C 15836/94.

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MIDI p.l.c.

Annual Report and Consolidated Financial Statements
31 December 2007

Company Registration Number : C 15836

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2007.

Principal activity

The principal activity of the Company is the development of the Manoel Island and Tigne' Point Project.

Review of the business

During the year ended 31 December 2007, the Company realised its first apartment sales in Tigné South. In fact 73 apartments have transferred to their respective purchasers realising a total turnover of Lm15,664,609. Year 2007 also meant the continuous development of Tigné Point. In the Pjazza area, civil works of the 'Pjazza Residential' blocks (comprising of 20 apartments and underlying retail spaces) is complete. The Pjazza's underlying car parking (which extends on four levels accommodating up to 438 cars for public use) is also nearing completion. During the year under review construction works on the Tigné South Club House & Leisure Facilities commenced with regard to foundations. The Club House is considered by MIDI as an investment which adds value to the whole estate besides generating its own revenue streams.

Works on Block T10 (59 residential apartments) is well underway and civil works in the front block are complete, meanwhile works on Block T10B have now commenced. Works in the Underground Relief Road Phase 2 (a Deed obligation) are in their final stages and the tunnel is planned to be handed over to Government during the first quarter of 2008. The Company carried out other works which were mainly infrastructural works, distribution roads and external works which are imperative for the functionality of the project. A good part of these works are deed obligations emanating from the deed of Emphyteusis between the Government and the Company. Restoration works (also Deed obligations) progressed both at Fort Tigné (scheduled completion May 2008) and Fort Manoel during the year under review. The total costs incurred on these historical buildings during 2007 amount to nearly Lm3 million.

Results and dividends

The consolidated profit and loss accounts are set out on page 5. The directors do not recommend the payment of a dividend.

Directors

The directors in office during the year ended 31 December 2007 were:

Albert Mizzi – Chairman
Bank of Valletta p.l.c.
Paul Bonello
Joseph A. Gasan
Mario C. Grech
Anthony Mamo
Maurice F. Mizzi
Nazzareno Vassallo
Arthur Galea Salomone
Dr. Alec A. Mizzi
Charles Polidano
Anthony Mamo

All the directors shall retire from office at the Annual General Meeting of the Company in accordance with article 85 of the Company's Articles of Association and those eligible can be re-elected or re-appointed.

Directors' report - continued

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

Paul Bonello
Director

Registered office:
North Shore
Manoel Island
Malta

29 April 2008

Statement of directors' responsibilities

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 Company as at the end of each financial 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;
- 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 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

To the shareholders of MIDI p.l.c.

We have audited the financial statements of MIDI p.l.c. on pages 5 to 30 which comprise the Group's and the Company's balance sheets as at 31 December 2007 and the profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 3, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free of 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 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 and fair presentation of the financial statements 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 Company as at 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

29 April 2008

FAxisa

This report has been signed by
FABIO AXISA
(Partner) for and on behalf of
PricewaterhouseCoopers

Profit and loss accounts

	Notes	Group 2007 Lm	Group 2006 Lm	Company 2007 Lm	Company 2006 Lm
		Year ended 31 December			
Turnover	3	**15,664,609**	-	**15,664,609**	-
Cost of sales		**(13,758,505)**	-	**(13,758,505)**	-
Gross profit		**1,906,104**	-	**1,906,104**	-
Operating income		**143,346**	129,212	**105,209**	116,209
Administrative expenses		**(219,585)**	(153,576)	**(209,513)**	(135,071)
Operating profit/(loss)		**1,829,865**	(24,364)	**1,801,800**	(18,862)
Interest receivable		**19,397**	17,539	**108,995**	16,399
Interest payable		**(32,243)**	-	**(32,243)**	-
Other income		**23,955**	21,790	**44,380**	42,215
Share of loss of joint venture		**(211,947)**	(64,807)	-	-
Profit/(loss) before tax		**1,629,027**	(49,842)	**1,922,932**	39,752
Tax expense	6	**(680,615)**	(10,411)	**(668,305)**	(10,306)
Profit/(loss) for the year		**948,412**	(60,253)	**1,254,627**	29,446

Balance sheets

		As at 31 December			
		Group		Company	
	Notes	2007	2006	2007	2006
		Lm	Lm		Lm
ASSETS					
Fixed assets					
Property, plant and equipment	7	**6,834,355**	2,378,183	**251,644**	228,913
Investment in group undertakings	8	**-**	-	**5,960**	5,960
Investment in joint venture	9	**152,546**	364,493	**429,300**	429,300
Total fixed assets		**6,986,901**	2,742,676	**686,904**	664,173
Current assets					
Stock – Development project	10	**66,672,258**	66,744,059	**66,713,108**	66,764,484
Debtors	11	**2,393,367**	1,599,211	**3,663,307**	3,270,361
Current taxation		**691,759**	-	**691,759**	-
Cash at bank and in hand		**970,352**	6,203,083	**931,096**	6,189,139
Total current assets		**70,727,736**	74,546,353	**71,999,270**	76,223,984
Total assets		**77,714,637**	77,289,029	**72,686,174**	76,888,157

Balance sheets - continued

	Notes	Group 2007 Lm	Group 2006 Lm	Company 2007	Company 2006 Lm
		As at 31 December			
EQUITY AND LIABILITIES					
Capital and reserves					
Called up issued share capital	12	**12,600,000**	11,675,600	**12,600,000**	11,675,600
Profit and loss account		**1,001,511**	53,099	**1,398,505**	143,878
Total equity		**13,601,511**	11,728,699	**13,998,505**	11,819,478
Provisions for liabilities and charges					
Deferred taxation		**262,045**	-	**262,045**	-
Creditors: amounts falling due after more than one year					
Trade and other creditors	13	**13,398,408**	23,566,721	**13,398,408**	23,566,721
Interest bearing borrowings	14	**10,988,986**	4,807,014	**7,299,153**	4,807,014
		24,387,394	28,373,735	**20,697,561**	28,373,735
Total non-current liabilities		**24,649,439**	28,373,735	**20,959,606**	28,373,735
Creditors: amounts falling due within one year					
Trade and other creditors	13	**39,451,377**	34,308,122	**37,728,063**	33,816,471
Interest bearing borrowings	14	-	2,874,979	-	2,874,979
Current taxation		**12,310**	3,494	-	3,494
Total current liabilities		**39,463,687**	37,186,595	**37,728,063**	36,694,944
Total liabilities		**64,113,126**	65,560,330	**58,687,669**	65,068,679
Total equity and liabilities		**77,714,637**	77,289,029	**72,686,174**	76,888,157

The financial statements on pages 5 to 30 were authorised for issue by the board on 29 April 2008 and were signed on its behalf by:

Albert Mizzi
Chairman

Paul Bonello
Director

Statements of changes in equity

Group	Note	**Called up issued share capital** Lm	**Profit and loss account** Lm	**Total** Lm
Balance at 1 January 2006		8,904,800	113,352	9,018,152
Increase in paid up share capital	12	2,770,800	-	2,770,800
Loss for the financial year - total recognised expense for 2006		-	(60,253)	(60,253)
Balance at 31 December 2006		11,675,600	53,099	11,728,699
Balance at 1 January 2007		11,675,600	53,099	11,728,699
Increase in paid up share capital	12	924,400	-	924,400
Profit for the financial year - total recognised income for 2007		-	948,412	948,412
Balance at 31 December 2007		**12,600,000**	**1,001,511**	**13,601,511**

Company	Note	**Called up issued share capital** Lm	**Profit and loss account** Lm	**Total** Lm
Balance at 1 January 2006		8,904,800	114,432	9,019,232
Increase in paid up share capital	12	2,770,800	-	2,770,800
Profit for the financial year - total recognised income for 2006		-	29,446	29,446
Balance at 31 December 2006		11,675,600	143,878	11,819,478
Balance at 1 January 2007		11,675,600	143,878	11,819,478
Increase in paid up share capital	12	924,400	-	924,400
Profit for the financial year - total recognised income for 2007		-	1,254,627	1,254,627
Balance at 31 December 2007		**12,600,000**	**1,398,505**	**13,998,505**

Cash flow statements

		Year ended 31 December			
		Group		Company	
	Notes	**2007**	2006	**2007**	2006
		Lm	Lm	**Lm**	Lm
Operating activities					
Investment in development project, after application of prior year funding		**(13,531,024)**	(12,943,373)	**(9,209,005)**	(12,664,739)
Working capital movement related thereto	16	**2,370,993**	2,717,524	**1,540,540**	2,389,441
Cash outflow on development project		**(11,160,031)**	(10,225,849)	**(7,668,465)**	(10,275,298)
Cash inflow from promise of sale agreements		**7,765,538**	4,958,727	**7,765,538**	4,958,727
Net operating expenditure		**(526,655)**	(24,364)	**(556,770)**	(18,862)
Net interest (paid)/received		**(12,846)**	17,539	**76,752**	16,399
Other income received		**23,955**	21,790	**44,380**	42,215
Tax (paid)/refunded		**(1,101,513)**	1,901	**(1,101,513)**	1,261
Net cash used in operating activities		**(5,011,552)**	(5,250,256)	**(1,440,078)**	(5,275,558)
Investing activities					
Acquisition of property, plant and equipment		**(70,085)**	(22,445)	**(30,530)**	-
Acquisition of shares in a joint venture		**-**	(429,300)	**-**	(429,300)
Net cash used in investing activities		**(70,085)**	(451,745)	**(30,530)**	(429,300)
Financing activities					
Proceeds from borrowings		**5,546,461**	1,013,101	**1,910,120**	1,013,101
Repayments of borrowings		**(1,986,436)**	-	**(1,986,436)**	-
Movement in other creditors		**(48,136)**	(49,821)	**(48,136)**	(49,821)
Cash inflows from paid up share capital		**924,400**	2,770,800	**924,400**	2,770,800
Net cash from financing activities		**4,436,289**	3,734,080	**799,948**	3,734,080
Movement in cash and cash equivalents		**(645,348)**	(1,967,921)	**(670,660)**	(1,970,778)
Cash and cash equivalents at beginning of year		**1,615,700**	3,583,621	**1,601,756**	3,572,534
Cash and cash equivalents at end of year	17	**970,352**	1,615,700	**931,096**	1,601,756

Accounting policies

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

a. Basis of preparation

The consolidated financial statements include the financial statements of MIDI p.l.c. and its subsidiary undertakings. These are prepared in accordance with International Financial Reporting Standards (IFRSs) and with the requirements of the Companies Act, 1995. The consolidated financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs 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 1 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2007

In 2007, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2007. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the group's accounting policies. IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, introduce new disclosures relating to financial instruments and capital, but do not have any impact on the classification and measurement of the group's financial instruments and capital.

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 accounting periods beginning after 1 January 2007. The group has not early adopted these revisions to the requirements of IFRSs 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.

b. Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All transactions between Group companies have been eliminated. There are no minority interests within the group.

c. 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 earned from the long term contract in which the Group is engaged is recognised upon the delivery of the contracted items net of sales taxes and discounts and is included in the financial statements as turnover.

Other operating income consisting of berthing fees and interest is recognised on an accruals basis. Tender fees are recognised as they are received.

d. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account 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.

(ii) All other borrowing costs are recognised in the income statement as incurred.

e. Stock – Development project

The main object of the Group is the development of a large area of land acquired for the purpose. This development is intended in the main for resale purposes, and is accordingly classified in the financial statements as stock. Any elements of the project which are identified for business operation or long-term investment properties are transferred at their carrying amount to Property, plant and equipment or investment properties when such identification is made and the cost thereof can reliably be 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, etc., 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 interests, 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.

f. Property, plant and equipment

All property, plant and equipment are initially recorded at cost and are subsequently stated at cost less depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the items. 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. All other repairs and maintenance are charged to the profit and loss account during the financial year in which they are incurred.

Depreciation is calculated on the straight line method to allocate the cost of the assets to their residual values over their estimated useful lives. Depreciation is charged when assets become available for use as follows:

	%
Buildings	1
Office equipment, furniture and fittings	10 – 33

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

g. Investments in group undertakings

Shares in Group undertakings are stated at cost less any provisions required for material diminution in value of an apparently permanent nature. Such diminution in value is normally calculated by reference to the net asset worth of the companies as disclosed by their audited or unaudited financial statements.

h. 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 the profit and loss account 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 in the company's separate financial statements.

i. Trade debtors

Trade debtors are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade 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 debts. 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 effective interest rate. The amount of the provision is recognised in the profit and loss account.

j. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at face value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

k. Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Maltese Lira, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies have been converted into the functional currency at the rates of exchange ruling on the date of the transaction. 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 the profit and loss account.

l. Deferred taxation

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the unutilised investment tax credits, tax losses and unabsorbed capital allowances can be utilised.

Notes to the financial statements

1. 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.

2. Activities of the company

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 Tigne' Point project. Project negotiations were successfully concluded and a 99 year emphyteutical grant was entered into with Government on 15 June 2000. Works at Tigne' Point commenced towards the end of 2002 and have continued with steady progress during the current year.

3. Turnover

The company's turnover relates mainly to the sale of a number of residential units constructed on Tigne' South which were handed over to the purchasers during the current financial year.

4. Expenses by nature

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Cost of sales transferred from stock - development project (Note 10)	**13,302,889**	-	**13,302,889**	-
Commissions payable	**455,616**	-	**455,616**	-
Depreciation	**8,350**	8,137	**3,150**	3,150
Staff costs (Note 5)	**83,855**	70,835	**83,855**	70,835
Other expenses	**127,380**	74,604	**122,508**	61,086
Total cost of sales and administrative expenses	**13,978,090**	153,576	**13,968,018**	135,071

Auditors' remuneration amounted to Lm7,375 (2006: Lm4,700) for the Group and Lm4,500 (2006: Lm2,500) for the Company.

5. Staff costs

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Wages and salaries	**933,663**	902,211	**933,663**	902,211
Social security costs	**60,038**	55,325	**60,038**	55,325
	993,701	957,536	**993,701**	957,536
Amounts included in Stock - Development project (see Note 10)	**909,846**	886,701	**824,328**	821,105
Amounts recharged to group undertakings	**-**	-	**85,518**	65,596
Amounts expensed	**83,855**	70,835	**83,855**	70,835
	993,701	957,536	**993,701**	957,536

Average number of persons employed by the company and the group during the year:

	2007	2006
Technical and administration	**93**	90

6. Tax expense

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Current tax expense	**418,570**	10,411	**406,260**	10,306
Deferred tax expense (Note 15)	**262,045**	-	**262,045**	-
Tax expense	**680,615**	10,411	**668,305**	10,306

6. Tax expense - continued

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	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Profit/(loss) before tax	**1,629,027**	(49,842)	**1,922,932**	39,752
Tax on profit/(loss) at 35%	**570,159**	(17,445)	**673,026**	13,914
Tax effect of:				
- income subject to tax at 15%	**(5,123)**	(3,280)	**(5,123)**	(3,280)
- maintenance allowance claimed on rented property	**(882)**	-	**(2,312)**	(1,430)
- unrecognised temporary differences	**37,445**	7,352	**-**	-
- expenses not deductible for tax purposes	**4,835**	1,102	**2,714**	1,102
- share of loss of joint venture	**74,181**	22,682	**-**	-
Tax charge in the accounts	**680,615**	10,411	**668,305**	10,306

7. Property, plant and equipment

Group	Assets in the course of construction Lm	Buildings Lm	Office equipment, furniture & fittings Lm	Motor vehicles Lm	Total Lm
At 1 January 2006					
Cost	1,590,817	221,812	298,225	11,357	2,122,211
Accumulated depreciation	-	(4,435)	(203,212)	(4,576)	(212,223)
Net book amount	1,590,817	217,377	95,013	6,781	1,909,988
Year ended 31 December 2006					
Opening net book amount	1,590,817	217,377	95,013	6,781	1,909,988
Additions	490,911	3,565	18,880	-	513,356
Depreciation	-	-	(4,987)	-	(4,987)
Depreciation charged to stock development	-	(5,364)	(32,538)	(2,272)	(40,174)
Closing net book amount	2,081,728	215,578	76,368	4,509	2,378,183
At 31 December 2006					
Cost	2,081,728	225,377	317,105	11,357	2,635,567
Accumulated depreciation	-	(9,799)	(240,737)	(6,848)	(257,384)
Net book amount	2,081,728	215,578	76,368	4,509	2,378,183
Year ended 31 December 2007					
Opening net book amount	2,081,728	215,578	76,368	4,509	2,378,183
Additions	4,436,886	30,530	39,555	-	4,506,971
Depreciation	-	-	(5,200)	-	(5,200)
Depreciation charged to stock development	-	(2,527)	(40,801)	(2,271)	(45,599)
Closing net book amount	**6,518,614**	**243,581**	**69,922**	**2,238**	**6,834,355**
At 31 December 2007					
Cost	6,518,614	255,907	356,660	11,357	7,142,538
Accumulated depreciation	-	(12,326)	(286,738)	(9,119)	(308,183)
Net book amount	**6,518,614**	**243,581**	**69,922**	**2,238**	**6,834,355**

Included in additions for the period reflected in the table above is an amount of Lm53,492 representing capitalised borrowing costs. A capitalisation rate of 7% was utilised in this respect.

7. Property, plant and equipment – continued

Company	Buildings Lm	Office equipment, furniture & fittings Lm	Motor vehicles Lm	Total Lm
At 1 January 2006				
Cost	64,745	119,197	11,357	195,299
Accumulated depreciation	(1,294)	(107,418)	(4,576)	(113,288)
Net book amount	63,451	11,779	6,781	82,011
Year ended 31 December 2006				
Opening net book amount	63,451	11,779	6,781	82,011
Transfers from a group undertaking	157,491	-	-	157,491
Depreciation charge	(5,364)	(2,953)	(2,272)	(10,589)
Closing net book amount	215,578	8,826	4,509	228,913
At 31 December 2006				
Cost	222,236	119,197	11,357	352,790
Accumulated depreciation	(6,658)	(110,371)	(6,848)	(123,877)
Net book amount	215,578	8,826	4,509	228,913
Year ended 31 December 2007				
Opening net book amount	215,578	8,826	4,509	228,913
Additions	30,530	-	-	30,530
Depreciation charge	(2,527)	(3,001)	(2,271)	(7,799)
Closing net book amount	**243,581**	**5,825**	**2,238**	**251,644**
At 31 December 2007				
Cost	252,766	119,197	11,357	383,320
Accumulated depreciation	(9,185)	(113,372)	(9,119)	(131,676)
Net book amount	**243,581**	**5,825**	**2,238**	**251,644**

8. Investments in group undertakings

	2007 Lm	2006 Lm
At 1 January and 31 December	**5,960**	5,960

8. Investments in group undertakings - continued

Group undertakings at 31 December 2007 and 2006 are shown below:

Group undertaking	Registered office	Class of shares held	Percentage of shares held
Tigne' Contracting Limited	North Shore Manoel Island	Ordinary shares	100%
Tigne' Point Marketing Limited	North Shore Manoel Island	Ordinary shares	99%
Tigne' Point Mall Limited	North Shore Manoel Island	Ordinary Shares	99%

9. Investment in joint venture

	Group 2007 Lm	Group 2006 Lm
At 1 January	**364,493**	-
Additions at cost	**-**	429,300
Share of loss for the period	**(211,947)**	(64,807)
At 31 December	**152,546**	364,493

During the financial year ended 31 December 2006, the Group entered into a joint venture – Solution and Infrastructure Services Limited (S.I.S. Ltd) with Siemens S.p.A.. S.I.S. Ltd was registered in Malta and its objective 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, which is not listed, and its share of the assets and liabilities are shown as follows:

	Assets Lm	Liabilities Lm	Revenues Lm	Loss Lm
2007				
Solution and Infrastructure Services Limited	**852,854**	**700,308**	**59,707**	**(211,947)**
2006				
Solution and Infrastructure Services Limited	479,086	114,593	-	(64,807)

10. Stock – Development project

The main object of the Company and the Group is the development of a large area of land at Manoel Island and Tigne' 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.

10. **Stock – Development project** - continued

Costs incurred on the project up to 31 December 2007 and 2006 comprised:

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Purchase cost of land (see note below)				
- At 1 January	**18,277,645**	18,277,645	**18,277,645**	18,277,645
- Transferred to cost of sales	**(1,209,582)**	-	**(1,209,582)**	-
- At 31 December	**17,068,063**	18,277,645	**17,068,063**	18,277,645
Cost of design works and other studies, demolition, excavation, construction and restoration works and other expenses incurred:				
- At 1 January	**39,077,586**	26,580,173	**39,098,011**	26,580,173
- Additions for the year	**11,758,288**	12,497,413	**11,778,713**	12,517,838
- Transferred to cost of sales	**(11,259,479)**	-	**(11,259,479)**	-
- At 31 December	**39,576,395**	39,077,586	**39,617,245**	39,098,011
Borrowing costs attributable to the project:				
- At 1 January	**9,388,828**	8,003,187	**9,388,828**	8,003,187
- Imputed interest	**1,179,000**	1,303,508	**1,179,000**	1,303,508
- Bank and other interest	**293,800**	82,133	**293,800**	82,133
- Transfer to cost of sales – imputed interest	**(660,482)**	-	**(660,482)**	-
- Transfer to cost of sales - bank interest	**(173,346)**	-	**(173,346)**	-
- At 31 December	**10,027,800**	9,388,828	**10,027,800**	9,388,828
	66,672,258	66,744,059	**66,713,108**	66,764,484

The contract of acquisition of the land provided for a premium of Lm39.57 million payable over an extended period of time, was discounted to its present value amount of Lm18.3 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.

During the year ended 31 December 2007, the group completed and transferred to the purchasers, residential units constructed on Tigne South. The cost allocated to these apartments was transferred to cost of sales in the profit and loss account.

11. Debtors

	Group 2007 Lm	Group 2006 Lm	Company 2007 Lm	Company 2006 Lm
Amounts falling due within one year				
Amounts owed by group undertakings	-	-	**2,721,034**	2,347,440
Amounts owed by joint venture	**48,373**	7,519	**14,873**	6,299
Other debtors	**165,693**	181,196	-	50,209
Advance payments to contractors	**1,175,794**	-	-	-
Recoverable expenses incurred on behalf of contractors	**685,844**	538,545	**685,844**	538,545
Indirect taxation	**122,368**	483,563	**56,607**	57,630
Prepayments and accrued income	**195,295**	388,388	**184,949**	270,238
	2,393,367	1,599,211	**3,663,307**	3,270,361

12. Called up issued share capital

	2007 Lm	2006 Lm
Authorised		
14,000,000 Ordinary shares of Lm1 each	**14,000,000**	14,000,000
10,000,000 Preference shares "A" of Lm1 each	**10,000,000**	10,000,000
	24,000,000	24,000,000
Issued and paid up share capital		
11,920,000 Ordinary shares of Lm1 each 100% paid up (2006: 92.24% paid up)	**11,920,000**	10,995,600
680,000 Ordinary shares of Lm1 each, 100% paid up	**680,000**	680,000
	12,600,000	11,675,600

In accordance with the terms of the capital structure outlined above, at 31 December 2006 the company's shareholders had commitments towards the company amounting to Lm924,400, representing the unpaid amount on their shares. These commitments were secured by first class bank guarantees in favour of the company's bankers with the company retaining the beneficiary status. There are no outstanding commitments in this respect as at 31 December 2007.

13. Trade and other creditors

	Group 2007 Lm	Group 2006 Lm	Company 2007 Lm	Company 2006 Lm
Amounts falling due within one year				
Payments received on account	**20,544,247**	22,884,318	**20,544,247**	22,884,318
Due to Government in relation to purchase of land	**7,468,906**	3,150,729	**7,468,906**	3,150,729
Amounts due to related parties	**1,097,700**	799,142	**4,237**	6,258
Other creditors	**5,759,611**	4,883,183	**3,448,904**	3,928,321
Indirect taxation	**602,419**	-	**-**	-
Accruals and deferred income	**3,978,494**	2,590,750	**6,261,769**	3,846,845
	39,451,377	34,308,122	**37,728,063**	33,816,471
Amounts falling due after more than one year				
Due to Government in relation to purchase of land (see also Note 10)	**13,398,408**	17,959,585	**13,398,408**	17,959,585
Other creditors	**-**	48,136	**-**	48,136
Payments received on account	**-**	5,559,000	**-**	5,559,000
	13,398,408	23,566,721	**13,398,408**	23,566,721

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

(a) an amount, originally contracted at Lm5 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 Lm9 million, which is being satisfied through the construction of all the public infrastructure works required at Manoel Island and Tigne' Point;
(c) the balance which is being settled in cash.

Various costs incurred in respect of (a) and (b) above up to 31 December 2007 are included in stock-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.

This liability is principally secured by a special privilege in favour of the Government over the temporary emphyteusis (see also Note 14).

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

	2007 Lm	2006 Lm
Due between 1 and 2 years	**3,619,918**	-
Due between 2 and 5 years	**3,946,422**	8,183,257
Due after more than 5 years	**17,500,000**	22,578,014
	25,066,340	30,761,271
Less: imputed interest component	**(11,667,932)**	(12,801,686)
	13,398,408	17,959,585

14. Borrowings

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Current				
Bank overdrafts	-	600,324	-	600,324
Bank loans	-	2,274,655	-	2,274,655
	-	2,874,979	-	2,874,979
Non-current				
Bank loans	**6,988,986**	807,014	**3,299,153**	807,014
Bonds	**4,000,000**	4,000,000	**4,000,000**	4,000,000
	10,988,986	4,807,014	**7,299,153**	4,807,014
Total borrowings	**10,988,986**	7,681,993	**7,299,153**	7,681,993

The company's bank borrowings are principally secured by general hypothecs over the company's assets and by special hypothecs and special privileges over the company's temporary emphyteusis, ranking after prior charges in favour of prospective purchasers in respect of advance deposits effected with the company and after the privilege in favour of Government in respect of the amounts outstanding attributable the purchase of land (see also Note 13).

The bank borrowings of a group undertaking are secured by a general hypothec over the company's assets and a joint and several suretyship of the parent company supported by general and special hypothec over the company's temporary emphyteusis.

Bank borrowings are subject to floating rates of interest and as at 31 December 2007 the weighted average effective interest rate was 6.50 % (2006: 5.75%).

During the financial year ended 31 December 2006, Midi p.l.c. effected a private placement for bonds of Lm4 million. These bonds are redeemable at their principal amount together with interest accrued. The maturity date of these bonds is any date between 27 December 2008 and 27 December 2009 subject to 30 days notice. The bonds have been classified as falling due after more than one year in view of the fact that redemption during the time window is at the discretion of the entity and the earliest contract maturity date is deemed to be 27 December 2009. The bonds are subject to an interest rate based on the Central Bank's central intervention rate plus a margin of 2% and is payable semi-annually. The effective interest rate as at 31 December 2007 was 6% (2006: 5.75%). The proceeds from the bond issue is restricted to the funding of the construction of a particular phase of the project.

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Maturity of borrowings:				
Within one year	-	2,874,979	-	2,874,979
Between one and two years	**5,649,577**	288,219	**5,649,577**	288,219
Between two and five years	**1,961,214**	4,518,795	**1,649,576**	4,518,795
Over five years	**3,378,195**	-	-	-
	10,988,986	7,681,993	**7,299,153**	7,681,993

15. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2006: 35%). The movement on the deferred income tax is as follows:

	2007 Lm	2006 Lm
At 1 January	-	-
Charged to profit and loss account (Note 6)	262,045	-
At 31 December	262,045	-

The movement in the deferred tax during the current year arises from temporary differences between the tax base and carrying amount of the elements of stocks transferred from development project to costs of sales in the profit and loss account in respect of residential units sold during the current year. The recognised deferred tax liability is expected to be settled principally after more than twelve months from the balance sheet date.

16. Other working capital movements

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Debtors	(794,156)	(305,976)	(392,946)	(383,073)
Creditors	3,165,149	3,010,560	1,933,486	2,759,574
Restricted cash	-	12,940	-	12,940
Other working capital movements	2,370,993	2,717,524	1,540,540	2,389,441

17. Cash and cash equivalents

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Cash at bank and in hand	970,352	2,216,024	931,096	2,202,080
Bank overdraft	-	(600,324)	-	(600,324)
	970,352	1,615,700	931,096	1,601,756

At 31 December 2007 the Company and Group had bank deposits amounting to Lm17,466 (2006: Lm2,073,448) representing advance deposits on the sale of property, which are deposited in escrow accounts and which are pledged to secure bank borrowings. Interest income earned on these deposits is offset by the Company's bankers against interest costs incurred on the Company's bank loans. These amounts are included within cash and cash equivalents since they are considered part of the Group's overall cash management.

17. Cash and cash equivalents - continued

As at 31 December 2006, included under cash at bank was an amount of Lm3.98 million, proceeds from the private placement bond effected during 2006. The use of these proceeds was restricted to the funding of a particular phase of the project, and these amounts were therefore excluded from cash and cash equivalents above, since these funds were not considered an integral part of the group's current cash management. These funds were fully utilised during the current financial year.

18. Financial risk management

18.1 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 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. The group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

a) Market risk

(i) Foreign exchange risk

The group's revenues, operating and development expenditure, financial assets and liabilities, including financing, are mainly denominated in Maltese lira and euro. Accordingly, the group's 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 balance sheet date is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The group has no significant interest-bearing assets. The group's interest rate risk arises from bank and other borrowings issued at variable rates (refer to Note 14) which expose the group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on borrowing 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 balance sheet date to be immaterial. The group's operating cash flows are substantially independent of changes in market interest rates.

18. Financial risk management - 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 13). 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 (Note 17) and debtors (Note 11), which constitute the group's loans and receivables category for IAS 39 categorisation purposes. The group's exposures to credit risk are analysed as follows:

	Group		**Company**	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
Receivables (Note 11)	**2,393,367**	1,599,211	**3,663,307**	3,270,238
Cash and cash equivalents (Note 17)	**970,352**	1,615,700	**931,096**	1,601,756
	3,363,719	3,214,911	**4,594,403**	4,871,994

The group's exposures to credit risk are analysed on the face of the balance sheet and in the respective notes to the financial statements. The maximum exposure to credit risk at the reporting date 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.

The group's receivables comprise advance payments to a service provider in relation to the development of the Tigne' Retail Mall. The respective company's collateral held as security in respect of this receivable consists of a guarantee in favour of the company. These advance payments will be utilised to settle in part future invoiced amounts. Management does not expect any losses from non-performance or default by this entity in relation to the receivable.

The group's other receivables mainly comprise recoverable expenses incurred on behalf of contractors and 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 group undertakings 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 balance sheet dates, the group had no material past due or impaired financial assets.

18. Financial risk management - 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 interest-bearing borrowings (refer to Notes 13 and 14). One of the group's principal liabilities consists of the liability towards the government in respect of the temporary emphyteusis, which comprise cash payments and obligations through the performance of restoration and infrastructural work at Manoel Island and Tigne' 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 Tigne' 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 bank 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 are principally repayable within one year from the balance sheet date. Payments received on account under promise of sale agreements do not give rise to cash outflows but would be utilised upon delivery up to twelve months from 31 December 2007. The table below analyses the group's other principal financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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.

Group **As at 31 December 2007**	Less than 1 year Lm	Between 1 and 2 years Lm	Between 2 and 5 years Lm	Over 5 years Lm
Interest-bearing borrowings	382,782	6,383,918	2,769,711	5,515,220
Due to Government in relation to purchase of land	7,468,906	3,619,918	3,946,422	17,500,000
	7,851,688	**10,003,836**	**6,716,133**	**23,015,220**

Company **As at 31 December 2007**	Less than 1 year Lm	Between 1 and 2 years Lm	Between 2 and 5 years Lm	Over 5 years Lm
Interest-bearing borrowings	382,782	6,087,526	1,803,719	-
Due to Government in relation to purchase of land	7,468,906	3,619,918	3,946,422	17,500,000
	7,851,688	**9,707,444**	**5,750,141**	**17,500,000**

18. Financial risk management - continued

Group and Company As at 31 December 2006	Less than 1 year Lm	Between 1 and 2 years Lm	Between 2 and 5 years Lm	Over 5 years Lm
Interest-bearing borrowings	2,279,412	292,976	5,419,697	-
Due to Government in relation to purchase of land	3,150,729	-	8,183,257	22,578,014
	5,430,141	292,976	13,602,954	22,578,014

18.2 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 balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

	Group		**Company**	
	2007 Lm	2006 Lm	**2007 Lm**	2006 Lm
Total borrowings (Note14)	**10,988,986**	7,681,993	**7,299,153**	7,681,993
Less: cash and cash equivalents	**(970,352)**	(2,216,024)	**(931,096)**	(2,202,080)
Net debt	**10,018,634**	5,465,969	**6,368,057**	5,479,913
Total equity	**13,601,511**	11,728,699	**13,998,505**	11,819,478
Total capital	**23,620,145**	17,194,668	**20,366,562**	17,299,391
Gearing ratio	**42.4%**	31.8%	**31.3%**	31.7%

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 company's activities, the development stage of the distinct phases and the extent of borrowings or financing, the capital level as at the balance sheet date is deemed adequate by the directors.

18. Financial risk management - continued

18.3 Fair values of financial assets and liabilities

At 31 December 2007 and 2006 the carrying amounts of cash at bank, debtors, creditors 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 14) as at the balance sheet date is not materially different from the carrying amounts.

The directors have assessed the fair value of the amount due to Government in relation to purchase of land (see Note 13) by reference to the original discount rate applied upon completion of the deed (see Note 10) adjusted by changes recorded since then in the yields to maturity at balance sheet date 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 2007 of the amount due to Government with respect to the purchase of land amounted to Lm21,993,683 (2006: Lm20,394,288).

19. Related party transactions

Alf. Mizzi & Sons Group, Bank of Valletta Group, Gatt Investments, Gasan Group, Fortress Development, Middle Sea Valletta Life Insurance Group, Mizzi Organisation, Polidano Group, Vassallo Builders Group, Pater Holdings Group, and Pininfarina Extra srl are considered by the directors to be related parties by virtue of their shareholding in the Company.

The following transactions were carried out with related parties:

	Group		Company	
	2007	2006	**2007**	2006
	Lm	Lm	**Lm**	Lm
i) Purchase of goods and services				
Purchase of services from Group undertaking	**-**	-	**8,572,284**	-
Purchase of services from related parties	**3,124,096**	3,720,418	**1,522**	26,458

At the balance sheet date, the group had outstanding contractual commitments with related parties for project development for the amount of Lm1,160,000 (2006: Lm4,007,000)

	Group		Company	
	2007	2006	**2007**	2006
ii) Deposits on promise of sale				
Deposits on sale of apartments from related parties	**6,276,041**	5,102,385	**6,276,041**	5,102,385
Value of the sale of apartments to related parties	**7,966,061**	8,447,898	**7,966,061**	8,447,898
iii) Loans from related parties				
Loans from related parties	**6,609,531**	1,095,233	**2,379,699**	1,095,233
Net interest charged by related parties	**142,539**	93,314	**89,047**	93,314

19. Related party transactions - continued

The Group has banking facilities of Lm23.6 million (2006: Lm8.8 million) sanctioned by a related party (terms and conditions are reflected in note 14). The banking facility of the company as at 31 December 2007 is Lm9 million (2006: Lm8.8 million).

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 undertakings were carried out at carrying amounts.

Balances outstanding as at year end with respect to Group undertakings and other related parties are disclosed in debtors (see Note 11) and trade and other creditors (see Note 13).

20. 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 Lm133 million will be made after the balance sheet date. As at the balance sheet date, the group had outstanding contractual commitments for project development works for the approximate amount of Lm11.1 million, which includes the amounts disclosed in Note 18. 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 2007 the Company had entered into one hundred and twenty (2006: one hundred and ninety-four) Purchase and Promise of Sale Agreements with respect to the construction and sale of apartments in Tigne' South Development. These agreements are expected to generate sales amounting to around Lm29.5 million (2006: Lm46 million) of which as at 31 December 2007, Lm20,544,247 (2006: Lm28,443,319) was received by the Company.

The Purchase and Promise of Sale Agreements entered into give rise to agents' commission amounting to Lm484,910 (2006: Lm1,057,195) that becomes due upon signing of the final deeds of sale.

21. Contingencies

(a) At 31 December 2007, the Group has contingent liabilities amounting to Lm169,000 (2006: Lm169,000) in respect of guarantees issued by the bank on behalf of the Company in favour of third parties in the ordinary course of business.

(b) At 31 December 2007, the Company had a contingency arising from uncalled share capital in Group undertakings, amounting to Lm23,840 (2006: Lm23,840), for which no provision has been made in the financial statements.

22. Statutory information

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