



**MIDI p.l.c.**  
**Condensed Consolidated Interim Financial Information**  
**30 June 2016**

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## **Interim Directors' Report pursuant to Listing Rule 5.75.2**

This Interim Directors' Report is published in terms of the Malta Financial Services Authority Listing Rules Chapter 5 and the Prevention of Financial Markets Abuse Act, 2005. The consolidated interim financial information included in this report has been extracted from MIDI p.l.c.'s unaudited consolidated financial information for the six months ended 30 June 2016 prepared in accordance with IAS 34 'Interim Financial Reporting'. In terms of Listing Rule 5.75.5, this interim report has not been audited or reviewed by the Group's independent auditors.

### **Principal activity**

The principal activity of the group is the development of the Manoel Island and Tigné Point project.

### **Material events & transactions**

In preparing this Report the Directors have taken regard of the material events and transactions for the period ended June 2016 ("the Relevant Period"), and their impact on the condensed set of financial statements, together with the principal risks and uncertainties for the remaining six months ending 31 December 2016.

During the Relevant Period, the Company launched approximately half of the Q2 apartments with practically all apartments launched now being subject to a promise of sale agreement. The remaining apartments are set to be launched prior to completion of works. The civil works on this part of the project are now complete and the finishing works on target for completion during the first half of 2018. Profits from sale of units within the Q2 development are expected to be registered in the Company's results for the year ending 31 December 2018, during which year the deeds of sale will be published and profits registered in line with international accounting standards.

The Group's results for the Relevant Period also include the consolidation of the financial results of Solutions & Infrastructure Service Limited ("SIS"). SIS became a fully owned subsidiary of the Company in September 2015 after the Company acquired Siemens SpA's 50% shareholding in SIS. The principal operations of SIS include the management of the public car park at Tigné Point, the provision and operation of Building Technology services such as access control, fire detection, CCTV and HVAC (a centralised system of heating, ventilation and cooling).

The Group's results also include the Company's 50% share of the financial results of Mid Knight Holdings ("MKH"), a joint venture company which is currently developing the business centre at Tigné Point. The civil works on this part of the development are on schedule for completion by end of 2016. The business centre is set to open for business in 2017. MKH is in advanced discussions with a number of parties for the rental of office space, and has also entered into a promise of sale for a floor.

As an integral part of the ongoing engagement of PwC Global's Strategy&, end-to-end international strategy consultant for the Manoel Island project, the Company has engaged Foster + Partners, a world renowned architectural firm, to draw up a conceptual masterplan for this project.

**Interim Directors' Report pursuant to Listing Rule 5.75.2 - continued****Material events & transactions - continued**

On the 28 June 2016, the Company issued €50,000,000 4% secured bonds redeemable in 2026 ("New Bond Issue"), which bonds were oversubscribed and admitted to listing on the 03 August 2016. As per the Company's announcement bearing reference "MDI83" of the 25 July 2016, pursuant to a bond exchange programme, the Company received applications for *circa* €30,800,000 for the exchange of 7% EUR Bonds 2016-2018 and 7% GBP Bonds 2016-2018 ("the Maturing Bonds"). As a result of the bond exchange programme, the remaining nominal value from the Maturing Bonds amounts to *circa* €9.2million. The Company will be exercising its right arising from the prospectus dated 5 December 2008 to redeem the Maturing Bonds on the 15 December 2016.

**Review of financial performance**

For the Relevant Period, the Group has registered a loss before tax amounting to €1.14m (2015: €637k loss) and a loss after tax of €863k (2015: €3.22m profit). The results are in line with the Group's expectations, after consolidating the results of SIS for the Relevant Period, and as a result of sales of property during the Relevant Period being limited to the last Q1 apartment (the rest were closed in the 2015 financial year). The Company is projecting an overall loss for the 2016 financial year.

The financial results for H1 2015 were significantly impacted by an aggregate net tax credit of €3.9million which in the main was due to the change in the final tax on transfers of immovable property as enacted by the 2015 Budget measures. Consequently this was a one-off net tax credit which was not repeated in the 2016 financial results for the Relevant Period.

The Directors feel that there are no specific risks and uncertainties that are expected to have a significant impact on the financial results of the Group for the forthcoming six-month period and its financial position as at 30 June 2016.

**Related party transactions**

MIDI p.l.c. and its subsidiaries enter into related party transactions in the ordinary course of their activities. Related party transactions are reviewed and approved by the Audit Committee on a regular basis. All related party transactions pertaining to the six-month period ended 30 June 2016 have been disclosed in Note 5 to the Condensed Consolidated Interim Financial Information.

On behalf of the Board



Alec A. Mizzi  
Chairman



Joseph A. Gasan  
Director

31 August 2016

Company Secretary: Darren Azzopardi  
Registered Office: North Shore, Manoel Island, Gzira, Malta  
Telephone Number: (+356) 2065 5500  
Company Registration N<sup>o</sup>: C 15836

## Condensed consolidated statement of financial position

	As at 30 June 2016 (unaudited) €	As at 31 December 2015 (audited) €
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	22,464,102	21,208,002
Investment property	21,728,090	21,728,090
Investment in joint ventures	1,975,320	1,981,107
Loans receivable from joint ventures	9,701,000	9,701,000
Other non-current assets	2,392,599	3,214,016
<b>Total non-current assets</b>	<b>58,261,111</b>	<b>57,832,215</b>
<b>Current assets</b>		
Inventories - Development project	118,515,533	115,130,625
Other current assets	17,970,734	14,499,441
<b>Total current assets</b>	<b>136,486,267</b>	<b>129,630,066</b>
<b>Total assets</b>	<b>194,747,378</b>	<b>187,462,281</b>
<b>EQUITY</b>		
<b>Capital and reserves</b>	<b>68,855,345</b>	<b>71,248,062</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Trade and other payables	22,195,175	23,572,878
Borrowings	10,359,111	48,268,416
<b>Total non-current liabilities</b>	<b>32,554,286</b>	<b>71,841,294</b>
<b>Current liabilities</b>		
Trade and other payables	49,368,963	42,567,370
Borrowings	43,968,784	1,805,555
<b>Total current liabilities</b>	<b>93,337,747</b>	<b>44,372,925</b>
<b>Total liabilities</b>	<b>125,892,033</b>	<b>116,214,219</b>
<b>Total equity and liabilities</b>	<b>194,747,378</b>	<b>187,462,281</b>

The condensed consolidated interim financial information on pages 3 to 13 was authorised for issue by the board of directors on 31 August 2016 and was signed on its behalf by:



Alec A. Mizzi  
Chairman



Joseph A. Gasan  
Director

## Condensed consolidated income statement

	Six months ended 30 June	
	2016 (unaudited) €	2015 (unaudited) €
Revenue	3,912,207	6,632,529
Gross profit	1,516,224	1,617,804
Operating profit	469,154	963,869
Net finance costs	(1,612,641)	(1,601,202)
<b>Loss before tax</b>	<b>(1,143,487)</b>	<b>(637,333)</b>
Tax income	280,169	3,859,260
<b>Profit/(Loss) for the period</b>	<b>(863,318)</b>	<b>3,221,927</b>
Earnings per share (Euro Cents)	<b>(0.0040)</b>	0.0150

## Condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2016 (unaudited) €	2015 (unaudited) €
<b>(Loss)/profit for the period</b>	<b>(863,318)</b>	<b>3,221,927</b>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges, net of deferred tax	(39,533)	112,696
Gains from changes in fair value of available-for-sale financial assets	8,650	6,194
<b>Total comprehensive income for the period</b>	<b>(894,201)</b>	<b>3,340,817</b>

## Condensed consolidated statement of changes in equity

	Share capital €	Share premium €	Hedging reserve €	Property revaluation reserve €	Investment fair value reserve €	Retained earnings €	Total €
Balance at 1 January 2016	42,831,984	15,878,784	(121,792)	2,063,446	92,129	10,503,511	71,248,062
<b>Comprehensive income</b>							
Loss for the period	-	-	-	-	-	(863,318)	(863,318)
<b>Other comprehensive income</b>							
Cash flow hedges, net of deferred tax	-	-	(39,533)	-	-	-	(39,533)
Gains from changes in fair value of available-for-sale financial assets	-	-	-	-	8,650	-	8,650
Total other comprehensive income	-	-	(39,533)	-	8,650	-	(30,883)
<b>Transactions with owners</b>							
Dividend	-	-	-	-	-	(1,498,516)	(1,498,516)
<b>Balance at 30 June 2016</b>	<b>42,831,984</b>	<b>15,878,784</b>	<b>(161,325)</b>	<b>2,063,446</b>	<b>100,779</b>	<b>8,141,677</b>	<b>68,855,345</b>
Balance at 1 January 2015	42,831,984	15,878,784	(103,338)	-	75,902	1,744,886	60,428,218
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	3,221,927	3,221,927
<b>Other comprehensive income:</b>							
Cash flow hedges, net of deferred tax	-	-	112,696	-	-	-	112,696
Gains from changes in fair value of available-for-sale financial assets	-	-	-	-	6,194	-	6,194
Total other comprehensive income	-	-	112,696	-	6,194	-	118,890
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>112,696</b>	<b>-</b>	<b>6,194</b>	<b>3,221,927</b>	<b>3,340,817</b>
<b>Balance at 30 June 2015</b>	<b>42,831,984</b>	<b>15,878,784</b>	<b>9,358</b>	<b>-</b>	<b>82,096</b>	<b>4,966,813</b>	<b>63,769,035</b>

## Condensed consolidated statement of cash flows

	Six months ended 30 June	
	2016 (unaudited) €	2015 (unaudited) €
Net cash used in operating activities	(2,993,969)	(4,070,448)
Net cash used in investing activities	(29,031)	(6,737)
Net cash generated from financing activities	5,351,287	4,907,917
Net movement in cash and cash equivalents	<u>2,328,287</u>	<u>830,732</u>
Cash and cash equivalents at beginning of period	6,792,126	5,550,896
Cash and cash equivalents at end of period	<u>9,120,413</u>	<u>6,381,628</u>



## Notes to the condensed consolidated interim financial information

### 1. General information

MIDI p.l.c. is a public limited liability company with its principal activity being the development of the Manoel Island and Tigné Point Project. During the interim period under review, the Group continued with the development of the Tigné North area.

This condensed consolidated interim financial information has not been audited in accordance with the requirements of International Standards on Auditing and has not been reviewed in accordance with the requirements of ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

### 2. Basis of preparation

The condensed consolidated interim financial information includes the Financial Statements of MIDI p.l.c. and its subsidiaries. The condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs as adopted by the EU.

#### *Accounting policies*

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those financial statements.

#### *Standards, interpretations and amendments to published standards effective in 2016*

In 2016, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies impacting the Group's financial performance and position.

#### *Standards, interpretations and amendments to published standards that are not yet adopted*

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 2016, including IFRS 9, 'Financial instruments' and IFRS 15, 'Revenue from contracts with customers' amongst other pronouncements. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, except as disclosed below, 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.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Group is yet to assess the full impact of IFRS 9 and intends to adopt IFRS 9, subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

**Notes to the condensed consolidated interim financial information - continued***Standards, interpretations and amendments to published standards that are not yet adopted - continued*

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Group is assessing the impact of IFRS 15.

*Assessment of going concern assumption*

MIDI p.l.c. has registered a consolidated loss for the period amounting to €863,318 (2015: profit €3,221,927) during the period-ended 30 June 2016. The Group's total assets exceeded its total liabilities by €68,855,345 (2015: €71,248,062) as at 30 June 2016.

On the 28 June 2016, the Company issued €50,000,000 4% secured bonds redeemable in 2026 ("New Bond Issue"), which bonds were oversubscribed and admitted to listing on the 03 August 2016. As per the Company's announcement bearing reference "MDI83" of the 25 July 2016, pursuant to a bond exchange programme, the Company received applications for *circa* €30,800,000 for the exchange of 7% EUR Bonds 2016-2018 and 7% GBP Bonds 2016-2018 ("the Maturing Bonds"). As a result of the bond exchange programme, the remaining nominal value from the Maturing Bonds amounts to *circa* €9.2million. The Company will be exercising its right arising from the prospectus dated 5 December 2008 to redeem the Maturing Bonds on the 15 December 2016.

The Directors continue to adopt the going concern assumption in the preparation of the consolidated condensed interim financial information. In the opinion of the Directors, taking cognisance of the short-term funding arrangements together with the Group's long-term liquidity and capital management programmes, there is no material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

**Notes to the condensed consolidated interim financial information** - continued**3. Segment information**

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

- a) development and sale of property, which comprises primarily the construction and sale of residential units within the Tigné Point and Manoel Island Project; and
- b) property rental and management, which now involves the leasing and management of the retail space at Pjazza Tigné and the catering units situated at the Foreshore. In addition SIS revenues pertaining to car park management, HVAC, telephony and internet services, and building technology services are also being included under this segment.

The Board of Directors assesses the performance of the segments on the basis of segment operating results, before financing costs and tax impacts. The financial information for the reportable segments in relation to the six-month periods ended 30 June 2016 and 2015 is as follows:

	Development and sale of property		Property and rental management		Group	
	2016	2015	2016	2015	2016	2015
	€	€	€	€	€	€
Segment revenue	<b>2,482,149</b>	5,875,120	<b>1,430,058</b>	757,409	<b>3,912,207</b>	6,632,529
Segment results - operating (loss)/profit	<b>(982,735)</b>	182,365	<b>1,451,889</b>	781,504	<b>469,154</b>	963,869

**4. Earnings per share**

Earnings per share is calculated by dividing the results attributable to equity holders of the Company by the weighted average number of ordinary shares of MIDI p.l.c. in issue. During both six month periods ended 30 June 2016 and 2015, the weighted average number of shares in issue amounted to 214,159,922.

**5. Related party transactions**

All companies forming part of the respective groups of which Alf. Mizzi & Sons Ltd., Bank of Valletta p.l.c., Gasan Enterprises Limited, Gatt Investments Limited, MSV Life p.l.c., Polidano Brothers Limited, Vassallo Builders Group Limited and Lombard Bank Malta p.l.c. form part, are considered by the Directors to be related parties together with First Gemini p.l.c. by virtue of the shareholding of the companies referred to in MIDI p.l.c. All entities owned, controlled or significantly influenced by the Company's ultimate shareholders, together with the Company's Directors, close members of their families and all entities owned, controlled or significantly influenced by these individuals, and key management are the principal related parties of the Group.

## Notes to the condensed consolidated interim financial information - continued

### 5. Related party transactions - continued

The principal transactions carried out with related parties were as follows:

#### *i) Purchase of goods and services*

During the six-month period ended 30 June 2016, the Group purchased services from related parties for the amount of €103,359 (period ended 30 June 2015: €282,811).

#### *ii) Sale of apartments*

During the interim period under review, no apartment sales to a related party were finalised (period ended 30 June 2015: One apartment with a gross value of contract €248,430).

#### *iii) Operating lease arrangements*

The rental income earned from lease arrangements with related parties during the six-month period ended 30 June 2016 amounted to €442,683 (period ended 30 June 2015: €532,037).

#### *iv) Bank loans*

As at 30 June 2016 the Group has banking facilities of €11,329,402 (31 December 2015: €6,511,340) sanctioned by related parties. The interest charged on loans from related parties during the six-month period ended 30 June 2016 amounted to €204,049 (period ended 30 June 2015: €396,647).

#### *v) Related party loans*

As at 30 June 2016 the Group had no borrowings from shareholders.

Loans receivable from related parties as at 30 June 2016, amounted to €9,701,000 (31 December 2015: €9,701,000). Interest income earned on these loans during the six-month period ended 30 June 2016 amounted to €nil (period ended 30 June 2015: €nil).

#### *vi) Deposits with banks*

Outstanding bank deposits placed with related parties as at 30 June 2016 amounted to €9,810,518 (31 December 2015: €8,736,410). The interest income earned on deposits with related parties during the six-month period ended 30 June 2016 amounted to €5,235 (period ended 30 June 2015: €10,847).

**Notes to the condensed consolidated interim financial information** - continued

**5. Related party transactions** - continued

*vii) Holdings of bonds issued by MIDI p.l.c.*

	Face value of bonds held at		Interest payable during the six months ended	
	<b>30 June 2016</b>	31 December 2015	<b>30 June 2016</b>	30 June 2015
	€	€	€	€
Shareholders	<b>70,000</b>	70,000	<b>2,645</b>	2,645
Directors and other officers of the company, together with close family members of these individuals	-	40,875	-	1,593
Other related parties	<b>257,800</b>	257,800	<b>9,740</b>	9,740
Held by related parties as nominees in the ordinary course of their business	<b>3,892,384</b>	3,980,576	<b>147,057</b>	146,318

The Group has also entered into a cross currency interest rate swap agreement, reflecting a derivative asset of €826,905 as at 30 June 2016 (31 December 2015: €1,944,647), with a financial institution which is a related party.

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 Audit Committee.

Balances with related parties outstanding as at end of the reporting period, excluding bank loans, other borrowings and bank deposits, were as follows:

	<b>As at 30 June 2016</b>	As at 31 December 2015
	€	€
Amounts owed to related parties	<b>577,631</b>	621,986
Outstanding deposits effected under operating lease arrangements	<b>35,000</b>	35,000
Amounts owed by related parties	<b>100,876</b>	97,912
Amounts owed by joint venture	<b>32,390</b>	48,806

The directors are the Group's key management personnel and transactions with these related parties consist solely of directors' remuneration.

The transactions undertaken with related parties, disclosed above, were carried out 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.

**Notes to the condensed consolidated interim financial information - continued****5. Related party transactions - continued**

The Group also enters into other transactions with other related parties, such as the placement of insurance risks, but the related transaction amounts are not considered to have a material impact on the financial results and financial position of the Group.

**6. Fair values of financial instruments**

At 30 June 2016 and 31 December 2015 the carrying amounts of specific short-term financial instruments, comprising cash at bank, receivables, payables, accrued expenses and current borrowings 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 Directors have assessed the fair value of the amount due to Government in relation to purchase of land with a carrying amount of €49.8 million as at 30 June 2016 (31 December 2015: €50.7 million) by reference to the original discount rate applied upon completion of the deed 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 30 June 2016 of the amount due to Government with respect to the purchase of land amounted to €49.8 million (31 December 2015: €50.7 million). The current market interest rates utilised for fair value estimation are considered observable and accordingly these fair value estimates have been categorised as Level 2.

The carrying amount of the bonds issued to the public as at 30 June 2016 was €40.3 million (31 December 2015: €41.4 million). The quoted market price for the euro and sterling bonds as at 30 June 2016 was 102.50 and 101.33 respectively (31 December 2015: 104.00 and 102.00), which in the opinion of the Directors fairly represented the fair value of these financial liabilities. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

The fair value of the Group's bank borrowings as at the end of the reporting period is not materially different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

The fair value of the Group's derivative contract, a cross-currency interest rate swap agreement with a carrying amount of €826,905 at 30 June 2016 presented as an asset (31 December 2015: €1,944,647) is determined through a valuation from a financial institution, based on the present value of estimated cash flows, which fair value is verified by reference to observable market data such as observable yield curves. Accordingly the instrument has been categorised since inception as a Level 2 instrument.

**Directors' Statement pursuant to Listing Rule 5.75.3**

We hereby confirm that to the best of our knowledge:

- The condensed consolidated interim financial information gives a true and fair view of the financial position of the Group as at 30 June 2016, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34, 'Interim Financial Reporting').
- The interim directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Alec A. Mizzi  
Chairman



Joseph A. Gasan  
Director

31 August 2016