of such aggregate emoluments shall be proposed, shall contain a reference to such fact. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or General Meetings of the Company or in connection with the business of the Company. During the financial year under review, none of the directors received remuneration.

Until 31 December 2010, the Company has had no Remuneration Committee since the Company's policy has always been that the directors should not receive any remuneration. This policy reflected the fact that the directors were, generally speaking, appointees and representatives of the individual Shareholders who appointed them. Following the Ordinary Share Issue towards the end of 2010 and the listing of the Company's ordinary shares, circumstances will change since the general public will hold a substantial number of Ordinary Shares in the Company and the Board feels that it will be necessary to develop policies on remuneration. Subsequent to 31 December 2010, in accordance with the listing rules, the Board has set up a Remuneration Committee which is composed of Mr. Mario C. Grech (Chairman), Mr. Paul Bonello and Mr. Joseph Said. This committee was set up with the intended objectives of devising a remuneration policy aimed to attract, retain and motivate directors (executive and non-executive), as well as senior executives and management with the right qualities and skills for the benefit of the Company. The Committee will make proposals to the Board on the individual remuneration packages to all directors and senior management.

## Statement of compliance with the Principles of Good Corporate Governance - continued

### Conflicts of Interest

Some of the directors of the Company are also directors of other members of the Group. Also, the Chief Executive Officer sits, as a director, on the board of some of the subsidiary companies of the Company and may be subject to conflicts between the potentially divergent interests of the Company and such members of the Group. The Company is not aware of any private interest or duties unrelated to the Group which may or are likely to place the CEO in conflict with any interest in, or duties towards the Company.

Given the current shareholding of MIDI p.l.c., and in line with expectations upon the commencement of the Company, conflicts of interest affecting board members may arise from time to time with regards to:

1. Contracts for goods and services, including the provision of construction services, civil and mechanical and engineering works which have been/may be entered into between MIDI and the companies that its board members may represent (or otherwise have an interest in);
2. Financing and insurance services which have been/may be provided to MIDI by the companies that its board members may represent (or otherwise have an interest in);
3. Activities, including retail projects, carried on by MIDI which may compete with similar activities carried on, in the close proximity of the project by companies which its board members may represent (or otherwise have an interest in);
4. Purchases of apartments by directors or by companies that Board members may represent (or otherwise have an interest in).
5. Rental Agreements by directors or by companies that the Board members may represent (or otherwise have an interest in).

All contracts for goods and services, including the provision of construction services, civil and mechanical and engineering works, and any other purchases are based upon the principle of competitive bidding. The CEO negotiates with suppliers in order to ensure that the best quality goods and services are procured by MIDI at the least possible price. The Executive Committee is responsible to supervise such tendering process. In particular, it is responsible for assisting and directing the CEO in negotiations with contractors, suppliers and service providers and is ultimately responsible for the award of such tenders.

By virtue of the Memorandum and Articles of Association, the directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has material interest in accordance with the Memorandum and Articles of Association.

By virtue of Article 91(1) of the Memorandum and Articles of Association, the directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has material interest (Article 91(2) of the Memorandum and Articles of Association).

Article 91(5) of the Memorandum and Articles of Association states that if any question arises at any meeting as to the materiality of a director's interest or as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, then such question shall be referred to external advisors and their ruling shall be final and conclusive except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed.



## Statement of compliance with the Principles of Good Corporate

### Governance - continued

#### Conflicts of Interest - continued

Furthermore, the Issuer operates according to certain board principles in terms of the Board of Directors' Charter, including but not limited to the following:

- (i) In all cases, when participating as a director on MIDI's Board, individuals should bear in mind their statutory duties towards the Company and conduct themselves accordingly. In some instances, depending on the immediacy and extent of a conflict, it may be appropriate for them to abstain from participating in certain discussions. In many cases, it would be appropriate for the directors not to request, or remove from the Company's premises papers or reports with comment at a detailed level on a competing activity;
- (ii) Management, in conjunction with the Executive Board, should assist the Board of Directors in managing potential conflicts by ensuring that Board papers or reports provide all the material necessary to direct the business, while abstaining from irrelevant detail.

The Company has implemented a clear and detailed policy in respect of dealings of directors in the Company's shares and securities, which policy is based on timely and comprehensive disclosures and notices, where and if applicable in terms of Listing Rules.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Group.

#### Audit Committee

The Audit Committee's primary purpose is to:

- (a) protect the interests of the Company's shareholders; and
- (b) assist the directors in conducting their role effectively so that the Company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The Board has set formal terms of reference of the Audit Committee that establish its composition, role and function. The Audit Committee is a committee appointed by the Board and is directly responsible and accountable to the Board. The Board reserves the right to change these terms of reference from time to time. The main role and responsibilities of the Audit Committee are:

- (a) to review procedures and assess the effectiveness of the internal control systems, including financial reporting;
- (b) to assist the Board of Directors in monitoring the integrity of the Financial Statements, the internal control structures, the financial reporting processes and financial policies of the Company;
- (c) to maintain communications on such matters between the Board, management, the independent auditors and (where applicable) the internal auditors;
- (d) to review the Company's internal financial control system and, unless addressed by a separate risk committee or the Board itself, risk management systems;
- (e) to monitor and review the effectiveness of the Company's internal audit function (if and when established) on a regular basis;
- (f) to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the Shareholders in General Meeting;
- (g) to monitor and review the external audit functions, including the external auditor's independence, objectivity and effectiveness;

## Statement of compliance with the Principles of Good Corporate Governance - continued

### Audit Committee - continued

- (h) to develop and implement policy on the engagement of the external auditor to supply non-audit services;
- (i) to establish internal procedures and to monitor these on a regular basis;
- (j) to establish and maintain access between the internal and external auditors of the Company and to ensure that this is open and constructive;
- (k) to review and challenge where necessary, the actions and judgements of management, in relation to the interim and annual Financial Statements before submission to the Board, focusing particularly on:
  - (i) critical accounting policies and practices and any changes in them;
  - (ii) decisions requiring a major element of judgement;
  - (iii) the extent to which the Financial Statements are affected by any unusual transactions in the year and how they are disclosed;
  - (iv) the clarity of disclosures and compliance with International Financial Reporting Standards as adopted by the EU;
  - (v) significant adjustments resulting from the audit;
  - (vi) compliance with stock exchange and other legal requirements;
  - (vii) reviewing the Company's Statement on Corporate Governance prior to endorsement by the Board;
- (l) to gain an understanding of whether significant internal control recommendations made by internal and external auditors have been implemented by management;
- (m) reviewing the organisation of the internal audit function of the Company (if any), including its plans, activities, staffing and organisational structure;
- (n) monitoring the statutory audit of the annual and consolidated accounts;
- (o) discuss Company policies with respect to risk assessment and risk management, review contingent liabilities and risks that may be material to the Company; and
- (p) to consider other matters that are within the general scope of the Committee that are referred to it by the Board of Directors.

When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on the action needed to address the issue or make improvements.

During the current financial year, the Audit Committee was composed of three non-executive directors: Mr. Tonio Depasquale (Chairman of the Committee), Mr. Paul Bonello (who is independent and competent in accounting) and Mr. Joseph A. Gasan. The Audit Committee met four times during the year ended 31 December 2010. Subsequent to 31 December 2010, Mr. Joseph Said was appointed in replacement of Mr. Joseph A. Gasan.

Mr. Bonello is considered to be independent because he is free from any business, family or other relationship with the Company, the Shareholder appointing him as director, any other Shareholder or the management of either, that creates a conflict of interest such as to jeopardise exercise of his judgement.

## **Statement of compliance with the Principles of Good Corporate Governance** - continued

### **Audit Committee** - continued

The Audit Committee shall be responsible for vetting and approving related party transactions. The Audit Committee shall give due consideration to:

- the materiality of the transaction in the context of the Issuer's business;
- whether the transaction is in the ordinary course of the Issuer's business or the business of any its Subsidiary Undertakings as applicable; and
- whether the transaction gives rise to preferential treatment to the related party.

Should the Audit Committee, after considering the proposed related party transaction, deem that the proposed transaction will have a material effect on the Company's business; MIDI p.l.c. shall make a Company Announcement that shall contain:

- the nature and details of the transaction;
- the name of the related party concerned; and
- details of the nature and extent of the interest of the related party in the transaction.

### **Communication with Shareholders and the Market**

Pursuant to the Company's statutory obligations in terms of the Companies Act, 1995 and the Listing Rules, the Annual Report and Financial Statements, declaration of dividends, election of directors, and appointment of auditors and authorisation of the directors to set the auditors' fees are proposed and approved at the Company's Annual General Meeting. The Company communicates effectively with Shareholders through shareholder meetings and through other means, including periodical newsletters, and maintains contact with the market through announcements.

The directors consider that the Board properly serves the legitimate interests of all Shareholders and is accountable to all Shareholders, particularly through the representation of the Shareholders on the Board itself. The Board intends to ensure that the Company communicates with Shareholders effectively not only through the General Meetings but also through the individual directors on a regular basis. As outlined previously, the Board has adopted rules whereby directors having conflicts of interest on any matters being discussed at Board level disclose the conflict in a timely manner to the Board and the director so conflicted will not be allowed to vote on such matters.

Information on the Company's General Meetings is located in the Directors' Report.

## Statement of compliance with the Principles of Good Corporate Governance - continued

### Corporate Social Responsibility

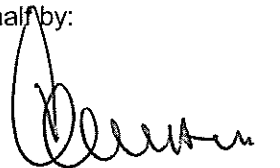
The Company recognises the importance of its role in the corporate social responsibility arena and it has taken several initiatives in this respect. During the financial year ended 31 December 2010, it has funded significant restoration works on Fort Manoel, including St. Anthony's Chapel and Fort Tigné. The Company also effected donations and sponsorships for a number of good causes. In the context of the Company's activities, management strives to ensure that environmental friendliness is given priority in the course of construction, marketing and operation of the different phases of the Manoel Island and Tigné Point project.

The report above is a summary of the views of the Board on the Company's compliance with the Code. Generally the Board is of the opinion that, in the context of the applicability of the various principles of the Code to the Company and in the context of the Company's business operations, the Company has been substantially in compliance with the Code throughout the financial year under review. The Board shall keep these principles under review and shall monitor any developments in the Company's business to evaluate the need to introduce new corporate governance structures or mechanisms as and when the need arises.

Approved by the Board on 28 April 2011 and signed on its behalf by:



Albert Mizzi  
Chairman



Paul Bonello  
Director

## Independent auditor's report

To the Shareholders of MIDI p.l.c.

### Report on the Financial Statements

We have audited the consolidated and stand-alone parent company financial statements of MIDI p.l.c. (together the "financial statements") on pages 21 to 68, which comprise the consolidated and parent company statements of financial position as at 31 December 2010, and the consolidated and parent company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Directors' Responsibility for the Financial Statements*

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 8, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion the financial statements

- give a true and fair view of the financial position of the group and the parent company as at 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

## Independent auditor's report - continued

### Report on Other Legal and Regulatory Requirements

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

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 group's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 10 to 18 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

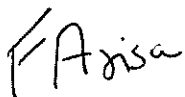
We also have responsibilities:

- Under the Maltese Companies Act, 1995 to report to you if, in our opinion:
  - The information given in the directors' report is not consistent with the financial statements.
  - Adequate accounting records have not been kept, or that 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 we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- Under the Listing Rules to review the statement made by the directors, set out on page 9, 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.

**PRICEWATERHOUSECOOPERS** 

167 Merchants Street  
Valletta  
Malta



Fabio Axisa  
Partner

28 April 2011

## Statements of financial position

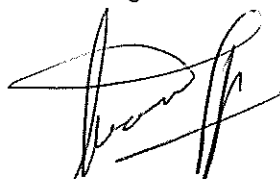
		As at 31 December			
		Group		Company	
Notes	2010	2009	2010	2009	
	€	€	€	€	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	60,061,396	50,227,037	910,930	926,403
Investment property	6	24,784,666	23,321,750	24,784,666	23,321,750
Investments in subsidiaries	7	-	-	7,249,208	13,883
Investment in joint venture	8	344,877	388,287	2,000,000	2,000,000
Available-for-sale financial assets	9	200,000	2,000	200,000	2,000
Trade and other receivables	11	395,613	-	8,082,545	-
		<b>85,786,552</b>	73,939,074	<b>43,227,349</b>	26,264,036
<b>Current assets</b>					
Inventories – Development project	10	146,935,662	149,016,437	147,211,652	149,290,992
Trade and other receivables	11	6,318,515	4,147,689	17,754,606	19,434,853
Current tax assets		5,981,523	4,471,572	5,979,613	4,464,829
Term placements with banks	12	4,000,000	4,000,000	4,000,000	4,000,000
Cash at bank and in hand	13	4,037,747	2,695,070	3,518,996	2,666,447
		<b>167,273,447</b>	164,330,768	<b>178,464,867</b>	179,857,121
<b>Total assets</b>		<b>253,059,999</b>	238,269,842	<b>221,692,216</b>	206,121,157

**Statements of financial position - continued**

		As at 31 December			
Notes	Group		Company		
	2010	2009	2010	2009	
	€	€	€	€	
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	14	42,831,984	29,358,000	42,831,984	29,358,000
Share premium		15,878,784	-	15,878,784	-
Hedging reserve	15	(189,847)	(317,825)	(189,847)	(317,825)
Retained earnings		4,418,741	3,639,247	6,894,009	5,727,175
<b>Total equity</b>		<b>62,939,662</b>	<b>32,679,422</b>	<b>65,414,930</b>	<b>34,767,350</b>
<b>Non-current liabilities</b>					
Trade and other payables	16	25,955,572	24,615,089	25,139,984	24,463,001
Borrowings	17	83,294,945	76,079,221	49,422,235	43,144,496
Deferred tax liabilities	18	2,451,247	1,765,070	2,209,299	1,765,070
<b>Total non-current liabilities</b>		<b>111,701,764</b>	<b>102,459,380</b>	<b>76,771,518</b>	<b>69,372,567</b>
<b>Current liabilities</b>					
Trade and other payables	16	62,525,925	75,840,195	63,754,282	75,562,737
Current tax liabilities		5,504	-	-	-
Borrowings	17	15,887,144	27,290,845	15,751,486	26,418,503
<b>Total current liabilities</b>		<b>78,418,573</b>	<b>103,131,040</b>	<b>79,505,768</b>	<b>101,981,240</b>
<b>Total liabilities</b>		<b>190,120,337</b>	<b>205,590,420</b>	<b>156,277,286</b>	<b>171,353,807</b>
<b>Total equity and liabilities</b>		<b>253,059,999</b>	<b>238,269,842</b>	<b>221,692,216</b>	<b>206,121,157</b>

The notes on pages 21 to 68 are an integral part of these Financial Statements.

The Financial Statements on pages 27 to 68 were authorised for issue by the board on 28 April 2011 and were signed on its behalf by:



Albert Mizzi  
Chairman



Paul Bonello  
Director



## Income statements

		Year ended 31 December			
		Group		Company	
Notes	2010	2009	2010	2009	
	€	€	€	€	
<b>Revenue</b>	19	<b>25,976,169</b>	32,217,795	<b>22,947,759</b>	32,209,672
Cost of sales	20	<b>(19,986,578)</b>	(28,388,416)	<b>(18,561,565)</b>	(28,388,416)
<b>Gross profit</b>		<b>5,989,591</b>	3,829,379	<b>4,386,194</b>	3,821,256
Administrative expenses	20	<b>(2,023,965)</b>	(1,843,418)	<b>(1,873,696)</b>	(1,852,788)
Other operating income		<b>860,992</b>	457,164	<b>880,903</b>	484,026
<b>Operating profit</b>		<b>4,826,618</b>	2,443,125	<b>3,393,401</b>	2,452,494
Finance income	22	<b>226,221</b>	431,462	<b>723,193</b>	833,838
Finance costs	23	<b>(3,494,622)</b>	(734,654)	<b>(2,472,209)</b>	(1,137,030)
Share of loss of joint venture	8	<b>(43,410)</b>	(387,835)	-	-
<b>Profit before tax</b>		<b>1,514,807</b>	1,752,098	<b>1,644,385</b>	2,149,302
Tax expense	24	<b>(735,313)</b>	(791,925)	<b>(477,551)</b>	(784,376)
<b>Profit for the year</b>		<b>779,494</b>	960,173	<b>1,166,834</b>	1,364,926
Earnings per share	25	<b>0.005</b>	0.007		

## Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
Note	2010	2009	2010	2009	
	€	€	€	€	
<b>Profit for the year</b>		<b>779,494</b>	960,173	<b>1,166,834</b>	1,364,926
<b>Other comprehensive income:</b>					
Cash flow hedges, net of deferred tax	15	<b>127,978</b>	(317,825)	<b>127,978</b>	(317,825)
<b>Total comprehensive income for the year</b>		<b>907,472</b>	642,348	<b>1,294,812</b>	1,047,101

The notes on pages 27 to 68 are an integral part of these Financial Statements.

## Statements of changes in equity

Group	Notes	Share capital €	Share premium €	Hedging reserve €	Retained earnings €	Total €
Balance at 1 January 2009		29,358,000	-	-	2,679,074	32,037,074
<b>Comprehensive income</b>						
Profit for the year		-	-	-	960,173	960,173
Other comprehensive income: Cash flow hedges, net of deferred tax	15	-	-	(317,825)	-	(317,825)
<b>Total comprehensive income</b>		-	-	(317,825)	960,173	642,348
<b>Balance at 31 December 2009</b>		29,358,000	-	(317,825)	3,639,247	32,679,422
<b>Comprehensive income</b>						
Profit for the year		-	-	-	779,494	779,494
Other comprehensive income: Cash flow hedges, net of deferred tax	15	-	-	127,978	-	127,978
<b>Total comprehensive income</b>		-	-	127,978	779,494	907,472
<b>Transactions with owners</b>						
Proceeds from shares issued	14	13,473,984	15,878,784	-	-	29,352,768
<b>Balance at 31 December 2010</b>		42,831,984	15,878,784	(189,847)	4,418,741	62,939,662

**Statements of changes in equity - continued**

Company	Notes	Share capital €	Share premium €	Hedging reserve €	Retained earnings €	Total €
Balance at 1 January 2009		29,358,000	-	-	4,362,249	33,720,249
<b>Comprehensive income</b>						
Profit for the year		-	-	-	1,364,926	1,364,926
Other comprehensive income: Cash flow hedges, net of deferred tax	15	-	-	(317,825)	-	(317,825)
<b>Total comprehensive income</b>		-	-	(317,825)	1,364,926	1,047,101
<b>Balance at 31 December 2009</b>		29,358,000	-	(317,825)	5,727,175	34,767,350
<b>Comprehensive income</b>						
Profit for the year		-	-	-	1,166,834	1,166,834
Other comprehensive income: Cash flow hedges, net of deferred tax	15	-	-	127,978	-	127,978
<b>Total comprehensive income</b>		-	-	127,978	1,166,834	1,294,812
<b>Transactions with owners</b>						
Proceeds from shares issued	14	13,473,984	15,878,784	-	-	29,352,768
<b>Balance at 31 December 2010</b>		42,831,984	15,878,784	(189,847)	6,894,009	65,414,930

The notes on pages 27 to 68 are an integral part of these Financial Statements.

## Statements of cash flows

		Year ended 31 December			
Notes	Group		Company		
	2010	2009	2010	2009	
	€	€	€	€	
<b>Cash flows from operating activities</b>					
Investment in development project	(24,550,065)	(58,079,140)	(16,954,433)	(41,588,120)	
Working capital movements related thereto	(8,540,515)	1,041,508	(10,861,853)	(6,751,153)	
	(33,090,580)	(57,037,632)	(27,816,286)	(48,339,273)	
Cash outflow on development project					
Cash inflows from promise of sale agreements	15,517,266	23,461,666	15,517,266	23,461,666	
Cash inflows from property rental and other management operations	3,508,025	-	125,628	-	
Net operating expenditure	(1,958,109)	(1,843,418)	(1,873,696)	(1,852,788)	
Net interest paid	(3,268,401)	(303,192)	(1,749,016)	(303,192)	
Other income received	860,992	457,164	880,903	484,026	
Income tax refunded	-	1,595,787	-	1,595,787	
Income tax paid	(1,622,493)	(2,468,160)	(1,617,016)	(2,448,913)	
	(20,053,300)	(36,137,785)	(16,532,217)	(27,402,687)	
<b>Net cash used in operating activities</b>					
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(3,426,316)	(102,735)	(901)	(70,643)	
Proceeds from disposal of property, plant and equipment	-	16,211	-	-	
Purchase of available-for-sale financial assets	(198,000)	(2,000)	(198,000)	(2,000)	
Investment in term placements with banks	(4,000,000)	(11,000,000)	(4,000,000)	(11,000,000)	
Proceeds from maturity of term placements with banks	4,000,000	7,000,000	4,000,000	7,000,000	
Purchase of shares in subsidiary	-	-	(7,235,325)	-	
Purchase of shares in joint venture	-	(500,000)	-	(500,000)	
	(3,624,316)	(4,588,524)	(7,434,226)	(4,572,643)	
<b>Net cash used in investing activities</b>					
<b>Cash flows from financing activities</b>					
Net proceeds from issuance of bonds	-	38,793,524	-	38,793,524	
Net proceeds from issuance of shares	29,352,768	-	29,352,768	-	
Proceeds from bank borrowings	17,406,421	26,914,570	17,205,120	18,243,026	
Repayments of bank and other borrowings	(21,738,896)	(22,828,972)	(21,738,896)	(22,828,969)	
Funds allocated to cash reserve earmarked for repayment of bonds	(500,000)	-	(500,000)	-	
	24,520,293	42,879,122	24,318,992	34,207,581	
<b>Net cash generated from financing activities</b>					
<b>Net movement in cash and cash equivalents</b>					
	842,677	2,152,813	352,549	2,232,251	
<b>Cash and cash equivalents at beginning of year</b>					
	2,695,070	542,257	2,666,447	434,196	
<b>Cash and cash equivalents at end of year</b>					
	3,537,747	2,695,070	3,018,996	2,666,447	

The notes on pages 27 to 68 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 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

These consolidated Financial Statements include the Financial Statements of MIDI p.l.c. and its subsidiaries. These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention as modified by the fair valuation the land and buildings class of property, plant and equipment, investment property, available-for-sale financial assets and derivative financial instruments.

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

##### 1.1.1 Changes in accounting policies

###### *(a) Standards, interpretations and amendments to published standards effective in 2010*

In 2010, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2010. 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 accounting policies.

###### *(b) Voluntary changes in accounting policies*

The changes in accounting policies noted below result in the Financial Statements providing reliable and more relevant information about the effects of events or conditions on the Group's financial position and financial performance.

###### *Property, plant and equipment*

With effect from 1 January 2010, the Group changed its accounting policy with respect to subsequent measurement of the land and buildings component of property, plant and equipment whereby these assets shall be carried at a revalued amount, being fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Increases in the carrying amount as a result of a revaluation shall be recognised in other comprehensive income and accumulated in equity. Revaluations shall be carried out on a regular basis to ensure 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. Land and buildings were previously carried at cost less any accumulated depreciation and any accumulated impairment losses.

## 1. Summary of significant accounting policies - continued

### 1.1 Basis of preparation - continued

#### 1.1.1 Changes in accounting policies - continued

##### *(b) Voluntary changes in accounting policies - continued*

###### *Investment property*

With effect from 1 January 2010, the Group also changed its accounting policy with respect to subsequent measurement of investment property whereby these assets shall be fair valued and carried at fair value at the end of each reporting period. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of investment property shall be recognised in profit or loss for the period in which they arise. Investment property was previously carried at cost less any accumulated depreciation and any accumulated impairment losses.

These changes in accounting policies result in the financial statements providing reliable and more relevant information about the effects of events or conditions on the entity's financial position and financial performance. The changes in accounting policies did not have any impact on the Group's financial results for the year under review and its financial position as at 31 December 2010. The carrying amount of the land and buildings component of property, plant and equipment and investment property was not deemed to be materially different from their fair value at 31 December 2010.

##### *(c) 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 but are mandatory for the Group's accounting periods beginning after 1 January 2010. The Group has 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 a possible significant impact on the Group's Financial Statements in the period of initial application.

### 1.2 Consolidation

#### (a) 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. 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 interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

## 1. Summary of significant accounting policies - continued

### 1.2 Consolidation - continued

#### (a) Subsidiaries - continued

The excess 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 is recorded as goodwill. If this is less than the fair value of the 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. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an 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 the 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.

### 1.3 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities 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 Company's functional and the Group's 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 or valuation where items are remeasured. 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, comprising mainly 'The Point' shopping mall, are shown at fair value based on periodic, but at least triennial, 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 depreciation and 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.

**1. Summary of significant accounting policies - continued**

**1.4 Property, plant and equipment - continued**

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 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. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Land is depreciated over the remaining term of property interest. 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 lives, as follows:

	%
Buildings	1
Plant and integral assets:	
Electrical and plumbing installations	2 - 10
Plant, machinery and operational equipment	4 - 6.67
Office equipment, furniture, fittings and other assets	10 - 33.3
Motor vehicles	20

Assets in course of construction are not depreciated. The assets' 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 disposals of property, plant and equipment are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

The assets' 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 1.5).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.



## 1. Summary of significant accounting policies - continued

### 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 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 principally comprises land and buildings.

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 the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually by professional valuers. 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 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 subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

## 1. Summary of significant accounting policies - continued

### 1.5 Investment property - continued

If an item of property, plant and equipment 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 sale, 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.

### 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 1.7 Investment in joint venture

The Group's interest in jointly controlled entities is accounted for using the equity method and is initially recorded at cost. The Group's share of the joint venture post-formation profits and losses is recognised in profit or loss and its share of post-formation movements in reserves is recognised in equity. The cumulative movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the joint venture equals or exceeds its interest in the entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Investments in jointly controlled entities are accounted for at cost less impairment losses in the Company's separate Financial Statements. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an 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 the joint venture 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.

## 1. Summary of significant accounting policies - continued

### 1.8 Financial assets

#### Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (notes 1.10 and 1.11).

#### (b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the asset. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the asset and other changes in the carrying amount of the asset. The translation differences on monetary assets are recognised in profit or loss; translation differences on non-monetary assets are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary assets classified as available-for-sale are recognised in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

When assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within 'investment and other related income'.

Dividends on available-for-sale equity instruments are recognised in profit or loss within 'investment and other related income' when the Group's right to receive payments is established.

## 1. Summary of significant accounting policies - continued

### 1.8 Financial assets - continued

#### Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

#### *(a) Assets carried at amortised cost*

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in note 1.10.

#### *(b) Assets classified as available for sale*

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

## 1. Summary of significant accounting policies - continued

### 1.9 Inventories – Development project

The main object of the Group is the development of a large area of land acquired; this development is intended in the main for resale purposes, and is accordingly classified in the Financial Statements as inventories. Any elements of the project which are identified for business operation within the Group's activities or long-term investment purposes are transferred at their carrying amount to property, plant and equipment or investment property when such identification is made and the cost thereof can be reliably segregated.

The development is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development, including:

- (i) The costs incurred on development works, including demolition, site clearance, excavation, construction and other activities, together with the costs of ancillary activities such as site security.
- (ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.
- (iii) Any borrowing costs, including imputed interest, attributable to the development phases of the project.

The purchase cost of acquiring the land represents the cash equivalent value of the contracted price. This was determined at date of purchase by discounting to present value the future cash outflows comprising the purchase consideration.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

### 1.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss.

### 1.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

## 1. Summary of significant accounting policies - continued

### 1.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 1.13 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. 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 are subsequently measured at amortised cost. The group 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.

### 1.14 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### 1.15 Borrowings

Borrowings are recognised initially at fair value, 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 as part of borrowing costs over the period of the borrowings and accounted for as follows:

- (i) Borrowing costs that are directly attributable to the development project are capitalised as part of the cost of the project and are included in its carrying amount. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare any distinct part of the project for its sale or intended use are completed. Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.
- (ii) All other borrowing costs are recognised in profit or loss as incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 1.16 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. Summary of significant accounting policies - continued

### 1.17 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

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, the 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.

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.

### 1.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales taxes, rebates and discounts.

The Group 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 as described below.

Revenue earned from the long term contracts in which the Group is engaged is recognised upon the delivery of the contracted items.

Sales of property are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the Group's obligations relating to the property are completed such that possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the Financial Statements, due to the fact that the significant risks and rewards of ownership still pertain to the Group, are treated as payments received on account and presented within trade and other payables.

Revenue from services is generally recognised in the period during which the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

Other operating income consisting of berthing fees and interest are recognised on an accruals basis. Tender fees are recognised on a receipt basis.

## 1. Summary of significant accounting policies - continued

### 1.19 Derivative financial instruments and hedging

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair values of derivative contracts are mainly based on dealer quotes obtained at the end of the reporting period from the Group's counterparties. The fair value of cross-currency interest rate swaps is mainly based on the present value of the estimated future cash flows.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability if the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

On the date a derivative contract is entered into, the Group designates certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met. Under the requirements of IAS 39, the criteria for a derivative instrument to be accounted for as a cash flow hedge include:

- formal documentation of the hedging instrument, hedging item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

Accordingly, the Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. This process includes linking derivatives designated as hedges to specific assets and liabilities or to specific forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the hedging reserve within equity in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. Where the forecast transaction results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are reclassified from equity as a reclassification adjustment and included in the initial measurement of the cost of the asset or liability. Otherwise amounts deferred in equity are reclassified to profit or loss as a reclassification adjustment and presented as revenue or expense in the periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss when the hedged forecast transaction affects profit or loss. However, if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.



**1. Summary of significant accounting policies - continued**

**1.20 Operating leases**

(a) An undertaking is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) An undertaking is the lessor

Assets leased out under operating leases are included in property, plant and equipment or investment property in the statement of financial position and are accounted for in accordance with accounting policies 1.4 and 1.5 respectively. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

## 2. Financial risk management

### 2.1 Financial risk factors

The activities of the Group, of which the Company forms part, potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. The parent company's Board of Directors provides principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. In order to manage exposures to risks arising from fluctuations in currency exchange rates and interest rates, the Group made use of derivative financial instruments during the year. The general hedging policy guidelines regarding currency and interest rate risks are set by the board and the Company's finance department is responsible for implementation of these hedging policies. The respective derivative transactions are concluded only with first rate counterparties.

#### *(a) Market risk*

##### *(i) Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. The Group is exposed to foreign exchange risk with respect to bonds issued to the public which are denominated in sterling. The Company has hedged the foreign exchange cash flow exposure on the interest and principal of the bonds by entering into a fixed to fixed euro/sterling cross currency interest rate swap with a local financial institution. Except as outlined above, the Group's revenues, operating and development expenditure and financial assets and liabilities, including financing, are denominated in euro. Accordingly, the Group is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

##### *(ii) Cash flow and fair value interest rate risk*

The Group's significant instruments which are subject to fixed interest rates comprise term placements with banks (Note 12) and the bonds issued to the general public (Note 17). In this respect, the Group is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost. The Group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 17) which expose the Group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on borrowings costs in respect of these liabilities. Based on this analysis, management considers the potential impact 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.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (b) Credit risk

The Group is not significantly exposed to credit risk arising in the course of its principal activity relating to sale of residential units in view of the manner in which promise of sale agreements are handled through receipt of payments on account at established milestones up to delivery (see Note 16). The Group monitors the performance of the purchasers throughout the term of the related agreement in relation to meeting contractual obligations and ensures that contract amounts are fully settled prior to delivery.

Credit risk arises from cash and cash equivalents, other deposits with banks and receivables, which constitute the Group's loans and receivables category for IAS 39 categorisation purposes. The Group's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Loans and receivables category				
Trade and other receivables (Note 11)	6,318,515	4,147,689	25,441,738	19,434,853
Term placements with banks (Note 12)	4,000,000	4,000,000	4,000,000	4,000,000
Cash and cash equivalents (Note 13)	4,037,747	2,695,070	3,518,996	2,666,447
	<b>14,356,262</b>	<b>10,842,759</b>	<b>32,960,734</b>	<b>26,101,300</b>

The Group's exposures to credit risk are analysed in the statement of financial position and in the respective notes to the Financial Statements. The maximum exposure to credit risk at the end of the reporting period in respect of these financial assets is equivalent to their carrying amount. The Group does not hold any collateral as security in this respect except as outlined below.

Group undertakings bank only with local financial institutions with high quality standing or rating. During the year ended 31 December 2009, the Group entered into a derivative with such an institution.

The Group's receivables mainly comprise recoverable expenses incurred on behalf of contractors and receivables in respect of rental operations. The Group monitors the performance of these assets on a regular basis. These other receivables are principally in respect of transactions with entities for which there is no recent history of default. Management does not expect any material losses from non-performance by these debtors.

The Company's receivables include significant amounts due from subsidiaries arising from transactions with these entities. The Group monitors intra-group credit exposures at individual entity level and ensures timely performance in the context of overall group liquidity management. The Company takes cognisance of the related party relationship with these debtors and management does not expect any losses from non-performance or default.

As at the end of the financial reporting period, the Group had no material past due or impaired financial assets.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings (refer to Notes 16 and 17). One of the Group's principal liabilities consists of the liability towards the Government in respect of the temporary emphyteusis, which comprises cash payments and obligations through the performance of restoration and infrastructural work at Manoel Island and Tigné Point. 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.

The Group's liquidity risk is managed actively by management. Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows from development and operation of the different phases of the project at Tigné Point and Manoel Island. This includes reviewing the matching or otherwise of expected cash inflows and outflows arising from expected maturities of financial instruments in relation to the distinct project phases. On the basis of these forecasts, management ensures that no financing facilities, additional to the existing borrowings and financing from the Shareholders, are expected to be required in respect of the phases currently in progress. Liquidity risk is not deemed significant due to the Group's committed borrowing facilities that it can access to meet liquidity needs, coupled with financing from the Shareholders as outlined above.

The Group's trade and other payables, other than the liability towards the Government and certain other payables, are principally repayable within one year from the end of the reporting period. Payments received on account under promise of sale agreements do not give rise to cash outflows but would be utilised upon delivery of the related apartments in the expected time bands as disclosed in the related note. The table below analyses the Group's other principal non-derivative financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2010 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. In relation to the amounts payable to Government amounts which will be satisfied through the performance of restoration works on major historical sites and the construction of public infrastructure works have been included in the table below since cash outflows would occur in the performance of these obligations. These cash flows have been reflected in the bands below on the basis of the contractual terms of the arrangements (refer to Note 16).

Group	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
<b>At 31 December 2010</b>					
Bank borrowings	18,410,228	6,093,019	21,667,320	25,383,195	71,553,762
7% Bonds 2016 - 2018	2,800,000	2,800,000	8,400,000	42,677,596	56,677,596
Due to Government in relation to purchase of land	25,019,800	1,164,687	6,988,120	35,244,143	68,416,750
Other non-current liabilities	24,206	24,206	563,817	370,329	982,558
<b>At 31 December 2009</b>					
Bank borrowings	29,506,669	2,458,747	17,247,602	25,260,222	74,473,240
7% Bonds 2016 - 2018	2,800,000	2,800,000	8,400,000	44,309,760	58,309,760
Due to Government in relation to purchase of land	24,776,676	2,456,029	5,823,433	36,344,755	69,400,893
Other non-current liabilities	4,563	4,563	120,631	55,321	185,078

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (c) Liquidity risk - continued

Company	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
<b>At 31 December 2010</b>					
Bank borrowings	16,761,449	2,427,034	8,659,108	-	27,847,591
7% Bonds 2016 – 2018	2,800,000	2,800,000	8,400,000	42,677,596	56,677,596
Due to Government in relation to purchase of land	25,019,800	1,164,687	6,988,120	35,244,143	68,416,750
<b>At 31 December 2009</b>					
Bank borrowings	27,387,002	250,000	4,416,667	-	32,053,669
7% Bonds 2016 - 2018	2,800,000	2,800,000	8,400,000	44,309,760	58,309,760
Due to Government in relation to purchase of land	24,776,676	2,456,029	5,823,433	36,344,755	69,400,893

The table below analyses the Group's and the Company's gross settled derivative financial liabilities, consisting of a cross currency interest rate swap contract, into relevant maturity groupings based on the remaining period at 31 December 2010 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group and Company	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
<b>At 31 December 2010</b>					
- Outflows	564,456	564,456	1,693,368	8,065,450	10,887,730
- Inflows	574,964	574,964	1,724,891	8,763,177	11,637,996
<b>At 31 December 2009</b>					
- Outflows	564,456	564,456	1,693,368	8,629,906	11,452,186
- Inflows	557,257	557,257	1,671,771	9,050,562	11,836,847

### 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 Group may adjust the amount of dividends paid to Shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents and other term placements with banks. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

## 2. Financial risk management - continued

### 2.2 Capital risk management - continued

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Total borrowings	99,182,089	103,370,066	65,173,721	69,562,999
Less:				
- cash and cash equivalents	(4,037,747)	(2,695,070)	(3,518,996)	(2,666,447)
- term placements with banks	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Net debt	91,144,342	96,674,996	57,654,725	62,896,552
Total equity	62,939,662	32,679,422	65,414,930	34,767,350
Total capital	154,084,004	129,354,418	123,069,655	97,663,902
Gearing ratio	59.2%	74.7%	46.8%	64.4%

The Group manages the relationship between equity injections from shareholders and borrowings, being the constituent elements of capital, as reflected above with a view to managing the cost of capital. The Group maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements in relation to the different phases of the development project. In view of the nature of the Group's activities, the development stage of the distinct phases and the extent of borrowings or financing, the capital level as at the end of the financial reporting period is deemed adequate by the directors.

### 2.3 Fair values of financial instruments

At 31 December 2010 and 2009 the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values in view of the nature of the instruments or their short-term maturity. The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of the Group's bank and other borrowings (Note 17) as at the end of the reporting period is not materially different from the carrying amounts. Information on the fair value of the bonds issued to the public is disclosed in Note 17 to the Financial Statements.

The fair value of derivative financial instruments is determined in accordance with the Group's accounting policy disclosed in accounting policy 1.17. Fair values are determined using discounted cash flow techniques based entirely on observable market data at the end of the reporting period (see Note 15). Accordingly the derivative contract is categorised as Level 2 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'. The directors have assessed the fair value of the amount due to Government in relation to purchase of land (see Note 16) by reference to the original discount rate applied upon completion of the deed (see Note 10) adjusted by changes recorded since then at end of the reporting period in the yields to maturity of long term Malta Government securities with tenor similar to the repayment terms of the liability towards the Government. On this basis, the fair value at 31 December 2010 of the amount due to Government with respect to the purchase of land amounted to €53.4 million (2009: €52.5 million).

### 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 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. Activities of the Group - segment information

The MIDI Consortium was granted a letter of intent by the Government of Malta in December 1992 for the development of the Manoel Island and Tigné Point project. Project negotiations were successfully concluded and a 99 year emphyteutical grant was entered into with Government on 15 June 2000. Works at Tigné Point commenced towards the end of 2002 and have been finalised in 2010. In March 2010, 'The Point' shopping mall and the partial opening of Pjazza Tigné together with the underlying public car park were launched to the public. During 2010, construction works were concentrated on the basement levels for the Tigné North phases. The Company also continued obligations in relation to restoration works, particularly on the final phases of Fort Manoel. On the infrastructural side, works are concentrated on the embellishment of public areas at Tigné Point and the Sliema Wanderers sports complex which has been handed over to the football club during the year.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors which reports are utilised to make strategic decisions. The Group has two operating segments:

- development and sale of property, which comprises primarily the construction and sale of residential units within Tigné Point and Manoel Island Project; and
- property rental and management, which currently mainly involves the management of and lease of retail space within 'The Point' shopping mall together with the rental of other areas within the project.

The Board of Directors assesses the performance of the segments on the basis of segment operating results, before financing costs and tax impact. The financial information for the reportable segments in relation to the year ended 31 December 2010 is as follows:

	Development and sale of property €	Property rental and management €	Group €
Segment revenue	22,822,131	3,154,038	25,976,169
Segment results - operating profit	3,314,271	1,512,347	4,826,618

With respect to the year ended 31 December 2009 the Group's revenue and operating profit was principally derived from development and sale of residential units.

**5. Property, plant and equipment**

Group	Assets in the course of construction €	Land and buildings €	Plant and integral assets €	Office equipment, furniture & fittings €	Motor vehicles €	Total €
<b>At 1 January 2009</b>						
Cost	32,630,251	910,046	-	910,950	26,455	34,477,702
Accumulated depreciation	-	(37,740)	-	(747,465)	(26,455)	(811,660)
Net book amount	32,630,251	872,306	-	163,485	-	33,666,042
<b>Year ended 31 December 2009</b>						
Opening net book amount	32,630,251	872,306	-	163,485	-	33,666,042
Additions	16,552,733	-	-	102,735	-	16,655,468
Disposals	-	-	-	(16,213)	-	(16,213)
Depreciation charged to profit or loss	-	(9,026)	-	(73,256)	-	(82,282)
Depreciation realised on disposals	-	-	-	4,022	-	4,022
Closing net book amount	49,182,984	863,280	-	180,773	-	50,227,037
<b>At 31 December 2009</b>						
Cost	49,182,984	910,046	-	997,472	26,455	51,116,957
Accumulated depreciation	-	(46,766)	-	(816,699)	(26,455)	(889,920)
Net book amount	49,182,984	863,280	-	180,773	-	50,227,037
<b>Year ended 31 December 2010</b>						
Opening net book amount	49,182,984	863,280	-	180,773	-	50,227,037
Additions	3,276,461	-	-	149,855	-	3,426,316
Reclassification from Inventories - Development project	-	7,686,932	-	-	-	7,686,932
Reclassifications upon commissioning	(52,459,445)	36,354,231	14,821,829	1,283,385	-	-
Depreciation charged to profit or loss	-	(584,771)	(571,189)	(122,929)	-	(1,278,889)
Closing net book amount	-	44,319,672	14,250,640	1,491,084	-	60,061,396
<b>At 31 December 2010</b>						
Cost	-	44,951,209	14,821,829	2,430,712	26,455	62,230,205
Accumulated depreciation	-	(631,537)	(571,189)	(939,628)	(26,455)	(2,168,809)
Net book amount	-	44,319,672	14,250,640	1,491,084	-	60,061,396



**5. Property, plant and equipment - continued**

Included in the Group's additions for 2010 reflected in the table above is an amount of €980,723 (2009: €2,029,188) representing capitalised borrowing costs. A capitalisation rate of 5.3% (2009: 5.2%) was utilised in this respect.

Bank borrowings are secured on the Group's property, plant and equipment (Note 17).

Company	Buildings €	Office equipment, furniture & fittings €	Motor vehicles €	Total €
<b>At 1 January 2009</b>				
Cost	902,624	277,660	26,455	1,206,739
Accumulated depreciation	(30,423)	(270,864)	(26,455)	(327,742)
Net book amount	872,201	6,796	-	878,997
<b>Year ended 31 December 2009</b>				
Opening net book amount	872,201	6,796	-	878,997
Additions	-	70,643	-	70,643
Depreciation charged to profit or loss	(9,026)	(14,211)	-	(23,237)
Closing net book amount	863,175	63,228	-	926,403
<b>At 31 December 2009</b>				
Cost	902,624	348,303	26,455	1,277,382
Accumulated depreciation	(39,449)	(285,075)	(26,455)	(350,979)
Net book amount	863,175	63,228	-	926,403
<b>Year ended 31 December 2010</b>				
Opening net book amount	863,175	63,228	-	926,403
Additions	-	901	-	901
Depreciation charged to profit or loss	(9,026)	(7,348)	-	(16,374)
Closing net book amount	854,149	56,781	-	910,930
<b>At 31 December 2010</b>				
Cost	902,624	349,204	26,455	1,278,283
Accumulated depreciation	(48,475)	(292,423)	(26,455)	(367,353)
Net book amount	854,149	56,781	-	910,930

**6. Investment property**

	<b>Group and Company</b>	
	<b>2010</b>	<b>2009</b>
	€	€
<b>Year ended 31 December</b>		
Opening carrying amount	23,321,750	-
Transfer from Inventories – Development project	-	23,321,750
Additions	1,462,916	-
	<b>24,784,666</b>	<b>23,321,750</b>
Closing carrying amount	<b>24,784,666</b>	<b>23,321,750</b>
<b>At 31 December</b>		
Cost and carrying amount	<b>24,784,666</b>	<b>23,321,750</b>

As at 31 December 2009, the Group transferred the carrying amount of certain parts or areas of the project from Inventories - Development project to investment property, reflected in the table above, as a result of the Group's determination of the intended use of such areas. These properties will be held for long-term rental yields or for capital appreciation purposes. The carrying amount transferred reflects the amounts recognised within inventories (refer to Note 10) in relation to such areas until 31 December 2009. In the opinion of the directors, the fair value of investment property at the end of the reporting period is not materially different from its carrying amount.

Bank borrowings are secured on the Group's investment property (Note 17).

**7. Investments in subsidiaries**

	<b>Company</b>	
	<b>2010</b>	<b>2009</b>
	€	€
At 1 January	13,883	13,883
Additions	7,235,325	-
	<b>7,249,208</b>	<b>13,883</b>
At 31 December	<b>7,249,208</b>	<b>13,883</b>

The subsidiaries at 31 December 2010, whose results and financial position affected the figures of the Group, are shown below:

<b>Group undertaking</b>	<b>Registered office</b>	<b>Class of shares held</b>	<b>Percentage of shares held</b>
Tigné Contracting Limited	North Shore Manoel Island, Malta	Ordinary shares	100%
Tigné Mall Limited	North Shore Manoel Island, Malta	Ordinary shares	99%
Tigné Point Marketing Limited	North Shore Manoel Island, Malta	Ordinary shares	99%

All shareholdings are held directly by MIDI p.l.c.

**8. Investment in joint venture**

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
<b>Year ended 31 December</b>				
Opening carrying amount	388,287	276,122	2,000,000	1,500,000
Additions at cost	-	500,000	-	500,000
Share of loss for the year	(43,410)	(387,835)	-	-
Closing carrying amount	<b>344,877</b>	<b>388,287</b>	<b>2,000,000</b>	<b>2,000,000</b>
<b>At 31 December</b>				
Cost	<b>2,000,000</b>	2,000,000	<b>2,000,000</b>	2,000,000
Share of profits and reserves	<b>(1,655,123)</b>	(1,611,713)	-	-
Carrying amount	<b>344,877</b>	<b>388,287</b>	<b>2,000,000</b>	<b>2,000,000</b>

The Group had entered into a joint venture – Solution & Infrastructure Services Limited (S.I.S. Ltd.) with Siemens S.p.A. The business objective of S.I.S. Ltd., which is not listed, is to install and maintain a fixed network of communication and data services, and provide such services to consumers. The Group's share of results of the joint venture as at 31 December and its share of the assets and liabilities are shown as follows:

	Assets €	Liabilities €	Revenues €	Loss €
<b>2010</b>				
Solution & Infrastructure Services Limited	<b>3,537,601</b>	<b>3,192,724</b>	<b>1,264,876</b>	<b>(43,410)</b>
<b>2009</b>				
Solution & Infrastructure Services Limited	3,701,133	3,324,523	1,074,639	(387,835)

**9. Available-for-sale financial assets**

	Group and Company	
	2010 €	2009 €
<b>Year ended 31 December</b>		
Opening carrying amount	<b>2,000</b>	-
Additions at cost	<b>198,000</b>	2,000
Closing cost and carrying amount	<b>200,000</b>	2,000

The Group's available-for-sale investments, consisting of equity investments in an unlisted local private company, are fair valued annually. Fair value is estimated by reference to the net asset backing of the investee. At the end of the reporting period, the cost of these investments approximates fair value and no movements have been reflected in equity.

#### **10. Inventories – Development project**

The main object of the Group is the development of a large area of land at Manoel Island and Tigné Point, acquired from the Government of Malta for the purpose by virtue of a 99 year emphyteutical grant entered into on 15 June 2000. This development is intended in the main for resale purposes. Construction works during the year ended 31 December 2010, reflected within the table below, were concentrated in a number of commercial and residential areas which comprise the T10 residential block, the Plaza Block apartments and the basement levels of the majority of the areas comprising the Tigné North phase.

During the years ended 31 December 2010 and 2009, the Group completed and transferred to the purchasers, residential units constructed on Tigné Point. The cost allocated to these apartments was recognised within cost of sales in profit or loss. As at 31 December 2009, the Group transferred the carrying amount of certain parts or areas of the project from Inventories - development project to investment property as a result of the Group's determination of the intended use of such areas. These properties will be held for long-term rental yields or for capital appreciation purposes.

The carrying amount of works on the project are also presented as inventories at Company level, notwithstanding the fact that certain expenditure was carried out by another group undertaking, to reflect the substance of the arrangement in place between MIDI p.l.c. and this other group undertaking.

## 10. Inventories – Development project - continued

Costs incurred on the project up to 31 December 2010 and 2009 comprised:

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Purchase cost of land (see note below):				
- At 1 January	34,083,879	37,447,869	34,083,879	37,447,869
- Additions for the year	1,034,714	-	1,034,714	-
- Transferred to cost of sales	(1,823,223)	(987,238)	(1,823,223)	(987,238)
- Transferred to investment property	-	(2,376,752)	-	(2,376,752)
- Transferred to property, plant and equipment	(886,693)	-	(886,693)	-
- At 31 December	<b>32,408,677</b>	34,083,879	<b>32,408,677</b>	34,083,879
Cost of design works and other studies, demolition, excavation, construction and restoration works and other expenses incurred:				
- At 1 January	85,641,747	96,717,500	85,916,302	96,993,489
- Additions for the year	17,616,804	32,850,192	17,618,239	32,848,758
- Transferred to cost of sales	(14,760,606)	(24,286,635)	(14,760,606)	(24,286,635)
- Transferred to investment property	-	(19,639,310)	-	(19,639,310)
- Transferred to property, plant and equipment	(6,800,239)	-	(6,800,239)	-
- At 31 December	<b>81,697,706</b>	85,641,747	<b>81,973,696</b>	85,916,302
Borrowing costs attributable to the project:				
- At 1 January	29,290,811	25,717,137	29,290,811	25,717,137
- Imputed interest (see note below)	2,022,551	2,373,631	2,022,551	2,373,631
- Bank and other interest	3,455,009	2,875,955	3,455,009	2,875,955
- Transferred to cost of sales	(1,406,933)	(370,224)	(1,406,933)	(370,224)
- Transferred to investment property	(532,159)	(1,305,688)	(532,159)	(1,305,688)
- At 31 December	<b>32,829,279</b>	29,290,811	<b>32,829,279</b>	29,290,811
	<b>146,935,662</b>	149,016,437	<b>147,211,652</b>	149,290,992

The contract of acquisition of the land provided for a premium of €92.17 million payable over an extended period of time, which was discounted to its present value amount of €42.62 million at date of purchase. The rate applied in discounting to present value the future outflows comprising the purchase consideration was 7.75% based upon the effective pre-tax return rate provided for in the deed of acquisition (refer to Note 17).

Borrowing costs arising from bank and other borrowings capitalised within inventories are reflected within the table above. A capitalisation rate of 6.0% (2009: 4.7%) was utilised in this respect.

**11. Trade and other receivables**

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
<b>Current</b>				
Receivables in respect of rental operations	1,278,561	-	-	-
Amounts owed by subsidiaries	-	-	14,363,484	16,933,475
Amounts owed by joint venture	577,143	305,739	415,047	188,714
Amounts owed by other related parties	306,410	-	-	-
Advance payments to contractors	-	388,948	-	-
Recoverable expenses incurred on behalf of contractors	2,711,911	2,003,091	1,895,525	1,146,904
Indirect taxation	36,266	24,223	36,266	-
Prepayments and accrued income	1,408,224	1,425,688	1,044,284	1,165,760
	<b>6,318,515</b>	<b>4,147,689</b>	<b>17,754,606</b>	<b>19,434,853</b>
<b>Non-current</b>				
Derivative financial instruments (see Note 16)	395,613	-	395,613	-
Amounts owed by subsidiary	-	-	7,686,932	-
	<b>395,613</b>	<b>-</b>	<b>8,082,545</b>	<b>-</b>

The non-current amounts owed by subsidiary are earmarked for capitalisation as an equity injection during the financial year ending 31 December 2011.

**12. Term placements with banks**

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Deposits with banks	4,000,000	4,000,000	4,000,000	4,000,000

**12. Term placements with banks - continued**

Term placements with banks outstanding at 31 December 2010 reflect the investment of unutilised proceeds from the issuance of ordinary shares (refer to Note 14). The weighted average effective interest rate applicable as at 31 December 2010 was 1.38% and these placements mature within two months from the end of the reporting period.

Term placements with banks outstanding at 31 December 2009 reflect the investment of unutilised bond issue proceeds (refer to Note 17). The weighted average effective interest rate applicable as at 31 December 2009 was 3.65% and these placements matured within one month from the end of the reporting period. These placements were pledged as collateral to secure bank borrowings (refer to Note 17).

**13. Cash and cash equivalents**

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

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Cash at bank and in hand	4,037,747	2,695,070	3,518,996	2,666,447
Cash reserve held under trust arrangement earmarked for eventual repayment of bonds	(500,000)	-	(500,000)	-
Cash and cash equivalents	<b>3,537,747</b>	2,695,070	<b>3,018,996</b>	2,666,447

As disclosed above, cash and cash equivalents for the purpose of the statements of cash flows, exclude the cash reserve held under trust arrangement earmarked for the eventual repayment of the bonds (see Note 17).

At 31 December 2010, the Group and Company had bank deposits amounting to €88,676 (2009: €411,369) representing advance deposits on the sale of property, which are deposited in escrow accounts and which are pledged to secure bank borrowings (refer to Note 17). Interest income earned on these deposits is offset by the bankers against interest costs incurred on the bank loans. These amounts are included within cash and cash equivalents since they are considered part of the Group's overall cash management.

**14. Share capital**

	<b>Company</b>	
	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
<b>Authorised</b>		
21,000,000 Ordinary shares of €2.33 each	-	48,930,000
450,000,000 Ordinary shares of €0.20 each	<b>90,000,000</b>	-
	<b>90,000,000</b>	48,930,000
<b>Issued and fully paid</b>		
12,600,000 Ordinary shares of €2.33 each	-	29,358,000
214,159,922 Ordinary shares of €0.20 each	<b>42,831,984</b>	-
	<b>42,831,984</b>	29,358,000

By virtue of an extraordinary resolution dated 10 September 2009, the Shareholders of the Company redenominated the authorised share capital of the Company to 21,000,000 ordinary shares of €2.33 each and 10,000,000 preference shares 'A' of €2.33 each. On the same date, the issued share capital of the Company of €29,350,105 made up of 12,600,000 ordinary shares of €2.329373 each was increased to €29,358,000 made up of 12,600,000 ordinary shares of €2.33 each. The increase in the issued share capital of €7,895 was funded through capitalisation of retained earnings. Subsequently, the Company's authorised share capital was restructured and as at 31 December 2009, it consisted solely of 21,000,000 ordinary shares of €2.33 each.

By virtue of an extraordinary resolution dated 18 October 2010, the Shareholders of the Company revised the Memorandum of Association of the Company, whereby the authorised share capital of the Company was increased to 450,000,000 ordinary shares of €0.20 each. On the same date the issued share capital of the Company was redenominated from 12,600,000 ordinary shares of €2.33 each to 146,790,000 ordinary shares of €0.20 each. By virtue of an ordinary resolution dated 18 October 2010, the Board of Directors was authorised to issue and allot up to a maximum of 90,000,000 ordinary shares of a nominal value of €0.20 each. The principal purpose of these resolutions was to grant authority to the directors to issue shares of the Company to the public.

On 26 October 2010, the Company submitted an application to the Listing Authority for all the ordinary shares of the Company to be admitted to listing on the Malta Stock Exchange. On 1 November 2010 an offer of shares having a nominal value of €0.20 each and offered at an Issue Price of €0.45 each was made to the public pursuant to the Prospectus dated 1 November 2010. As at the closing of this offer on 2 December 2010 the Company issued and allotted 67,369,922 ordinary shares with a nominal value of €0.20 each, fully paid up.

The share premium attributable to these Issued shares, reflecting the difference of €0.25 between the Issue Price and the nominal value, amounting to €16,842,481, is presented separately in the statement of financial position. Share issue costs, amounting to €963,697, have been deducted from the share premium.



## 15. Hedging reserve

### Group and Company

The fair value changes arising from derivative financial instruments qualifying as effective cash flow hedges are recorded in a separate category of equity, in the hedging reserve, as shown below:

	2010 €	2009 €
<b>At 1 January</b>		
Gross amount of losses	488,961	-
Deferred income taxes	(171,136)	-
	317,825	-
<b>Movements during year ended 31 December 2010</b>		
(Gains)/losses from changes in fair value of derivative instruments arising during the year	(473,015)	65,313
Deferred income taxes	165,555	(22,859)
	(307,460)	42,454
Transfers to Inventories – development project as a reclassification adjustment		
	5,659	(8,082)
Deferred income taxes	(1,981)	2,829
Reclassified from equity to profit or loss as a reclassification adjustment		
	270,468	431,730
Deferred income taxes	(94,664)	(151,106)
	179,482	275,371
<b>At 31 December</b>		
Gross amount of losses	292,073	488,961
Deferred income taxes	(102,226)	(171,136)
	189,847	317,825

The Company has hedged the foreign exchange cash flow exposure on the interest and principal of the bonds issued which are denominated in sterling by entering into a fixed to fixed euro/sterling cross currency interest rate swap (Note 17). The net fair value losses at 31 December 2010 will be reclassified from equity to profit or loss as a reclassification adjustment in the financial periods in which the hedged transactions, comprising the interest and principal amounts of the bonds denominated in sterling, affect the income statement. This would occur throughout the term of the cross currency interest rate swap, which matures on 15 December 2018, reflecting the incidence of the annual settlement dates until maturity as established by the terms of the contract.

**16. Trade and other payables**

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
<b>Current</b>				
Payments received on account	12,221,090	19,525,955	12,221,090	19,525,955
Due to Government in relation to purchase of land (see also Note 10)	25,019,800	24,776,676	25,019,800	24,776,676
Amounts due to related parties	2,977,733	1,588,035	-	99,199
Indirect taxation	1,592,113	535,390	-	1,241
Other payables	12,261,324	16,006,310	7,661,014	6,894,448
Accruals and deferred income	8,453,865	13,407,829	18,852,378	24,265,218
	<b>62,525,925</b>	<b>75,840,195</b>	<b>63,754,282</b>	<b>75,562,737</b>
<b>Non-current</b>				
Due to Government in relation to purchase of land (see also Note 10)	25,139,984	24,408,774	25,139,984	24,408,774
Derivative financial instruments	-	54,227	-	54,227
Other payables	815,588	152,088	-	-
	<b>25,955,572</b>	<b>24,615,089</b>	<b>25,139,984</b>	<b>24,463,001</b>

The current portion of the amounts due to Government in relation to the purchase of land was determined on the basis of the contracted terms of emphyteutical grant entered into on 15 June 2000. This portion is contractually deemed as current on the basis of the arrangement, but only an outflow of €1,165,000 is expected during the financial year ending 31 December 2011.

Payments received on account represent amounts paid by various purchasers on promise of sale agreements in respect of residential apartments. This liability is secured by special hypothecs on the various apartments and garages which are the subject of the particular promise of sale agreement. The Company's bankers have waived their hypothecary and privileged rights in favour of the said special hypothecs.

The amount due to Government in relation to the purchase of land includes:

- (a) an amount, originally contracted at €11.65 million, which is being satisfied through the performance of restoration works on major historical sites forming part of the project;
- (b) an amount, originally contracted at €20.96 million, which is being satisfied through the construction of all the public infrastructure works required at Manoel Island and Tigné Point;
- (c) the balance which is being settled in cash.

Various costs incurred in respect of (a) and (b) above up to 31 December 2010 are included in Inventories - Development project and the amounts referred to will be deducted from the amount due to Government when the completion stages stipulated in the relative lease agreement are attained.

The amounts due to Government with respect to the acquisition of land are secured by a first ranking special privilege on the emphyteutical concession at Tigné Point and Manoel Island, and a general hypothec over the Company's property (see also Note 17).

**16. Trade and other payables - continued**

Maturity of the Group's and Company's non-current liability towards Government:

	2010	2009
	€	€
Between 1 and 2 years	1,164,687	2,456,029
Between 2 and 5 years	6,988,120	5,823,433
Over 5 years	35,244,143	36,344,755
	43,396,950	44,624,217
Less: imputed interest component	(18,256,966)	(20,215,443)
	25,139,984	24,408,774

The Company has hedged the foreign exchange cash flow exposure on the interest and principal of the bonds issued which are denominated in sterling by entering into a fixed to fixed euro/sterling cross currency interest rate swap. Cash flow hedge accounting rules have been applied in accordance with the Group's accounting policy and a hedging reserve has been recognised (refer to Note 15). The notional amount of the contract is €7,526,080 (£7,070,000) and the principal amounts will be re-exchanged upon maturity of the contract on 15 December 2018. On 15 December of each year, fixed interest amounts determined by reference to the notional referred to above will be exchanged with the Group receiving 7% of the sterling notional amount and paying 7.5% of the euro equivalent.

Non-current other payables represent deposits effected under operating lease arrangements by a number of tenants at 'The Point' shopping mall. These amounts are refundable at the end of the lease term and are subject to interest at 3% per annum. Amounts owed to related parties in this respect are disclosed in Note 29.

**17. Borrowings**

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
<b>Current</b>				
Bank loans	15,887,144	27,290,845	15,751,486	26,418,503
<b>Non-current</b>				
Bank loans	43,805,876	36,934,725	9,933,166	4,000,000
389,172 7% Bonds 2016 – 2018	39,489,069	39,144,496	39,489,069	39,144,496
	83,294,945	76,079,221	49,422,235	43,144,496
<b>Total borrowings</b>	99,182,089	103,370,066	65,173,721	69,562,999

## 17. Borrowings - continued

On 13 January 2009, by virtue of an Offering Memorandum dated 5 December 2009, the Group issued for subscription to the general public 300,000 unsecured bonds, with an over-allotment option of a maximum of another 100,000. The over-allotment option was exercised in full in monetary terms as a result of over-subscriptions. The bonds were made available in any one or any combination of two currencies, euro and sterling, provided that the aggregate principal amount of bonds issued did not exceed €40,000,000. The bonds denominated in euro and sterling have a nominal value for each bond of €100 and £100 respectively. The bonds are subject to fixed interest, denominated in the respective currency of the nominal amount, of 7% per annum payable annually in arrears on 15 December of each year. The Company has hedged the foreign exchange cash flow exposure on the interest and principal of the bonds issued which are denominated in sterling by entering into a fixed to fixed euro/sterling cross currency interest rate swap (Note 16).

All bonds are redeemable at par and shall become due for final redemption on 15 December 2018. However, the Company reserves the right to redeem the bonds or any part thereof at any date between 15 December 2016 and 14 December 2018 (the designated Optional Redemption Dates). As specified in the Prospectus during the year ended 31 December 2010, the Company started building a cash reserve equivalent at least to 50% of the principal amount of the bonds, with a view to funding in part the repayment of the bonds on their redemption (see Note 13).

The bonds have been admitted to the Official List of the Malta Stock Exchange on 20 January 2009. The quoted market price for the euro and sterling bonds as at 31 December 2010 was 103.00 and 106.00 respectively (2009: 104.00 and 104.00), which in the opinion of the directors fairly represented the fair value of these financial liabilities.

The proceeds from the bonds were principally used to contribute towards the finalisation of the construction of Tigné Point together with the repayment of private placement bonds and other existing financial liabilities. Unutilised bond proceeds as at the end of the reporting period were invested in term placements with banks (refer to Note 12).

The bonds are measured at the amount of net proceeds adjusted for the amortisation of directly attributable and incremental transactions costs, consisting of bond issue costs incurred in the preparation and implementation of the bond issue, using the effective interest method as follows:

	<b>Group and Company</b>	
	2010	2009
	€	€
<b>Face value of bonds</b>		
317,029 7% euro Bonds 2016-2018	<b>31,702,900</b>	31,702,900
72,143 7% sterling Bonds 2016-2018	<b>8,381,405</b>	8,114,425
	<b>40,084,305</b>	39,817,325
Gross amount of bond issue costs	<b>(741,425)</b>	(741,425)
Amortisation during the current year	<b>146,189</b>	68,596
	<b>(595,236)</b>	(672,829)
<b>Amortised cost and closing carrying amount of bonds</b>	<b>39,489,069</b>	39,144,496

## 17. Borrowings - continued

As at 31 December 2010, Company bank borrowings for an amount of €21,684,652 (2009: €26,418,503) are principally secured by general hypothecs over the Company's assets, however with the exclusion of certain property areas, and by special hypothecs and special privileges over specified portions of land comprised within the Company's temporary emphyteusis, ranking after prior charges in favour of prospective purchasers of residential apartments in respect of advance deposits effected with the Company and after the privilege in favour of Government in respect of the amounts outstanding attributable to the acquisition of land (see also Note 16). As at 31 December 2009, these borrowings are also secured by a pledge on term placements with banks and bank balances (Notes 12 and 13). Other company bank borrowings for an amount of €4,000,000 (2009: €4,000,000) are secured by a general hypothec over the Company's assets and by a special hypothec over portions of land at Manoel Island. These general and special hypothecs also rank after prior charges in favour of Government.

The bank borrowings of a subsidiary are secured by a general hypothec over the subsidiary's assets and by a joint and several suretyship of the parent company supported by general and special hypothecs over specified portions of land comprised within the Company's temporary emphyteusis, ranking after prior charges in favour of Government.

Bank borrowings are subject to floating rates of interest and the weighted average effective interest rates as at the end of the reporting period were as follows:

	Group		Company	
	2010	2009	2010	2009
Bank loans	4.9%	5.3%	5.0%	4.7%

Maturity of total borrowings as at 31 December:

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Within one year	15,887,144	27,290,845	15,751,486	26,418,503
Between one and two years	4,040,740	907,882	1,847,666	-
Between two and five years	17,458,894	13,521,204	8,085,500	4,000,000
Over five years	61,795,311	61,650,135	39,489,069	39,144,496
	<b>99,182,089</b>	<b>103,370,066</b>	<b>65,173,721</b>	<b>69,562,999</b>

## 18. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2009: 35%). The movement on the deferred income tax account is analysed as follows:

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
At beginning of year	1,765,070	1,063,160	1,765,070	1,063,160
Charged to profit or loss (Note 24)				
- unabsorbed capital allowances	(105,339)	-	-	-
- inventories recognised in cost of sales	375,319	873,046	375,319	873,046
- property, plant and equipment	347,287	-	-	-
Tax credit relating to components of other comprehensive income - cash flow hedging reserve (Note 15)	68,910	(171,136)	68,910	(171,136)
At end of year	<b>2,451,247</b>	<b>1,765,070</b>	<b>2,209,299</b>	<b>1,765,070</b>

The deferred tax charge recognised in profit or loss and the balance at 31 December mainly arose from temporary differences between the tax base and carrying amount of the elements of stocks transferred from Inventories - development project to cost of sales within profit or loss in respect of residential units sold during the year. The tax credit relating to components of other comprehensive income reflects the tax effect of re-measurement of derivative instruments qualifying as effective cash flow hedges and has been recognised directly within equity in other comprehensive income. Accordingly, the tax impact relating to equity components of other comprehensive income is presented in the table above and further analysed in Note 15.

Deferred income tax assets and liabilities are offset when the taxes concerned relate to the same fiscal authority. The following amounts are offset in the statement of financial position:

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Deferred tax assets				
- remeasurement of cash flow hedging instruments	(102,226)	(171,136)	(102,226)	(171,136)
- unabsorbed capital allowances	(105,339)	-	-	-
Deferred tax liabilities - temporary differences between tax base and carrying amount of				
- inventories recognised in cost of sales	2,311,525	1,936,206	2,311,525	1,936,206
- property, plant and equipment	347,287	-	-	-
Net amount	<b>2,451,247</b>	<b>1,765,070</b>	<b>2,209,299</b>	<b>1,765,070</b>

**18. Deferred taxation - continued**

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period.

**19. Revenue**

The Group's revenue relates mainly to the sale of a number of residential units constructed on Tigné Point which were handed over to the purchasers during the current financial year. The Group's revenue also includes income charged to tenants for the management and long term leases of 'The Point' in Sliema, Malta.

**20. Expenses by nature**

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Cost of sales transferred from				
Inventories – Development project	17,990,762	25,644,097	17,990,762	25,644,097
Commissions payable	387,418	602,391	387,418	602,391
Depreciation of property, plant and equipment (Note 5)	1,278,889	82,282	16,374	23,237
Employee benefit expense (Note 21)	700,531	684,148	474,076	487,242
Motor vehicle operating lease rentals	25,648	23,248	17,824	16,514
Other expenses	1,627,295	3,195,668	1,548,807	3,467,723
<b>Total cost of sales and administrative expenses</b>	<b>22,010,543</b>	<b>30,231,834</b>	<b>20,435,261</b>	<b>30,241,204</b>

**Auditor's fees**

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2010 and 2009 relate to the following:

	Group	
	2010	2009
	€	€
Annual statutory audit	35,250	36,580
Tax advisory and compliance services	8,960	650
Other non-audit services	189,600	-
	<b>233,810</b>	<b>37,230</b>

## 21. Employee benefit expense

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Wages and salaries	1,712,230	1,809,940	1,534,648	1,809,940
Social security costs	93,345	115,634	84,173	115,634
	<b>1,805,575</b>	<b>1,925,574</b>	<b>1,618,821</b>	<b>1,925,574</b>
Amounts included in Inventories – development project (see Note 10)	976,538	1,241,426	976,538	1,241,426
Amounts included in Property, plant and equipment (see Note 5)	52,456	-	-	-
Amounts recharged as service charges	76,050	-	-	-
Amounts recharged to subsidiaries	-	-	168,207	196,906
Amounts expensed in profit or loss	700,531	684,148	474,076	487,242
	<b>1,805,575</b>	<b>1,925,574</b>	<b>1,618,821</b>	<b>1,925,574</b>

Average number of persons employed by the Group and Company during the year:

	Group		Company	
	2010	2009	2010	2009
Technical and administration	64	78	58	78

## 22. Finance income

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Interest income from:				
- amounts owed by subsidiaries	-	-	496,974	402,376
- other	226,219	431,462	226,219	431,462
	<b>226,219</b>	<b>431,462</b>	<b>723,193</b>	<b>833,838</b>



### 23. Finance costs

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Interest and related expense recognised in profit or loss on:				
- Bank loans and overdrafts	2,006,584	5,556	984,171	407,932
- Bonds issued to the general public				
Coupon interest payable	1,292,065	710,508	1,292,065	710,508
Amortisation of difference between net proceeds and redemption value	21,027	18,590	21,027	18,590
- Shareholders' loans	174,946	-	174,946	-
	<b>3,494,622</b>	<b>734,654</b>	<b>2,472,209</b>	<b>1,137,030</b>

Finance costs capitalised are disclosed in Notes 5 and 10 to these Financial Statements.

### 24. Tax expense

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Current tax expense/(income)	118,046	(81,121)	102,232	(88,670)
Deferred tax expense (Note 18)	617,267	873,046	375,319	873,046
Tax expense	<b>735,313</b>	<b>791,925</b>	<b>477,551</b>	<b>784,376</b>

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

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Profit before tax	1,514,807	1,752,098	1,644,385	2,149,302
Tax on profit at 35%	530,182	613,234	575,535	752,256
Tax effect of:				
- maintenance allowance claimed on rented property	(5,572)	(5,572)	(5,572)	(5,572)
- unrecognised temporary differences	-	(4,330)	-	-
- utilisation of unutilised tax losses brought forward from prior years	(74,965)	-	(74,631)	-
- expenses not deductible for tax purposes	296,917	52,851	8,662	37,692
- overprovision of current tax in prior year	(26,443)	-	(26,443)	-
- share of loss of joint venture	15,194	135,742	-	-
Tax expense	<b>735,313</b>	<b>791,925</b>	<b>477,551</b>	<b>784,376</b>

## 25. Earnings per share

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

	<b>Group</b>	
	<b>2010</b>	<b>2009</b> (restated)
Net profit attributable to equity holders of the Company	<b>€779,494</b>	€960,173
Weighted average number of ordinary shares in issue	<b>149,927,777</b>	146,790,000
Earnings per share	<b>€0.005</b>	€0.007

The comparative information has been restated to reflect the change in the number of shares in issue as a result of the share split described in Note 14.

## 26. Working capital movements

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Trade and other receivables	<b>(816,494)</b>	(815,394)	<b>(6,006,685)</b>	(12,057,140)
Trade and other payables	<b>(7,724,021)</b>	1,856,902	<b>(4,855,168)</b>	5,305,987
Working capital movements	<b>(8,540,515)</b>	1,041,508	<b>(10,861,853)</b>	(6,751,153)

## 27. Commitments

In addition to settling the liabilities associated with the purchase price of the land, the emphyteutical grant entered into with the Government provides for a series of development obligations relating to the contents of the project and the timescales over which it should be completed. As a result of these commitments, it is expected that total development investment in excess of around €220 million will be made subsequent to the end of the financial year under review. As at 31 December 2010, the Group had outstanding contractual commitments for project development works for the approximate amount of €10 million (2009: €9 million), which includes the amounts disclosed in Note 29. The emphyteutical grant specifies a maximum overall period of 25 years, commencing in the year 2000, for completion of the project.

The Group is also committed to effect payments for ground rent which will be recovered effectively from the property purchasers or tenants.

At 31 December 2010 the Company had entered into a total of 39 (2009: 63) promise of sale agreements with respect to sale of apartments in Tigné Point. These agreements are expected to generate sales amounting to around €28,684,508 (2009: €46,573,636) of which as at 31 December 2010, €12,221,090 (2009: €19,525,955) was received by the Company. The purchase and promise of sale agreements entered into give rise to agents' commission amounting to €750,700 (2009: €918,251) that becomes due upon signing of the final deeds of sale.

## 27. Commitments - continued

### Operating lease commitments – where a group undertaking is the lessor

The future minimum lease payments receivable under non-cancellable operating leases entered into by a subsidiary undertaking in relation to operations from 'The Point' shopping mall are as follows:

	Group	
	2010 €	2009 €
Not later than 1 year	3,793,304	2,976,272
Later than 1 year and not later than 5 years	13,007,009	16,038,700
Over 5 years	13,594,870	14,683,689
	30,395,183	33,698,661

### Operating lease commitments – where a group undertaking is the lessee

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

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Not later than 1 year	18,576	23,504	4,122	12,365
Later than 1 year and not later than 5 years	28,357	30,909	-	4,122
	46,933	54,413	4,122	16,487

## 28. Contingencies

- (a) The Company had been requested by the Malta Environment and Planning Authority to pay fees amounting to €1,282,320 for the disposal of excavated material at sea. The directors are contending that part of the charges should ultimately be paid by the contractors who were engaged to carry out the excavation works. The extent of such recoverable amounts could not be reliably estimated in the circumstances prevailing as at 31 December 2010.
- (b) The Company is subject to a joint and several suretyship to secure the banking facilities of a subsidiary up to a limit of €34,008,368 (2009: €34,008,368), which is supported by general and special hypothecs over particular portions of land comprised within the Company's temporary emphyteusis.
- (c) In terms of the Emphyteutical Deed, the Company is responsible for the construction and installation of the public infrastructure including drainage, water, electricity and telecommunications distribution systems, which on completion of each phase shall pass on to Government. There is disagreement between the Company and Government regarding the telecommunications public infrastructure whereby, although there is no litigation as yet, correspondence on the matter has been exchanged.

## 28. Contingencies - continued

- (d) The Company has received a few legal and judicial letters from property buyers mainly relating to damages allegedly incurred by them due to latent defects in their apartments and other differences. To date some of the pending claims were pursued in court; however the amount of the claims, where quantified, were not deemed material by the Company's directors.
- (e) At 31 December 2010, the Company had a contingency arising from uncalled share capital in subsidiaries, amounting to €37,272 (2009: €55,905), for which no provision has been made in the Financial Statements.
- (f) At 31 December 2010, the Group has contingent liabilities amounting to €393,664 (2009: €393,664) in respect of guarantees issued by the bank in the ordinary course of business in favour of the Malta Environment and Planning Authority. At 31 December 2009, the Group also had contingent liabilities amounting to €809,800 in respect of guarantees issued by the bank in the ordinary course of business in favour of the Government.

## 29. Related party transactions

All companies forming part of the respective groups of which Alf. Mizzi & Sons Limited, Bank of Valletta p.l.c., Gatt Investments Limited, Gee Five Limited (Gasam Group), Fortress Developments Limited, MSV Life p.l.c., Investors Limited, Polidano Brothers Limited, Vassallo Builders Group Limited and Lombard Bank Malta p.l.c. form part, together with First Gemini p.l.c. and Pininfarina Extra s.r.l. are considered by the directors to be related parties by virtue of the shareholding of the companies referred to in MIDI p.l.c. Accordingly, all entities owned, controlled or significantly influenced by the Company's ultimate shareholders, the Company's directors and close members of their families together with all entities owned, controlled or significantly influenced by these individuals are the principal related parties of the Group.

The following transactions were carried out with related parties:

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
<i>i) Purchase of goods and services</i>				
Purchase of services from subsidiaries	-	-	17,462,253	41,594,971
Purchase of services from related parties	8,797,026	14,363,067	125,875	210,807

At the end of the reporting period, the Group had outstanding contractual commitments with related parties for project development for the amount of €173,767 (2009: €4,824,778).

**29. Related party transactions - continued**

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
<i>ii) Sale of apartments to related parties</i>				
Deposits on promise of sale agreements at 31 December	<b>6,113,939</b>	7,933,099	<b>6,113,939</b>	7,933,099
Value of contracts relating to the above promise of sale agreements	<b>8,697,651</b>	17,287,166	<b>8,697,651</b>	17,287,166
Value of contracts finalised during the current financial year	<b>6,766,627</b>	3,738,061	<b>6,766,627</b>	3,738,061
<i>iii) Rental income from related parties</i>				
Revenue earned during the current financial year	<b>323,202</b>	-	-	-
Balances as at 31 December included within other non-current liabilities (Note 16)	<b>153,703</b>	-	-	-
<i>iv) Bank loans from shareholders</i>				
Balances at 31 December	<b>48,166,532</b>	46,954,274	<b>14,158,164</b>	13,147,207
Net interest charged during the year	<b>2,136,296</b>	1,926,831	<b>585,017</b>	307,954

The Group has banking facilities for the amount of €73,412,990 (2009: €55,712,090) sanctioned by related parties (terms and conditions are reflected in Note 17). The banking facilities of the Company as at 31 December 2010 which are sanctioned by related parties amount to €39,403,238 (2009: €21,703,238). Movements in bank loans are analysed in Note 17 to the Financial Statements. During the current year, the Group also entered into a derivative contract with a financial institution which is a related party (Notes 15 and 16).

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
<i>v) Deposits with banks</i>				
Balances at 31 December	<b>5,556,016</b>	7,054,151	<b>5,065,602</b>	7,026,994
Interest income earned	<b>26,143</b>	332,648	<b>26,143</b>	332,648

Movements in these assets are analysed in the statements of cash flows.

**29. Related party transactions - continued**

	Group and Company Face value of bonds held at 31 December		Group and Company Interest payable during the year	
	2010 €	2009 €	2010 €	2009 €
<i>vi) Bonds held by related parties</i>				
Shareholders	1,625,300	1,844,100	106,186	120,481
Directors and other officers of the Company, together with close family members of these individuals	119,472	117,721	7,806	7,691
Other related parties	500,000	500,000	32,667	32,667
Held by related parties as nominees	2,396,978	664,114	156,603	43,388

Amounts relating to project development which were capitalised in investment property and in inventories during 2010, pertaining to material contracts (as required by Listing Rule 5.70), to which the Group is a party and in which directors are materially interested amounted to €7,867,099 (2009: €13,722,999). Outstanding contractual commitments for project development in relation to such contracts as at the end of the reporting period amounted to €126,145 (2009: €4,704,145).

The transactions undertaken with related parties, disclosed above, were carried on commercial terms in the normal course of business and are subject to scrutiny by the Board of Directors. The transactions carried out with group subsidiaries were carried out at carrying amounts.

Balances outstanding as at the year end with respect to group subsidiaries and other related parties are disclosed in Notes 11 and 16 to the Financial Statements.

**30. Statutory information**

MIDI p.l.c. is a public limited liability company and is incorporated in Malta.