MIDI p.l.c.

Annual Report and Consolidated Financial Statements 31 December 2006

Company Registration Number : C 15836

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2006.

Principal activity

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

Review of the business

During 2006, construction works focused mainly on the completion of the Tigne' South phase. Block T4 and T5 were practically complete by the end of 2006, and the first completion certificates for the back blocks were issued by the architects. After the financial year end circa 28 deeds of sale were signed. Apartment blocks T6 and T7 were also at a very advanced stage of completion and these apartments are expected to be handed over to the tenants during the third quarter of 2007. The remaining apartments will be ready for hand over to clients by the end of 2007, however, deeds of sale for these apartments are expected to be signed during the first quarter of 2008.

With regards to the Pjazza which comprises of 3 residential blocks, commercial spaces and underlying car parking works are expected to be complete in the second quarter of 2008. Work continued to progress in 2006 with regards to the underground relief road and restoration of Fort Tigne and Fort Manoel.

Results and dividends

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

Directors

The directors in office during the year ended 31 December 2006 were:

Albert Mizzi – Chairman
Bank of Valletta p.l.c.
Paul Bonello
Joseph A. Gasan
Mario C. Grech
Francesca Mamo – resigned on 15 June 2006
Maurice F. Mizzi
Nazzareno Vassallo
Arthur Galea Salomone
Dr. Alec A. Mizzi
John Mary Gatt – resigned on 15 June 2006
Charles Polidano – appointed on 15 June 2006
Anthony Mamo – appointed on 15 June 2006

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

Directors' report - continued

Auditors

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

On behalf of the board

Albert Mizzi
Chairman

Paul Bonello
Director

Registered office:
North Shore
Manoel Island
Malta

18 June 2007

Statement of directors' responsibilities

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and Company as at the end of each financial period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

To the shareholders of MIDI p.l.c.

We have audited the financial statements of MIDI p.l.c. on pages 5 to 24 which comprise the Group's and the Company's balance sheets as at 31 December 2006 and the profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Company as at 31 December 2006, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

F Axisa

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

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

18 June 2007

Profit and loss accounts

	Notes	Group 2006 Lm	Group 2005 Lm	Company 2006 Lm	Company 2005 Lm
		Year ended 31 December			
Turnover	3	-	-	-	899,463
Cost of sales	4	-	-	-	(899,463)
Gross profit		-	-	-	-
Operating income		**129,212**	97,361	**116,209**	86,000
Administrative expenses	4	**(153,576)**	(149,030)	**(135,071)**	(139,029)
Operating loss		**(24,364)**	(51,669)	**(18,862)**	(53,029)
Interest receivable		**17,539**	19,429	**16,399**	19,429
Other income		**21,790**	53,606	**42,215**	53,606
Share of loss of joint venture		**(64,807)**	-	-	-
(Loss)/profit before tax		**(49,842)**	21,366	**39,752**	20,006
Tax expense	6	**(10,411)**	(3,116)	**(10,306)**	(3,116)
(Loss)/profit for the year		**(60,253)**	18,250	**29,446**	16,890

Balance sheets

	Notes	Group 2006 Lm	Group 2005 Lm	Company 2006 Lm	Company 2005 Lm
		As at 31 December			
ASSETS					
Fixed assets					
Property, plant and equipment	7	**2,378,183**	1,909,988	**228,913**	82,011
Investment in group undertakings	8	**-**	-	**5,960**	5,960
Investment in joint venture	9	**364,493**	-	**429,300**	-
Total fixed assets		**2,742,676**	1,909,988	**664,173**	87,971
Current assets					
Stock – Development project	10	**66,744,059**	52,861,005	**66,764,484**	52,861,005
Debtors	11	**1,599,211**	1,300,047	**3,270,361**	2,894,100
Current taxation		**-**	1,796	**-**	1,261
Cash at bank and in hand		**6,203,083**	3,583,621	**6,189,139**	3,572,534
Total current assets		**74,546,353**	57,746,469	**76,223,984**	59,328,900
Total assets		**77,289,029**	59,656,457	**76,888,157**	59,416,871
EQUITY AND LIABILITIES					
Capital and reserves					
Called up issued share capital	12	**11,675,600**	8,904,800	**11,675,600**	8,904,800
Profit and loss account		**53,099**	113,352	**143,878**	114,432
Total equity		**11,728,699**	9,018,152	**11,819,478**	9,019,232
Creditors: amounts falling due after more than one year					
Trade and other creditors	13	**23,566,721**	21,350,206	**23,566,721**	21,350,206
Borrowings	14	**4,807,014**	-	**4,807,014**	-
Total non-current liabilities		**28,373,735**	21,350,206	**28,373,735**	21,350,206
Creditors: amounts falling due within one year					
Trade and other creditors	13	**34,308,122**	27,301,664	**33,816,471**	27,060,998
Borrowings	14	**2,874,979**	1,986,435	**2,874,979**	1,986,435
Current taxation		**3,494**	-	**3,494**	-
Total current liabilities		**37,186,595**	29,288,099	**36,694,944**	29,047,433
Total liabilities		**65,560,330**	50,638,305	**65,068,679**	50,397,639
Total equity and liabilities		**77,289,029**	59,656,457	**76,888,157**	59,416,871

The financial statements on pages 5 to 24 were authorised for issue by the board on 18 June 2007 and were signed on its behalf by:

Albert Mizzi
Chairman

Paul Bonello
Director

Statements of changes in equity

Group	Note	**Share capital** Lm	**Profit and loss account** Lm	**Total** Lm
Balance at 1 January 2005		6,401,600	95,102	6,496,702
Increase in paid up share capital	12	2,503,200	-	2,503,200
Profit for the financial year - total recognised income for 2005		-	18,250	18,250
Balance at 31 December 2005		**8,904,800**	**113,352**	**9,018,152**
Balance at 1 January 2006		8,904,800	113,352	9,018,152
Increase in paid up share capital	12	2,770,800	-	2,770,800
Loss for the financial year - total recognised expense for 2006		-	(60,253)	(60,253)
Balance at 31 December 2006		**11,675,600**	**53,099**	**11,728,699**

Company		**Share Capital** Lm	**Profit and loss account** Lm	**Total** Lm
Balance at 1 January 2005		6,401,600	97,542	6,499,142
Increase in paid up share capital	12	2,503,200	-	2,503,200
Profit for the financial year - total recognised income for 2005		-	16,890	16,890
Balance at 31 December 2005		**8,904,800**	**114,432**	**9,019,232**
Balance at 1 January 2006		8,904,800	114,432	9,019,232
Increase in paid up share capital	12	2,770,800	-	2,770,800
Profit for the financial year - total recognised income for 2006		-	29,446	29,446
Balance at 31 December 2006		**11,675,600**	**143,878**	**11,819,478**

Cash flow statements

		Year ended 31 December			
		Group		Company	
	Notes	2006	2005	2006	2005
		Lm	Lm	Lm	Lm
Operating activities					
Investment in development project		**(12,943,373)**	(8,012,676)	**(12,664,739)**	(6,304,593)
Working capital movement related thereto	15	**2,717,524**	713,456	**2,389,441**	(1,060,187)
Cash outflow on development project		**(10,225,849)**	(7,299,220)	**(10,275,298)**	(7,364,780)
Cash inflow from promise of sale agreements		**4,958,727**	12,034,266	**4,958,727**	12,034,266
Operating loss		**(24,364)**	(51,669)	**(18,862)**	(53,029)
Interest received		**17,539**	19,429	**16,399**	19,429
Other income		**21,790**	53,606	**42,215**	53,606
Tax received/(paid)		**1,901**	(6,165)	**1,261**	(4,485)
Net cash (used in)/ generated from operating activities		**(5,250,256)**	4,750,247	**(5,275,558)**	4,685,007
Investing activities					
Acquisition of property, plant and equipment		**(22,445)**	(77,070)	**-**	(162)
Acquisition of shares in a joint Venture		**(429,300)**	-	**(429,300)**	-
Net cash used in investing activities		**(451,745)**	(77,070)	**(429,300)**	(162)
Financing activities					
Repayments of bank borrowings		**-**	(15,003,758)	**-**	(15,003,758)
Proceeds from borrowings		**1,013,101**	-	**1,013,101**	-
Movement in other creditors		**(49,821)**	21,350	**(49,821)**	21,350
Cash inflows from paid up share capital		**2,770,800**	2,503,200	**2,770,800**	2,503,200
Net cash generated from/ (used in) financing activities		**3,734,080**	(12,479,208)	**3,734,080**	(12,479,208)
Movement in cash and cash equivalents		**(1,967,921)**	(7,806,031)	**(1,970,778)**	(7,794,363)
Cash and cash equivalents at beginning of year		**3,583,621**	11,389,652	**3,572,534**	11,366,897
Cash and cash equivalents at end of year	16	**1,615,700**	3,583,621	**1,601,756**	3,572,534

Accounting policies

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

a. Basis of preparation

The consolidated financial statements include the financial statements of MIDI p.l.c. and its subsidiary undertakings. These are prepared in accordance with International Financial Reporting Standards (IFRSs) and with the requirements of the Companies Act, 1995. The consolidated financial statements are prepared under the historical cost convention, as modified by fair valuation of investment property, available-for-sale investments, and except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the group's accounting policies (See Note 1 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2006

In 2006, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2006. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the group's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the group's accounting periods beginning after 1 January 2006. The group has not early adopted these revisions to the requirements of IFRSs and the Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

b. Consolidation

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

c. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue earned from the long term contract in which the Group is engaged is recognised upon the delivery of the contracted items net of sales taxes and discounts and is included in the financial statements as turnover.

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

d. Borrowings

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

(i) Borrowing costs that are directly attributable to the development project are capitalised as part of the cost of the project and are included in its carrying amount. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare any discrete part of the project for its sale or intended use are completed.

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

e. Stock – Development project

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

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

(i) The costs incurred on development works, including demolition, site clearance, excavation, construction, etc., together with the costs of ancillary activities such as site security.

(ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.

(iii) Any borrowing costs, including imputed interests, attributable to the development phases of the project.

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

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

f. Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial year in which they are incurred.

f. Property, plant and equipment - continued

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

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

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

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

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

g. Investments in group undertakings

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

h. Investment in joint venture

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

Investments in jointly controlled entities are accounted for at cost in the company's separate financial statements.

i. Trade debtors

Trade debtors are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of debts. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

j. Cash and cash equivalents

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

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

k. Foreign currencies

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies have been converted into the functional currency at the rates of exchange ruling on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

l. Deferred taxation

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

Notes to the financial statements

1. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Company directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

2. Activities of the company

The MIDI Consortium was granted a letter of intent by the Government of Malta in December 1992 for the development of the Manoel Island and Tigne' Point project. Project negotiations were successfully concluded and a 99 year emphyteutical grant was entered into with Government on 15 June 2000. Works at Tigne' Point commenced towards the end of 2002 and have continued with steady progress in the current year.

3. Turnover

The Company's turnover relates to the design and other ancillary costs incurred in respect of the mall to be built on Tigne Sports which were transferred to Tigne Mall Limited, a Group undertaking, that will develop and manage the mall's operation.

4. Expenses by nature

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Cost of construction transferred to Group undertaking	**-**	-	**-**	899,463
Depreciation	**8,137**	4,941	**3,150**	-
Staff costs (see Note 5)	**70,835**	68,302	**70,835**	68,302
Other expenses	**74,604**	75,787	**61,086**	70,727
Total cost of sales and administrative expenses	**153,576**	149,030	**135,071**	1,038,492

Auditors' remuneration amounted to Lm4,700 (2005: Lm4,700) for the Group and Lm2,500 (2005: Lm2,500) for the Company.

5. Staff costs

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Wages and salaries	**902,211**	829,201	**902,211**	829,201
Social security costs	**55,325**	49,653	**55,325**	49,653
	957,536	878,854	**957,536**	878,854
Amounts included in stock - Development project (see Note 10)	**886,701**	810,552	**821,105**	742,317
Amounts recharged to group undertakings	**-**	-	**65,596**	68,235
Amounts expensed	**70,835**	68,302	**70,835**	68,302
	957,536	878,854	**957,536**	878,854

Average number of persons employed during the year:

	Group		Company	
	2006	2005	**2006**	2005
Technical and administration	**90**	80	**90**	80

6. Tax expense

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Tax expense	**1,130**	3,116	**1,025**	3,116

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

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
(Loss)/profit before tax	**(49,842)**	21,366	**39,752**	20,006
Tax on (loss)/profit at 35%	**(17,445)**	7,478	**13,914**	7,002
Tax effect of:				
Investment income subject to tax at 15%	**(3,280)**	(3,886)	**(3,280)**	(3,886)
Maintenance allowance claimed on rented property	**-**	-	**(1,430)**	-
Temporary differences not recognised in the profit and loss account	**7,352**	(476)	**-**	-
Expenses not deductible for tax purposes	**1,102**	-	**1,102**	-
Share of loss of joint venture	**22,682**	-	**-**	-
	10,411	3,116	**10,306**	3,116

7. Property, plant and equipment

Group	Buildings Lm	Assets in the course of construction Lm	Office equipment furniture & fittings Lm	Motor vehicles Lm	Total Lm
At 1 January 2005					
Cost	64,745	-	221,155	11,357	297,257
Accumulated depreciation	(647)	-	(163,396)	(2,305)	(166,348)
Net book amount	64,098	-	57,759	9,052	130,909
Year ended 31 December 2005					
Opening net book amount	64,098	-	57,759	9,052	130,909
Additions	-	-	77,070	-	77,070
Additions transferred from stock development (see Note 10)	157,067	1,590,817	-	-	1,747,884
Depreciation	-	-	(4,941)	-	(4,941)
Depreciation charged to stock development	(3,788)	-	(34,875)	(2,271)	(40,934)
Closing net book amount	217,377	1,590,817	95,013	6,781	1,909,988
At 31 December 2005					
Cost	221,812	1,590,817	298,225	11,357	2,122,211
Accumulated depreciation	(4,435)	-	(203,212)	(4,576)	(212,223)
Net book amount	217,377	1,590,817	95,013	6,781	1,909,988
Year ended 31 December 2006					
Opening net book amount	217,377	1,590,817	95,013	6,781	1,909,988
Additions	3,565	490,911	18,880	-	513,356
Depreciation	-	-	(4,987)	-	(4,987)
Depreciation charged to stock development	(5,364)	-	(32,538)	(2,272)	(40,174)
Closing net book amount	**215,578**	**2,081,728**	**76,368**	**4,509**	**2,378,183**
At 31 December 2006					
Cost	225,377	2,081,728	317,105	11,357	2,635,567
Accumulated depreciation	(9,799)	-	(240,737)	(6,848)	(257,384)
Net book amount	**215,578**	**2,081,728**	**76,368**	**4,509**	**2,378,183**

7. **Property, plant and equipment** – continued

Company	Buildings Lm	Office equipment, furniture & fittings Lm	Motor vehicles Lm	Total Lm
At 1 January 2005				
Cost	64,745	119,035	11,357	195,137
Accumulated depreciation	(647)	(104,262)	(2,305)	(107,214)
Net book amount	64,098	14,773	9,052	87,923
Year ended 31 December 2005				
Opening net book amount	64,098	14,773	9,052	87,923
Additions	-	162	-	162
Depreciation charge	(647)	(3,156)	(2,271)	(6,074)
Closing net book amount	63,451	11,779	6,781	82,011
At 31 December 2005				
Cost	64,745	119,197	11,357	195,299
Accumulated depreciation	(1,294)	(107,418)	(4,576)	(113,288)
Net book amount	63,451	11,779	6,781	82,011
Year ended 31 December 2006				
Opening net book amount	63,451	11,779	6,781	82,011
Transfers from a group undertaking	157,491	-	-	157,491
Depreciation charge	(5,364)	(2,953)	(2,272)	(10,589)
Closing net book amount	**215,578**	**8,826**	**4,509**	**228,913**
At 31 December 2006				
Cost	222,236	119,197	11,357	352,790
Accumulated depreciation	(6,658)	(110,371)	(6,848)	(123,877)
Net book amount	**215,578**	**8,826**	**4,509**	**228,913**

8. **Investments in group undertaking**

	2006 Lm	2005 Lm
At 1 January and 31 December	**5,960**	5,960

8. Investments in group undertaking - continued

Group undertakings at 31 December 2006 and 2005 are shown below:

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

9. Investment in joint venture

	Group 2006 Lm	2005 Lm
At 1 January	-	-
Additions at cost	429,300	-
Share of loss for the period	(64,807)	-
At 31 December	364,493	-

During the financial year ended 31 December 2006, the Group entered into a joint venture – Solution and Infrastructure Services Limited (S.I.S. Ltd) with Siemens S.p.A.. S.I.S. Ltd was registered in Malta and its objective is to install and maintain a fixed network of communication and data services, and provide such services to consumers.

The Group's share of results of the joint venture as at 31 December 2006, which is not listed, and its share of the assets and liabilities are shown as follows:

	Assets Lm	Liabilities Lm	Revenues Lm	Loss Lm
2006				
Solution and Infrastructure Services Limited	479,086	114,593	-	(64,807)

10. Stock – Development project

The main object of the Company and the Group is the development of a large area of land at Manoel Island and Tigne' Point, acquired from the Government of Malta for the purpose by virtue of a 99 year emphyteutical grant entered into on 15 June 2000. This development is intended in the main for resale purposes.

10. Stock – Development project - continued

Costs incurred on the project up to 31 December 2006 and 2005 comprised:

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Purchase cost of land (see note below)	**18,277,645**	18,277,645	**18,277,645**	18,277,645
Cost of design works and other studies, demolition, excavation, construction and restoration works and other expenses incurred:				
- At 1 January	**26,580,173**	20,809,705	**26,580,173**	20,809,705
- Additions for the year	**12,497,413**	7,942,081	**12,517,838**	5,904,600
- Transferred from a group undertaking during the year	**-**	-	**-**	1,189,060
- Transfer to Government	**-**	(423,729)	**-**	(423,729)
- Transferred to a group undertaking during the year	**-**	-	**-**	(899,463)
- Transferred to fixed assets	**-**	(1,747,884)	**-**	-
- At 31 December	**39,077,586**	26,580,173	**39,098,011**	26,580,173
Borrowing costs attributable to the project:				
- At 1 January	**8,003,187**	6,737,273	**8,003,187**	6,737,273
- Imputed interest	**1,303,508**	1,196,241	**1,303,508**	1,196,241
- Bank interest	**82,133**	69,673	**82,133**	69,673
- At 31 December	**9,388,828**	8,003,187	**9,388,828**	8,003,187
	66,744,059	52,861,005	**66,764,484**	52,861,005

The contract of acquisition of the land provided for a premium of Lm39.57 million payable over an extended period of time, which was discounted to its present value amount of Lm18.3 million at date of purchase. The rate applied in discounting to present value the future outflows comprising the purchase consideration was 7.75% based upon the effective pre-tax return rate provided for in the deed of acquisition.

In 2005 the group delivered to the Government of Malta the Tigne sports and residential area, for a consideration of Lm423,729, in accordance with the contract of the acquisition of the land. In addition during the current year elements of the project which are intended for business operations were clearly identified and in accordance with the Group's accounting policy transferred to property, plant and equipment (see Note 7).

11. Debtors

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Amounts falling due within one year				
Trade debtors	**12,822**	652	**-**	-
Amounts owed by group undertakings	**-**	-	**2,347,440**	1,884,291
Amounts owed by joint venture	**7,519**	-	**6,299**	-
Other debtors	**168,374**	116,704	**50,209**	73,164
Recoverable expenses incurred on behalf of contractors	**538,545**	687,958	**538,545**	687,958
Advance payments	**-**	100,000	**-**	-
Indirect taxation	**483,563**	198,819	**57,630**	71,202
Prepayments and accrued income	**388,388**	195,914	**270,238**	177,485
	1,599,211	1,300,047	**3,270,361**	2,894,100

12. Called up issued share capital

	2006	2005
	Lm	Lm
Authorised		
14,000,000 Ordinary shares of Lm1 each	**14,000,000**	14,000,000
10,000,000 Preference shares "A" of Lm1 each	**10,000,000**	10,000,000
	24,000,000	24,000,000
Issued and paid up share capital		
11,920,000 Ordinary shares of Lm1 each 92.24% paid up (2005: 69% paid up)	**10,995,600**	8,224,800
680,000 Ordinary shares of Lm1 each, 100% paid up	**680,000**	680,000
	11,675,600	8,904,800

In terms of the capital structure outlined above, the company's shareholders have commitments towards the Company amounting to Lm924,400 (2005: Lm3,695,200), representing the unpaid amount on their shares. These commitments are secured by first class bank guarantees in the favour of the Company's bankers with the company retaining the beneficiary status.

13. Trade and other creditors

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Amounts falling due within one year				
Trade creditors	**24,152**	26,835	**-**	-
Payments received on account (see also Note 16)	**22,884,318**	21,889,148	**22,884,318**	21,889,148
Due to Government re purchase of land	**3,150,729**	150,000	**3,150,729**	150,000
Amounts due to related parties	**799,142**	816,134	**6,258**	35,799
Other creditors	**4,859,031**	3,129,352	**3,928,321**	4,684,827
Accruals and deferred income	**2,590,750**	1,290,195	**3,846,845**	301,224
	34,308,122	27,301,664	**33,816,471**	27,060,998
Amounts falling due after more than one year				
Due to Government re purchase of land (see also Note 10)	**17,959,585**	19,656,806	**17,959,585**	19,656,806
Other creditors	**48,136**	97,957	**48,136**	97,957
Payments received on account (see also Note 16)	**5,559,000**	1,595,443	**5,559,000**	1,595,443
	23,566,721	21,350,206	**23,566,721**	21,350,206

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

(a) an amount, originally contracted at Lm5 million, which is being satisfied through the performance of restoration works on major historical sites forming part of the project;

(b) an amount, originally contracted at Lm9 million, which is being satisfied through the construction of all the public infrastructure works required at Manoel Island and Tigne' Point;

(c) the balance which is being settled in cash.

Various costs incurred in respect of (a) and (b) above up to 31 December 2006 are included in stock-development project and will be deducted from the amount due to Government when the completion stages stipulated in the relative lease agreement are attained.

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

	2006	2005
	Lm	Lm
Due between 1 and 2 years	**-**	3,145,975
Due between 2 and 5 years	**8,183,257**	7,683,257
Due after more than 5 years	**22,578,014**	22,892,568
	30,761,271	33,721,800
Less: imputed interest component	**(12,801,686)**	(14,064,994)
	17,959,585	19,656,806

14. Borrowings

	Group and company	
	2006	2005
	Lm	Lm
Current		
Bank overdrafts	**600,324**	-
Bank loans	**2,274,655**	1,986,435
	2,874,979	1,986,435
Non-current		
Bank loans	**807,014**	-
Bonds	**4,000,000**	-
	4,807,014	-
Total borrowings	**7,681,993**	1,986,435

The bank borrowings are principally secured by general and special hypothecs and a special privilege over all the Company's property, ranking after the prior charges given in favour of prospective purchasers in respect of advance deposits paid to the Company, and after the privilege standing in favour of Government in respect of the amounts outstanding regarding the purchase of land (see also Note 13). These borrowings are also secured by shareholders and related parties. Bank borrowings are subject to a floating rate of interest which as at 31 December 2006 amounted to 5.75% (2005: 5.25%).

During the financial year ended 31 December 2006, Midi p.l.c. effected a private placement for bonds of Lm4 million. These bonds are redeemable at their principal amount together with interest accrued. The maturity date of these bonds is any date between 27 December 2008 and 27 December 2009 subject to 30 days notice and accordingly have been classified as borrowings falling due after more than one year. The bonds are subject to an interest rate based on use of the central intervention rate of the Central Bank of Malta plus a margin of 2% and is payable semi-annually. The effective interest rate as at 31 December 2006 is 5.75%. The proceeds from the bond issue is restricted to the funding of the construction of a particular phase of the project.

	2006	2005
	Lm	Lm
Maturity of borrowings:		
Within one year	**2,874,979**	1,986,435
Between one and two years	**288,219**	-
Between two and five years	**4,518,795**	-
	7,681,993	1,986,435

15. Other working capital movements

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Debtors	**(305,976)**	(310,119)	**(383,073)**	(1,665,916)
Creditors	**3,010,560**	1,023,575	**2,759,574**	605,729
Restricted cash	**12,940**	-	**12,940**	-
Other working capital movements	**2,717,524**	713,456	**2,389,441**	(1,060,187)

16. Cash and cash equivalents

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

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Cash at bank and in hand	**2,216,024**	3,583,621	**2,202,080**	3,572,534
Bank overdraft	**(600,324)**	-	**(600,324)**	-
	1,615,700	3,583,621	**1,601,756**	3,572,534

At 31 December 2006 the Company and Group had bank deposits amounting to Lm2,073,448 (2005: Lm2,057,092) representing advance deposits on the sale of property, which are deposited in escrow accounts and which are pledged to secure bank borrowings. Interest income earned on these deposits is offsetted by the Company's bankers against interest costs incurred on the Company's bank loans. These amounts are included within cash and cash equivalents since they are considered part of the Group's overall cash management.

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

17. Financial instruments

Credit risk

Financial assets which potentially subject the Group and Company to concentrations of credit risk consist principally of cash at bank and debtors. The group's cash is placed with quality financial institutions. The group has no significant concentration of credit risk with respect to debtors.

Other risks

The group has no significant exposure to other risks such as foreign exchange, interest rate and liquidity risks in view of the nature of its activities and the nature, terms and conditions of its main assets liabilities.

Fair values

At 31 December 2006 and 2005 the carrying amounts of cash at bank, debtors, creditors and accrued expenses and short-term borrowings approximated their fair values. The fair values of long-term borrowings are not materially different from their carrying amounts. The directors have assessed the fair value of the amount due to Government re purchase of land (see Note 13) by reference to the original discount rate applied upon completion of the deed (see Note 10) adjusted by changes recorded since then in the yields to maturity at balance sheet date of long term Malta Government securities with tenor similar to the repayment terms of the liability towards Government of Malta. On this basis, the fair value at 31 December 2006 of the amount due to Government with respect to the purchase of land amounted to Lm20,394,288 (2005: Lm21,810,394).

18. Related party transactions

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

The following transactions were carried out with related parties:

	Group		Company	
	2006	2005	**2006**	2005
i) Sale of goods and services	**Lm**	Lm	**Lm**	Lm
Sale of services to Group undertaking	-	-	-	899,463
ii) Purchase of goods and services				
Purchase of services from Group undertaking	-	-	-	1,538,897
Purchase of services from related parties	**3,720,418**	4,020,415	**26,458**	31,179

At the balance sheet date, the group had outstanding contractual commitments with related parties for project development for the amount of Lm4,007,000 (2005: Lm4,200,000)

	Group 2006	Group 2005	Company 2006	Company 2005
iii) Deposits on promise of sale				
Deposits on sale of apartments from related parties	**5,102,385**	4,453,046	**5,102,385**	4,453,046
Value of the sale of apartments to related parties	**8,447,898**	10,880,000	**8,447,898**	10,880,000
iv) Loans from related parties				
Loans from related parties	**1,095,233**	-	**1,095,233**	-
Net interest charged by related parties	**93,314**	80,838	**93,314**	80,838

The Company has banking facilities of Lm8.8 million sanctioned by a related party (terms and conditions are reflected in note 18).

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

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

19. 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 a total development investment in excess of Lm150 million will be made. As at the balance sheet date, the group had outstanding contractual commitments for project development works for the approximate amount of Lm9.5 million, which includes the amounts disclosed in Note 18. The emphyteutical grant specifies a maximum overall period of 25 years, commencing in the year 2000, for completion of the project.

19. Commitments - continued

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

At 31 December 2006 the Company had entered into one hundred and ninety-four Purchase and Promise of Sale Agreements with respect to the construction and sale of apartments in Tigne' South Development. In terms of these agreements, the Company was committed to supply the apartments between 1 August 2006 and 31 December 2006. Otherwise, the Company is liable to refund the deposit paid by customers on these agreements together with interest thereon at a rate of 1% above base rate. These agreements are expected to generate sales amounting to around Lm46 million of which as at 31 December 2006, Lm28,443,318 (2005: Lm23,484,590) was received by the Company.

The Purchase and Promise of Sale Agreements entered into give rise to agents' commission amounting to Lm1,057,195 (2005: Lm965,730) that becomes due upon signing of the final deeds of sale.

20. Contingencies

(a) At 31 December 2005 the Company had a contingent liability attributable to a dispute for the amount of Lm1,780,000 arising in the normal course of business in respect of works carried out on the development project. The nature of the dispute was mainly on technical aspects of the contract between the two parties.

The independent arbitration board has adjudicated the proceedings with respect to this dispute and the Group is liable for the amount of Lm323,000. This liability resulting from the outcome of the arbitration board has been recognised in these financial statements.

(b) At 31 December 2006, the Group has contingent liabilities amounting to Lm969,000 (2005: Lm969,000) in respect of guarantees issued by the bank on behalf of the Company in favour of third parties in the ordinary course of business.

(c) At 31 December, the Company had a contingency arising from uncalled share capital in Group undertakings, amounting to Lm23,840 (2005: Lm23,840), for which no provision has been made in the financial statements.

21. Statutory information

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

Detailed accounts

Detailed profit and loss account

	2006	2005
	Lm	Lm
Sales	**-**	899,463
Cost of Sales	**-**	(899,463)
Gross profit	**-**	-
Berthing fees	**116,209**	86,000
Administrative expenses (page 27)	**(135,071)**	(139,029)
Operating loss	**(18,862)**	(53,029)
Interest receivable	**16,399**	19,429
Other income	**42,215**	53,606
Profit before tax	**39,752**	20,006

Administrative expenses

	2006 Lm	2005 Lm
Administration charge	**15,000**	12,500
Audit fee	**2,500**	2,500
Legal and professional fees	**15,000**	15,000
Salaries	**70,835**	68,302
Depreciation on rented property	**3,150**	-
General expenses	**8,141**	20,015
Travelling expenses	**6,485**	3,349
Security expenses	**13,960**	14,674
Bank charges	**-**	2,689
Total administrative expenses (page 26)	**135,071**	139,029