

MIDI plc

Annual Report and
Consolidated Financial Statements
31 December 2009

	Pages
Directors' report	1 - 3
Shareholder information	4 - 5
Statement of compliance with the Principles of Good Corporate Governance	6 - 11
Independent auditor's report	12 - 13
Statements of financial position	14 - 15
Income statements	16
Statements of comprehensive income	16
Statements of changes in equity	17 - 18
Statements of cash flows	19
Notes to the financial statements	20 - 55

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2009.

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 financial year 2009, the company progressed substantially on a number of phases of the Tigné Point development. Sales of 54 apartments in Tigné South with total revenue of €32,209,672 were concluded. Construction was concentrated on a number of commercial and residential areas. The T10 residential block, which was launched in 2008, has progressed to an advanced stage in accordance to schedule, and a number of apartments are expected to be handed over to prospective owners during the course 2010. Civil works on the Plaza Block apartments have also been completed and external finishes have commenced. This block consisting of 22 apartments is expected to be launched in the second half of 2010.

Other construction works were mainly focused on the Tigné South Clubhouse, 'The Point' shopping mall and 'Pjazza Tigné' and on the substructures of most of the buildings comprising the Tigné North phase.

During the course of 2009, the Tigné South Clubhouse facility was completed and commissioned in June, with the first catering establishment commencing operations close to the year end. The shopping mall was launched on 20 March 2010 and is spread over a footprint of over 28,000 square metres and 14,000 square metres of shopping space occupied by 49 well known retail outlets. The mall overlooks Pjazza Tigné, which is substantially complete. The Pjazza will incorporate a number of retail outlets and is expected to be launched in the course of 2010. Both 'The Point' and 'Pjazza Tigné' have extensive underlying parking facilities that are complete.

'The Point' shopping mall has been classified as property, plant and equipment in Tigné Mall Limited, the operator of the complex and a wholly owned subsidiary of the company. On the other hand, the Clubhouse and Pjazza Tigné including the commercial outlets, are being retained by MIDI as investment property generating their own revenue streams that will enhance the value of the entire Tigné Point development.

On 13 January 2009, by virtue of an Offering memorandum dated 5 December 2008, MIDI plc issued a public subscription of 300,000 unsecured bonds, together with an over-allotment option for a further 100,000 bonds, which was exercised in full as a result of oversubscriptions. The bonds issued were available in euro or Great Britain pound or a combination of both currencies, with a nominal value of €100 or £100 respectively. The bonds, that have been admitted to the Official list of the Malta Stock Exchange on 20 January 2009, are subject to a fixed interest rate of 7% p.a. payable annually in arrears. The company reserves the right to redeem the bonds or any part thereof at any date between 15 December 2016 and 14 December 2018.

Directors' report - continued

Results and dividends

The consolidated income statement is set out on page 16. The directors do not recommend the payment of a dividend.

Directors

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

Mr Albert Mizzi - Chairman
Mr Angelo Buhagiar - appointed on 11 September 2009
Dr Arthur Galea Salomone - resigned on 6 August 2009
Dr Alec A. Mizzi
Mr Anthony Mamo - resigned on 27 January 2009
Mr Charles Polidano - appointed on 27 July 2009
Mr Paul Bonello
Mr Tonio Depasquale
Mr Joseph A. Gasan
Mr John Mary Gatt - resigned on 27 July 2009
Mr Joseph Said - appointed on 27 January 2009
Mr Mario C. Grech
Mr Maurice F. Mizzi
Mr Nazzareno Vassallo

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' 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.

Directors' report - continued

Directors' statement of responsibilities in relation to the financial statements - continued

The financial statements of MIDI plc for the year ended 31 December 2009 are included in the Annual Report 2009, 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 2009, 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.

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



Paul Bonello
Director

19 April 2010

Company secretary: Luke Coppini

Registered office:
North Shore
Manoel Island
Malta

Telephone number: (+356) 2065 5500

Shareholder information

Directors' interests

As at 31 December 2009, the directors' interests in the shareholding of the company were as follows:

Name and function of directors	Interest held
Mr Albert Mizzi Chairman	Holds a beneficiary interest in Alf. Mizzi & Sons Limited
Mr Paul Bonello Non-Executive director	Holds a beneficiary interest in Fortress Developments Limited
Mr Tonio Depasquale Non-Executive director	Chief Executive Officer of Bank of Valletta p.l.c.
Mr Angelo Buhagiar Non-Executive director	Holds a beneficiary interest in Fortress Developments Limited
Mr Joseph A. Gasan Non-Executive director	Holds a beneficiary interest in Gee Five Limited
Mr Mario C. Grech Non-Executive director	Director of Middlesea Valletta Life Assurance Co. Limited
Dr Alec A. Mizzi Non-Executive director	Holds a beneficiary interest in Alf. Mizzi & Sons Limited
Mr Maurice F. Mizzi Non-Executive director	Holds a beneficiary interest in Investors Limited
Mr Charles Polidano Non-Executive director	Holds a beneficiary interest in Polidano Brothers Limited
Mr Nazzareno Vassallo Non-Executive director	Holds a beneficiary interest in Vassallo Builders Group Limited
Mr Joseph Said Non-Executive director	Chief Executive Officer of Lombard Bank Malta p.l.c. and director of First Gemini p.l.c.

Further to the disclosures made above, as at 31 December 2009 certain directors held beneficial and non-beneficial interests in Lombard Bank Malta p.l.c. which were not considered relevant for disclosure purposes.

There have been no changes in the above stated directors' interests during the period from 31 December 2009 to 19 April 2010.

Shareholder information - continued

Shareholding details

As at 31 December 2009, the company's issued share capital, made up of 12,600,000 ordinary shares, was held by 12 shareholders. The issued share capital consists of one class of ordinary shares with equal voting rights. However, the election of directors is subject to certain terms depending on the percentage of shares held, as provided in the company's Memorandum and Articles of Association.

As at 31 December 2009, the shareholding of the company was as follows:

Name of shareholders	Percentage holding	Number of shares
Alf. Mizzi & Sons Limited	18.00%	2,268,000
Fortress Developments Limited	15.00%	1,890,000
Middlesea Valletta Life Assurance Co. Limited	13.00%	1,638,000
Gee Five Limited	11.49%	1,447,200
Bank of Valletta p.l.c.	9.52%	1,200,000
Investors Limited	8.00%	1,008,000
Gatt Investments Limited	6.00%	756,000
Polidano Brothers Limited	6.00%	756,000
Vassallo Builders Group Limited	6.00%	756,000
Lombard Bank Malta p.l.c.	5.00%	630,000
First Gemini p.l.c.	1.19%	150,000
Pininfarina Extra s.r.l.	0.80%	100,800

There have been no changes in shareholders and their respective percentage holdings during the period from 31 December 2009 to 19 April 2010.

Statement of compliance with the Principles of Good Corporate Governance

Pursuant to the requirements of the Listing Rules MIDI plc is hereby reporting on the extent of its adoption of the Code of the Principles of Good Corporate Governance appended to Chapter 8 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, though not mandatory, 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 plc. Also, whilst certain principles in the Code are applicable to issuers of equity securities which are listed on the Stock Exchange these are not altogether applicable, or are not applicable in the same manner for those companies that issue debt instruments listed on the Malta Stock Exchange. The Directors are making this statement of compliance with the Code in the light of the factors mentioned above.

Roles and responsibilities

The overall management of the Company is vested in a Board of Directors consisting of a minimum of six and a maximum of eleven 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 Company's principal activity consists of the development of the Manoel Island and Tigné Point Project. In this respect, the Board's role 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 interest of MIDI plc 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.

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 Albert Mizzi as Chairman of the Board and Mr Benjamin Muscat as CEO of the Company.

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

The Board delegates authority to and accountability for the Company to an Executive Board, which during the year ended 31 December 2009 was composed of the Chairman Mr Albert Mizzi, Mr Mario C. Grech and Mr Maurice F. Mizzi as Directors, together with the Chief Executive Officer Mr Benjamin Muscat. The Executive Board supervises the management of the Company, to ensure the attainment of its objectives, strategy and objectives.

Composition of the Board

Pursuant to the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders. The Directors will appoint as Chairman of the Board one of the Directors of the Company by a simple majority. Any Shareholder holding shares of not less than nine per cent (9%) of the total voting rights of the Company shall be entitled to appoint one Director for each and every nine per cent (9%) voting rights held. At each Annual General Meeting of the Company, all Directors shall retire from office. A Director retiring from office shall retain office until the dissolution of such meeting. A retiring Director shall be eligible for re-election or re-appointment.

During the period from 1 January 2009 up to the date of authorisation for issue of the financial statements, the Board members were Mr Albert Mizzi, Chairman, Mr Paul Bonello, Mr Tonio Depasquale, Mr Joseph A. Gasan, Mr John Mary Gatt, Mr Mario C. Grech, Dr Alec A. Mizzi, Mr Maurice F. Mizzi, Dr Arthur Galea Salomone, Mr Nazzareno Vassallo, Mr Charles Polidano, Mr Anthony Mamo, Mr Joseph Said and Mr Angelo Buhagiar. Accordingly the Board is 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 direct control and management of the Company's affairs and an efficient decision-making process.

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 plc 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.

The Board of Directors has its own responsibility for obtaining all information from the Executive Board, external auditors and any other bodies that the Board of Directors requires in order to be able to carry out its duties properly as a supervisory body. If the Board considers it necessary, it may obtain information from officers and external advisors of the Company and the Company shall provide the necessary means for this purpose. The Board of Directors may require that certain officers and external advisors attend its meetings. The Executive Board shall provide information to the Board of Directors which it may require to function properly and to carry out its duties properly. Where possible, this information must be provided in writing.

The Board of Directors shall have unrestricted access to MIDI's books, records, officers and employees and premises. Any meeting that a Director wishes to initiate may be arranged through the Board 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.

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

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.

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. The Board does not have 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, the Board does not consider that such a formal evaluation of performance is necessary.

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, the CEO represents the Company with third parties.

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. Presently, none of the Directors receive remuneration.

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.

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

Given the current shareholding of MIDI, and in line with expectations upon the commencement of the Company, conflicts of interest affecting board members have arisen/will arise 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 entered into 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 Board 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.

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

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

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;
- (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 (if applicable) 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 (if applicable) 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 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.

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

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.

The Audit Committee consists 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.

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.

Communication with Shareholders and the Market

Pursuant to the Company's statutory obligations in terms of the Maltese Companies Act, 1995 and the Listing Rules, the Annual Report and Financial Statements, declaration of dividends, election of Directors, 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, and maintains contact with the market through announcements. In addition, the Board believes that the requirements in relation to communication with shareholders and the market are less applicable to the Company since it has not issued listed equity securities.

The Directors consider that the Board properly serves the legitimate interests of all shareholders and is accountable to all shareholders properly, 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 matter 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. The Directors aim to adhere to accepted principles of corporate social responsibility in day to day practices, within the scope of the company's business.

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 a Company issuing listed debt instruments and in the context of the Company's business operations, the Company has been 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 19 April 2010 and signed on its behalf by:



Albert Mizzi
Chairman



Paul Bonello
Director

Independent auditor's report

To the Shareholders of MIDI plc

Report on the Financial Statements

We have audited the consolidated and the stand-alone parent company financial statements of MIDI plc (together the "financial statements") on pages 14 to 55 which comprise the consolidated and parent company statements of financial position as at 31 December 2009 and the consolidated and parent company income statements, statements of comprehensive income, changes in equity and cash flows 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 (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. As described in the directors' statement of responsibilities in relation to the financial statements on pages 2 to 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 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 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 parent company as at 31 December 2009, and of the group's and the parent company's financial performance and 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 6 to 11 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Shareholder information. Our responsibilities do not extend to any other information.

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 3, 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

F. Axisa

Fabio Axisa
Partner

19 April 2010

Statements of financial position

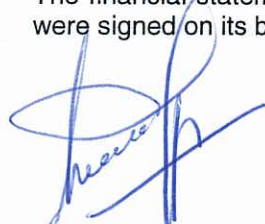
		As at 31 December			
		Group		Company	
Notes	2009	2008	2009	2008	
	€	€	€	€	
ASSETS					
Non-current assets					
Property, plant and equipment	5	50,227,037	33,666,042	926,403	878,997
Investment property	6	23,321,750	-	23,321,750	-
Investments in subsidiaries	7	-	-	13,883	13,883
Investment in joint venture	8	388,287	276,122	2,000,000	1,500,000
Available-for-sale financial assets	9	2,000	-	2,000	-
		73,939,074	33,942,164	26,264,036	2,392,880
Current assets					
Inventories – Development project	10	149,016,437	159,882,506	149,290,992	160,158,495
Trade and other receivables	11	4,147,689	4,294,069	19,434,853	8,339,487
Current tax assets		4,471,572	3,694,169	4,464,829	3,694,169
Term placements with banks	12	4,000,000	-	4,000,000	-
Cash and cash equivalents	13	2,695,070	542,257	2,666,447	434,196
		164,330,768	168,413,001	179,857,121	172,626,347
Total assets		238,269,842	202,355,165	206,121,157	175,019,227

Statements of financial position - continued

		As at 31 December			
		Group		Company	
Notes	2009	2008	2009	2008	
	€	€	€	€	
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	29,358,000	29,358,000	29,358,000	29,358,000
Hedging reserve	15	(317,825)	-	(317,825)	-
Retained earnings		3,639,247	2,679,074	5,727,175	4,362,249
Total equity		32,679,422	32,037,074	34,767,350	33,720,249
Non-current liabilities					
Trade and other payables	16	24,615,089	28,236,660	24,463,001	28,236,660
Borrowings	17	76,079,221	40,035,029	43,144,496	15,534,841
Deferred tax liabilities	18	1,765,070	1,063,160	1,765,070	1,063,160
Total non-current liabilities		102,459,380	69,334,849	69,372,567	44,834,661
Current liabilities					
Trade and other payables	16	75,840,195	80,804,949	75,562,737	76,926,314
Current tax liabilities		-	4,955	-	-
Borrowings	17	27,290,845	20,173,338	26,418,503	19,538,003
Total current liabilities		103,131,040	100,983,242	101,981,240	96,464,317
Total liabilities		205,590,420	170,318,091	171,353,807	141,298,978
Total equity and liabilities		238,269,842	202,355,165	206,121,157	175,019,227

The notes on pages 20 to 55 are an integral part of these financial statements.

The financial statements on pages 14 to 55 were authorised for issue by the board on 19 April 2010 and were signed on its behalf by:



Albert Mizzi
Chairman



Paul Bonello
Director

Income statements

		Year ended 31 December			
		Group		Company	
Notes	2009	2008	2009	2008	
	€	€	€	€	
Revenue	19	32,217,795	31,861,442	32,209,672	31,861,442
Cost of sales		(28,388,416)	(29,300,127)	(28,388,416)	(29,300,127)
Gross profit		3,829,379	2,561,315	3,821,256	2,561,315
Administrative expenses		(1,843,418)	(1,583,000)	(1,852,788)	(1,437,323)
Other operating income		457,164	489,399	484,026	517,521
Operating profit		2,443,125	1,467,714	2,452,494	1,641,513
Finance income	22	431,462	70,609	833,838	279,137
Finance costs	23	(734,654)	-	(1,137,030)	(208,529)
Share of loss of joint venture	8	(387,835)	(579,215)	-	-
Profit before tax		1,752,098	959,108	2,149,302	1,712,121
Tax expense	24	(791,925)	(605,032)	(784,376)	(599,617)
Profit for the year		960,173	354,076	1,364,926	1,112,504
Earnings per share	25	0.08	0.03		

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
Note	2009	2008	2009	2008	
	€	€	€	€	
Profit for the year		960,173	354,076	1,364,926	1,112,504
Other comprehensive income:					
Cash flow hedges, net of deferred tax	15	(317,825)	-	(317,825)	-
Total comprehensive income for the year		642,348	354,076	1,047,101	1,112,504

The notes on pages 20 to 55 are an integral part of these financial statements.

Statements of changes in equity

Group	Notes	Share capital €	Hedging reserve €	Retained earnings	Total €
Balance at 1 January 2008		29,350,105	-	2,332,893	31,682,998
Comprehensive income					
Profit for the year					
- total comprehensive income		-	-	354,076	354,076
Transactions with owners					
Increase in share capital through capitalisation of retained earnings	14	7,895	-	(7,895)	-
Balance at 31 December 2008		29,358,000	-	2,679,074	32,037,074
Balance at 1 January 2009		29,358,000	-	2,679,074	32,037,074
Comprehensive income					
Profit for the year		-	-	960,173	960,173
Other comprehensive income: Cash flow hedges, net of deferred tax	15	-	(317,825)	-	(317,825)
Total comprehensive income		-	(317,825)	960,173	642,348
Balance at 31 December 2009		29,358,000	(317,825)	3,639,247	32,679,422

Statements of changes in equity - continued

Company	Notes	Share capital €	Hedging reserve €	Retained earnings	Total €
Balance at 1 January 2008		29,350,105	-	3,257,640	32,607,745
Comprehensive income					
Profit for the year					
- total comprehensive income		-	-	1,112,504	1,112,504
Transactions with owners					
Increase in share capital through capitalisation of retained earnings	14	7,895	-	(7,895)	-
Balance at 31 December 2008		29,358,000	-	4,362,249	33,720,249
Balance at 1 January 2009		29,358,000	-	4,362,249	33,720,249
Comprehensive income					
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)
Total comprehensive income		-	(317,825)	1,364,926	1,047,101
Balance at 31 December 2009		29,358,000	(317,825)	5,727,175	34,767,350

The notes on pages 20 to 55 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
Notes	2009	2008	2009	2008	
	€	€	€	€	€
Cash flows from operating activities					
Investment in development project	(58,079,140)	(49,977,635)	(41,588,120)	(32,691,386)	
Working capital movements related thereto	1,041,508	5,450,582	(6,751,153)	4,498,940	26
<hr/>					
Cash outflow on development project	(57,037,632)	(44,527,053)	(48,339,273)	(28,192,446)	
Cash inflow from promise of sale agreements	23,461,666	12,280,181	23,461,666	12,280,181	
Net operating expenditure	(1,843,418)	(1,496,634)	(1,852,788)	(1,437,323)	
Net interest (paid)/received	(303,192)	70,608	(303,192)	70,608	
Other income received	457,164	489,399	484,026	517,521	
Income tax refunded	1,595,787	-	1,595,787	-	
Income tax paid	(2,468,160)	(2,258,796)	(2,448,913)	(2,229,662)	
<hr/>					
Net cash used in operating activities	(36,137,785)	(35,442,295)	(27,402,687)	(18,991,121)	
<hr/>					
Cash flows from investing activities					
Purchase of property, plant and equipment	(102,735)	(386,678)	(70,643)	(313,942)	
Proceeds from disposal of property, plant and equipment	16,211				
Purchase of available-for-sale financial assets	(2,000)	-	(2,000)	-	
Investment in term placements with banks	(11,000,000)	-	(11,000,000)	-	
Proceeds from maturity of term placements with banks	7,000,000	-	7,000,000	-	
Purchase of shares in joint venture	(500,000)	(500,000)	(500,000)	(500,000)	
<hr/>					
Net cash used in investing activities	(4,588,524)	(886,678)	(4,572,643)	(813,942)	
<hr/>					
Cash flows from financing activities					
Net proceeds from issuance of bonds	38,793,524	-	38,793,524	-	
Proceeds from bank borrowings	26,914,570	36,590,633	18,243,026	20,050,105	
Repayments of bank and other borrowings	(22,828,972)	(1,979,717)	(22,828,969)	(1,979,717)	
<hr/>					
Net cash generated from financing activities	42,879,122	34,610,916	34,207,581	18,070,388	
<hr/>					
Net movement in cash and cash equivalents	2,152,813	(1,718,057)	2,232,251	(1,734,675)	
<hr/>					
Cash and cash equivalents at beginning of year	542,257	2,260,314	434,196	2,168,871	
<hr/>					
Cash and cash equivalents at end of year	2,695,070	542,257	2,666,447	434,196	13

The notes on pages 20 to 55 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 plc 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.

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).

Standards, interpretations and amendments to published standards effective in 2009

In 2009, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2009. 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. In particular the group adopted IAS 1 (revised), 'Presentation of financial statements' which is effective for periods beginning on or after 1 January 2009. IAS 1 (revised) requires 'non-owner changes in equity' to be presented separately from 'owner changes in equity' in a statement of comprehensive income. Accordingly the group presents all 'owner changes in equity' in the statement of changes in equity, whereas all items of income and expense ('non-owner changes in equity') are presented in a performance statement. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Other new standards, amendments to standards and interpretations which are mandatory for the first time for the financial year beginning on 1 January 2009 and which are relevant to the group include:

- IFRS 8, 'Operating segments'. The new standard requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. The group has one reportable segment and accordingly no revised disclosures are required in the consolidated financial statements.
- IAS 23 (amendment), 'Borrowing costs'. Under the revised standard, an entity is required to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. No changes to the group's accounting policies are required in this respect.
- IFRIC 15, 'Agreements for the construction of real estate'. The interpretation clarifies whether IAS 18, 'Revenue' or IAS 11 'Construction contracts' should be applied to particular transactions. No changes to the group's accounting policies are required in this respect.
- IAS 40 (amendment), 'Investment property'. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. No changes to the group's financial statements were required in this respect.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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 2009. 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, 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. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. 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 and cease once the asset is substantially complete, or suspended if the development of the asset is suspended. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company 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.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

	%
Buildings	1
Office equipment, furniture, fittings and other assets	10 - 33

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.

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. 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 and cease once the asset is substantially complete, or suspended if the development of the asset is suspended. After initial recognition, investment property is carried in the statement of financial position at historical cost less accumulated depreciation and impairment losses in accordance with the cost model adopted by the group under the requirements of IAS 40.

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 expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised. The capitalised costs of buildings and other categories or components constituting the cost of investment property are amortised over the period of the emphyteutical grant or the remaining useful life of the different components, whichever is the shorter 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 investment property are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

1. Summary of significant accounting policies - continued

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.

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.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

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.

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 for the purpose. 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 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.

1.14 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.

1.15 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.

1. Summary of significant accounting policies - continued

1.16 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.

1.17 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.

1. Summary of significant accounting policies - continued

1.17 Derivative financial instruments and hedging - continued

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.

1.18 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 and the private placement bonds 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

(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	
	2009 €	2008 €	2009 €	2008 €
Loans and receivables category				
Trade and other receivables (Note 11)	4,147,689	4,294,069	19,434,853	8,339,487
Term placements with banks (Note 12)	4,000,000	-	4,000,000	-
Cash and cash equivalents (Note 13)	2,695,070	542,257	2,666,447	434,196
	10,842,759	4,836,326	26,101,300	8,773,683

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 current year, the group entered into a derivative with such an institution.

The group's receivables comprise advance payments to a service provider in relation to the development of the Tigné shopping 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 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

(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 2009 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	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2009					
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 liabilities	4,563	4,563	120,631	55,321	185,078
At 31 December 2008					
Bank borrowings	12,544,042	18,408,526	10,735,316	20,070,030	61,757,914
Private placement bonds	9,736,781	-	-	-	9,736,781
Due to Government in relation to purchase of land	24,042,091	8,432,141	6,863,315	32,854,592	72,192,139

2. Financial risk management - continued

Company	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2009					
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
Other liabilities	4,563	4,563	120,631	55,321	185,078
At 31 December 2008					
Bank borrowings	11,296,243	16,253,031	-	-	27,549,274
Private placement bonds	9,736,781	-	-	-	9,736,781
Due to Government in relation to purchase of land	24,042,091	8,432,141	6,863,315	32,854,592	72,192,139

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 2009 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 €
At 31 December 2009					
- 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

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Total borrowings	103,370,066	60,208,367	69,562,999	35,072,844
Less:				
- cash and cash equivalents	(2,695,070)	(542,257)	(2,666,447)	(434,196)
- term placements with banks	(4,000,000)	-	(4,000,000)	-
Net debt	96,674,996	59,666,110	62,896,552	34,638,648
Total equity	32,679,422	32,037,074	34,767,350	33,720,249
Total capital	129,354,418	91,703,184	97,663,902	68,358,897
Gearing ratio	74.7%	65.1%	64.4%	50.7%

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 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 2009 and 2008 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 2009 of the amount due to Government with respect to the purchase of land amounted to €60,916,408 (2008: €54,537,000).

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

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 continued with steady progress during the current year. During 2009, construction works were concentrated in a number of commercial and residential areas which comprise 'The Point' shopping mall, 'Pjazza Tigné' together with the overlooking Plaza Block apartments, the T10 residential block and the substructures of the majority of the areas comprising the Tigné North phase.

5. Property, plant and equipment

Group	Assets in the course of construction €	Buildings €	Office equipment, furniture & fittings €	Motor vehicles €	Total €
At 1 January 2008					
Cost	15,184,286	596,104	830,794	26,455	16,637,639
Accumulated depreciation	-	(28,712)	(667,920)	(21,242)	(717,874)
Net book amount	15,184,286	567,392	162,874	5,213	15,919,765
Year ended 31 December 2008					
Opening net book amount	15,184,286	567,392	162,874	5,213	15,919,765
Additions	17,445,965	313,942	80,156	-	17,840,063
Depreciation charged to profit or loss	-	(9,028)	(79,545)	(1,507)	(90,080)
Depreciation charged to Inventories - development project	-	-	-	(3,706)	(3,706)
Closing net book amount	32,630,251	872,306	163,485	-	33,666,042
At 31 December 2008					
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
Year ended 31 December 2009					
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
At 31 December 2009					
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

Included in additions for 2009 reflected in the table above is an amount of €2,029,188 (2008: €1,421,727) representing capitalised borrowing costs. A capitalisation rate of 5.2% (2008: 6.8%) was utilised in this respect.

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

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

Company	Buildings €	Office equipment, furniture & fittings €	Motor vehicles €	Total €
At 1 January 2008				
Cost	588,682	277,660	26,455	892,797
Accumulated depreciation	(21,395)	(263,984)	(21,244)	(306,623)
Net book amount	567,287	13,676	5,211	586,174
Year ended 31 December 2008				
Opening net book amount	567,287	13,676	5,211	586,174
Transfers from a group undertaking	313,942	-	-	313,942
Depreciation charged to profit or loss	(9,028)	(6,880)	(1,505)	(17,413)
Depreciation charged to Inventories - development project	-	-	(3,706)	(3,706)
Closing net book amount	872,201	6,796	-	878,997
At 31 December 2008				
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
Year ended 31 December 2009				
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
At 31 December 2009				
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

6. Investment property

	Group and Company	
	2009	2008
	€	€
Year ended 31 December		
Transfer from Inventories – development project	23,321,750	-
Closing carrying amount	23,321,750	-
At 31 December		
Cost and carrying amount	23,321,750	-

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

	Company	
	2009	2008
	€	€
At 1 January and 31 December	13,883	13,883

The subsidiaries at 31 December 2009, whose results and financial position affected the figures of the group, are shown below:

Group undertaking	Registered office	Class of shares held	Percentage of shares held
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, which have remained unchanged from 2008, are held directly by MIDI plc.

8. Investment in joint venture

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Year ended 31 December				
Opening carrying amount	276,122	355,337	1,500,000	1,000,000
Additions at cost	500,000	500,000	500,000	500,000
Share of loss for the year	(387,835)	(579,215)	-	-
Closing carrying amount	388,287	276,122	2,000,000	1,500,000
At 31 December				
Cost	2,000,000	1,500,000	2,000,000	1,500,000
Share of profits and reserves	(1,611,713)	(1,223,878)	-	-
Carrying amount	388,287	276,122	2,000,000	1,500,000

The group had entered into a joint venture – Solution and 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
	€	€	€	€
2009				
Solution and Infrastructure Services Limited	3,701,133	3,324,523	1,074,639	(387,835)
2008				
Solution and Infrastructure Services Limited	2,634,524	1,870,741	326,058	(579,215)

9. Available-for-sale financial assets

	Group and Company	
	2009	2008
	€	€
Year ended 31 December		
Additions at cost	2,000	-
Closing cost and carrying amount	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 2009, reflected within the table below, were concentrated in a number of commercial and residential areas which comprise the T10 residential block, 'Pjazza Tigné' together with the overlooking Plaza Block apartments and the substructures of the majority of the areas comprising the Tigné North phase.

During the years ended 31 December 2009 and 2008, the group completed and transferred to the purchasers, residential units constructed on Tigné South. 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.

Costs incurred on the project up to 31 December 2009 and 2008 comprised:

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Purchase cost of land (see note below):				
- At 1 January	37,447,869	39,757,892	37,447,869	39,757,892
- Transferred to cost of sales	(987,238)	(2,310,023)	(987,238)	(2,310,023)
- Transferred to investment property	(2,376,752)	-	(2,376,752)	-
- At 31 December	34,083,879	37,447,869	34,083,879	37,447,869
Cost of design works and other studies, demolition, excavation, construction and restoration works and other expenses incurred:				
- At 1 January	96,717,500	92,188,202	96,993,489	92,283,357
- Additions for the year	32,850,192	26,748,931	32,848,758	26,929,765
- Transferred to cost of sales	(24,286,635)	(22,219,633)	(24,286,635)	(22,219,633)
- Transferred to investment property	(19,639,310)	-	(19,639,310)	-
- At 31 December	85,641,747	96,717,500	85,916,302	96,993,489
Borrowing costs attributable to the project:				
- At 1 January	25,717,137	23,358,490	25,717,137	23,358,490
- Imputed interest (see note below)	2,373,631	2,511,065	2,373,631	2,511,065
- Bank and other interest	2,875,955	1,846,873	2,875,955	1,846,873
- Transferred to cost of sales	(370,224)	(1,999,291)	(370,224)	(1,999,291)
- Transferred to investment property	(1,305,688)	-	(1,305,688)	-
- At 31 December	29,290,811	25,717,137	29,290,811	25,717,137
	149,016,437	159,882,506	149,290,992	160,158,495

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).

10. Inventories – Development project - continued

Borrowing costs arising from bank and other borrowings capitalised within inventories are reflected within the table above. A capitalisation rate of 4.7% (2008: 6.1%) was utilised in this respect.

11. Trade and other receivables

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Current				
Amounts owed by subsidiaries	-	-	16,933,475	6,316,969
Amounts owed by joint venture	305,739	39,045	188,714	21,133
Advance payments to contractors	388,948	1,174,846	-	-
Recoverable expenses incurred on behalf of contractors	2,003,091	2,059,363	1,146,904	1,431,938
Indirect taxation	24,223	224,407	-	33,917
Prepayments and accrued income	1,425,688	796,408	1,165,760	535,530
	4,147,689	4,294,069	19,434,853	8,339,487

12. Term placements with banks

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Deposits with banks	4,000,000	-	4,000,000	-

Term placements with banks outstanding at 31 December 2009 reflect the investment of unutilised bond issue proceeds (refer to Note 18). The weighted average effective interest rate applicable as at 31 December 2009 was 3.65% and these placements mature within one month from the end of the reporting period. These placements are 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	
	2009	2008	2009	2008
	€	€	€	€
Cash at bank and in hand	2,695,070	542,257	2,666,447	434,196

At 31 December 2009, the company and group had bank deposits amounting to €411,369 (2008: €344,479) 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

	Company	
	2009	2008
	€	€
Authorised		
21,000,000 Ordinary shares of €2.33 each	48,930,000	48,930,000
Issued and fully paid		
12,600,000 Ordinary shares of €2.33 each	29,358,000	29,358,000

By virtue of an extraordinary resolution dated 10 September 2008, 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 2008 and 2009, it consisted solely of 21,000,000 ordinary shares of €2.33 each.

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:

	€
Movements during year ended 31 December 2009	
Losses from changes in fair value of derivative instruments arising during the year	65,313
Deferred income taxes	(22,859)
	42,454
Transfers to Inventories – development project as a reclassification adjustment	(8,082)
Deferred income taxes	2,829
Reclassified from equity to profit or loss as a reclassification adjustment	431,730
Deferred income taxes	(151,106)
	275,371
At 31 December 2009	
Gross amount of losses	488,961
Deferred income taxes	(171,136)
	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 2009 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	
	2009	2008	2009	2008
	€	€	€	€
Current				
Payments received on account	19,525,955	25,949,355	19,525,955	25,949,355
Due to Government in relation to purchase of land (see also Note 10)	24,776,676	24,042,091	24,776,676	24,042,091
Amounts due to related parties	1,588,035	924,937	99,199	67,384
Indirect taxation	535,390	23,129	1,241	-
Other payables	16,006,310	20,046,172	6,894,448	10,333,564
Accruals and deferred income	13,407,829	9,819,265	24,265,218	16,533,920
	75,840,195	80,804,949	75,562,737	76,926,314
Non-current				
Payments received on account	-	2,324,606	-	2,324,606
Due to Government in relation to purchase of land (see also Note 10)	24,408,774	25,912,054	24,408,774	25,912,054
Derivative financial instruments	54,227	-	54,227	-
Other payables	152,088	-	-	-
	24,615,089	28,236,660	24,463,001	28,236,660

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 2009 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:

	2009	2008
	€	€
Between 1 and 2 years	2,456,029	8,432,141
Between 2 and 5 years	5,823,433	6,863,315
Over 5 years	36,344,755	32,854,592
	44,624,217	48,150,048
Less: imputed interest component	(20,215,443)	(22,237,994)
	24,408,774	25,912,054

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 prospective tenants at 'The Point' shopping mall (refer to Note 30). These amounts are refundable at the end of the lease term and are subject to interest at 3% per annum.

17. Borrowings

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Current				
Bank loans	27,290,845	10,855,844	26,418,503	10,220,509
Private placement bonds	-	9,317,494	-	9,317,494
	27,290,845	20,173,338	26,418,503	19,538,003
Non-current				
Bank loans	36,934,725	40,035,029	4,000,000	15,534,841
389,172 7% Bonds 2016 – 2018	39,144,496	-	39,144,496	-
	76,079,221	40,035,029	43,144,496	15,534,841
Total borrowings	103,370,066	60,208,367	69,562,999	35,072,844

17. Borrowings - continued

On 13 January 2009, by virtue of an Offering Memorandum dated 5 December 2008, 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, the company shall start building a cash reserve, with effect from the year ending 31 December 2010, 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.

The bonds have been admitted to the Official List of the Malta Stock Exchange on 20 January 2009. The quoted market price for both the euro and sterling bonds as at 31 December 2009 was 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 the 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:

	Group and Company	
	2009	2008
	€	€
Face value of bonds		
317,029 7% euro Bonds 2016-2018	31,702,900	-
72,143 7% sterling Bonds 2016-2018	8,114,425	-
	39,817,325	
Gross amount of bond issue costs	(741,425)	-
Amortisation during the current year	68,596	-
	(672,829)	
Amortised cost and closing carrying amount of bonds	39,144,496	-

17. Borrowings - continued

As referred to previously, the private placement bonds amounting to €9,317,494 were redeemed at their principal amount, together with accrued interest, on 23 June 2009 out of the proceeds from the current year bond issue. The bonds were subject to an interest rate based on the Central Bank's base rate plus a margin of 2% and payable semi-annually. The effective interest rate as at 31 December 2008 was 4.5%. The proceeds from the private placement bonds were restricted to the funding of the construction of a particular phase of the project and were secured by a general hypothec over the company's property, however with the exclusion of certain property areas as specified in the private placement deed. In addition, the bonds were secured by a special hypothec over portions of land at Manoel Island. The general and special hypothecs ranked after certain privileges and hypothecs granted in favour of other parties and causes of preference arising by operation of law.

Company bank borrowings for an amount of €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). 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 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 are as follows:

	Group		Company	
	2009	2008	2009	2008
Bank loans	5.3%	5.8%	4.7%	5.1%

Maturity of borrowings:

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Within one year	27,290,845	20,173,338	26,418,503	19,538,003
Between one and two years	907,882	16,212,390	-	15,534,841
Between two and five years	13,521,204	6,583,137	4,000,000	-
Over five years	61,650,135	17,239,502	39,144,496	-
	103,370,066	60,208,367	69,562,999	35,072,844

18. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2008: 35%). The movement on the deferred income tax account is analysed as follows:

	Group and Company	
	2009	2008
	€	€
At beginning of year	1,063,160	610,401
Charged to profit or loss (Note 24)	873,046	452,759
Tax credit relating to components of other comprehensive income - cash flow hedging reserve (Note 15)	(171,136)	-
At end of year	1,765,070	1,063,160

The deferred tax charge recognised in profit or loss during the year and the balance at 31 December 2008 arise 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 remeasurement 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 and Company	
	2009	2008
	€	€
Deferred tax assets – remeasurement of cash flow hedging instruments	(171,136)	-
Deferred tax liabilities – temporary differences between tax base and carrying amount of inventories recognised in cost of sales	1,936,206	1,063,160
Net amount	1,765,070	1,063,160

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 South which were handed over to the purchasers during the current financial year.

20. Expenses by nature

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Cost of sales transferred from				
Inventories – development project	27,786,025	28,567,303	27,786,025	28,567,303
Commissions payable	602,391	732,824	602,391	732,824
Depreciation of property, plant and equipment (Note 5)	82,282	90,080	23,237	17,413
Employee benefit expense (Note 21)	684,148	189,335	487,242	12,953
Motor vehicle operating lease rentals	23,248	-	16,514	-
Other expenses	1,053,740	1,303,585	1,325,795	1,406,957
Total cost of sales and administrative expenses	30,231,834	30,883,127	30,241,204	30,737,450

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2009 and 2008 relate to the following:

	Group	
	2009 €	2008 €
Annual statutory audit	36,580	37,589
Tax advisory and compliance services	650	650
Other non-audit services	-	196,571
	37,230	234,810

21. Employee benefit expense

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Wages and salaries	1,809,940	2,348,724	1,809,940	2,348,724
Social security costs	115,634	141,185	115,634	141,185
	1,925,574	2,489,909	1,925,574	2,489,909
Amounts included in Inventories – development project (see Note 10)	1,241,426	2,300,574	1,241,426	2,300,574
Amounts recharged to subsidiaries	-	-	196,906	176,382
Amounts expensed in profit or loss	684,148	189,335	487,242	12,953
	1,925,574	2,489,909	1,925,574	2,489,909

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

	2009	2008
Technical and administration	78	96

22. Finance income

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Interest income from:				
- term placements with banks	431,462	70,609	431,462	70,609
- amounts owed by subsidiaries	-	-	402,376	208,528
	431,462	70,609	833,838	279,137

23. Finance costs

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Interest and related expense recognised in profit or loss on:				
- Bank loans and overdrafts	5,556	-	407,932	208,529
- Bonds issued to the general public				
Coupon interest payable	710,508	-	710,508	-
Amortisation of difference between net proceeds and redemption value	18,590	-	18,590	-
	734,654	-	1,137,030	208,529

Finance costs capitalised are disclosed in Notes 5 and 10 to these financial statements.

24. Tax expense

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Current tax (income)/expense	(81,121)	152,273	(88,670)	146,858
Deferred tax expense (Note 18)	873,046	452,759	873,046	452,759
	791,925	605,032	784,376	599,617

24. 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	
	2009	2008	2009	2008
	€	€	€	€
Profit before tax	1,752,098	959,108	2,149,302	1,712,121
Tax on profit at 35%	613,234	335,688	752,256	599,242
Tax effect of:				
- maintenance allowance claimed on rented property	(5,572)	(5,721)	(5,572)	(5,721)
- unrecognised temporary differences	(4,330)	59,927	-	-
- expenses not deductible for tax purposes	52,851	12,413	37,692	6,096
- share of loss of joint venture	135,742	202,725	-	-
Tax charge in the accounts	791,925	605,032	784,376	599,617

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 plc in issue during the year.

	Group	
	2009	2008
Net profit attributable to equity holders of the company	€960,173	€354,076
Weighted average number of ordinary shares in issue	12,600,000	12,600,000
Earnings per share	€0.08	€0.03

26. Working capital movements

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Trade and other receivables	(815,394)	1,280,976	(12,057,140)	193,722
Trade and other payables	1,856,902	4,169,606	5,305,987	4,305,218
Working capital movements	1,041,508	5,450,582	(6,751,153)	4,498,940

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 2009, the group had outstanding contractual commitments for project development works for the approximate amount of €9 million (2008: €50 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 2009 the company had entered into 63 (2008: 106) purchase and promise of sale agreements with respect to the construction and sale of apartments in Tigné South Development. These agreements are expected to generate sales amounting to around €46,573,636 (2008: €70,391,100) of which as at 31 December 2009, €19,525,955 (2008: €28,273,961) was received by the company. The purchase and promise of sale agreements entered into give rise to agents' commission amounting to €918,251 (2008: €1,331,510) that becomes due upon signing of the final deeds of sale.

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	
	2009	2008
	€	€
Not later than 1 year	2,976,272	-
Later than 1 year and not later than 5 years	16,038,700	-
Over 5 years	14,683,689	-
	33,698,661	-

27. Commitments - continued

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	
	2009 €	2008 €	2009 €	2008 €
Not later than 1 year	23,504	-	12,365	-
Later than 1 year and not later than 5 years	30,909	-	4,122	-
	54,413	-	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 2009.
- (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 (2008: €24,225,400), 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.
- (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 2009, the company had a contingency arising from uncalled share capital in fellow subsidiaries, amounting to €55,905 (2008: €55,905), for which no provision has been made in the financial statements.
- (f) At 31 December 2009, the group has contingent liabilities amounting to €393,669 (2008: €393,669) and €809,800 (2008: nil) in respect of guarantees issued by the bank in the ordinary course of business in favour of the Malta Environment and Planning Authority and the Government respectively.

28. Contingencies - continued

(g) The company has been requested by S.I.S. Ltd to reimburse the expenditure incurred in relation to the acquisition and installation of infrastructure which is currently owned and utilised by S.I.S. Ltd to provide services to the residents of the Tigné South Development. This expenditure would be allocated by the group to certain phases of the project, parts of which would have already been disposed of. The amount of the obligation could not be reliably estimated in the circumstances prevailing as at 31 December 2009, taking cognisance of the status of the negotiations between the parties.

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, Middle Sea Valletta Life Assurance Co. Limited, Investors Limited, Polidano Brothers Limited, Vassallo Builders Group Limited, Pater Holding Company 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 plc. 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	
	2009	2008	2009	2008
	€	€	€	€
<i>i) Purchase of goods and services</i>				
Purchase of services from subsidiaries	-	-	41,594,971	21,891,311
Purchase of services from related parties	14,363,067	7,127,922	210,807	133,759

At the end of the reporting period, the group had outstanding contractual commitments with related parties for project development for the amount of €4,824,778 (2008: €18,382,458).

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
<i>ii) Sale of apartments to related parties</i>				
Deposits on promise of sale agreements at 31 December	7,933,099	9,271,094	7,933,099	9,271,094
Value of contracts relating to the above promise of sale agreements	17,287,166	22,105,035	17,287,166	22,105,035
Value of contracts finalised during the current financial year	3,738,061	5,625,361	3,738,061	5,625,361
<i>iii) Bank loans from shareholders</i>				
Balances at 31 December	46,954,274	33,242,539	13,147,207	8,107,016
Net interest charged during the year	1,926,831	1,565,934	307,954	365,123

29. Related party transactions - continued

The group has banking facilities for the amount of €55,712,090 (2008: €51,712,090) sanctioned by related parties (terms and conditions are reflected in Note 17). The banking facilities of the company as at 31 December 2009 which are sanctioned by related parties amount to €21,703,238 (2008: €17,703,238). 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	
	2009	2008	2009	2008
	€	€	€	€
<i>iv) Deposits with banks</i>				
Balances at 31 December	7,054,151	665,214	7,026,994	579,321
Interest income earned	332,648	48,890	332,648	48,890

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

	Group and Company		Group and Company	
	Face value of bonds held at 31 December		Interest payable during the year	
	2009	2008	2009	2008
	€	€	€	€
<i>v) Bonds held by related parties</i>				
Shareholders	1,844,100	-	120,481	-
Directors and other officers of the company, together with close family members of these individuals	117,721	-	7,691	-
Other related parties	500,000	-	32,667	-
Held by related parties as nominees	664,114	-	43,388	-

As at 31 December 2008, private placement bonds for €3,959,935 were held by a shareholder. The interest payable on these bonds during 2009, until redemption (refer to note 17), amounted to €68,776 (2008: €233,431).

Amounts capitalised in inventories during 2009, pertaining to contracts of significance (as defined by Listing Rule 9.44f), to which the group is a party and in which directors are materially interested amounted to €13,273,270 (2008: €5,537,538). Outstanding contractual commitments for project development in relation to such contracts as at the end of the reporting period amounted to €4,704,145 (2008: €21,877,300).

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. Events after the end of the reporting period

On 20 March 2010 the group officially launched and commenced operations from 'The Point' shopping mall, which is operated and managed by the fully owned subsidiary, Tigné Mall Limited. The shopping mall is spread over a footprint of over 28,000 square metres and 14,000 square metres of shopping space occupied by 49 well known retail establishments. 'The Point' is complemented by underground parking facilities having over 800 parking spaces, which facilities are fully operational. The mall also overlooks Pjazza Tigné, an open square which will be offering a number of commercial and catering propositions over the coming months. The Point, Pjazza Tigné and the public car parking facilities are all commercial activities that are expected to contribute substantially to enhance the Tigné Point Development.

31. Statutory information

MIDI plc is a public limited liability company and is incorporated in Malta.