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MIDI p.l.c.

Annual Report and Consolidated Financial Statements 31 December 2008

Company Registration Number : C 15836

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal activity

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

Review of the business

During the financial year under review, the company continued delivering apartments in Tigne' South. 54 apartment sales were concluded during 2008 realising total revenue of €31.9 million. Development works were mainly concentrated on the finishes of 60 new apartments in the T8 and T9 blocks, most of which were the subject of a Promise of Sale Agreement. The company was projecting that a number of these apartment sales would be concluded by the end of 2008; however the process was also inevitably delayed to 2009 in view of the finalisation of legal formalities necessary before the final deeds can be executed. Other construction works related to 'The Point' shopping mall and the Pjazza, and civil works on 20 apartments known as the Plaza Blocks surrounding the same Pjazza. Both The Point and Pjazza have underlying car parking facilities which have been substantially completed during the year. Other works consisted of the construction of the Tigne' South Clubhouse which shall be launched during the coming financial year. 'The Point' shopping mall, the Pjazza and the Clubhouse will all be retained by MIDI as investment properties that will enhance the value of the entire Tigne' Point Development and will generate their own income streams.

The T10 residential block was launched during the year. The block consists of 59 apartments and their construction is well underway and on schedule. Towards the end of the year works on the mechanical and electrical installations of the apartments had commenced. Construction of the foundations and underground levels of a new phase which will consist principally of a 16,000 square metre office block and two north facing residential blocks also commenced during the year. The underground relief road was substantially completed and handed over to the Government in accordance with the Deed obligations. This tunnel road will serve as a thoroughfare between Qui-Si-Sana and the Strand besides being an access road to a number of operations within Tigne' Point. Also in accordance with the provisions of the Deed, MIDI continued carrying out various infrastructural and restoration works both at Tigne' Point and at Fort Manoel in Manoel Island. As at end of 2008 the company had invested in excess of €8.5 million in public infrastructural works and restoration of historical buildings.

The level of apartment sales and its results during 2008 remain at sustained levels compared to the preceding financial year, and the company's financial position remains satisfactory. As outlined previously, the directors expect that the present level of activity will be sustained during the forthcoming year and that its financial results and financial position will remain strong in the foreseeable future.

Results and dividends

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

Directors' report - continued

Directors

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

Albert Mizzi – Chairman
Paul Bonello
Tonio Depasquale – appointed on 17 October 2008
Dr Arthur Galea Salomone
Joseph A. Gasan
John Mary Gatt – appointed on 29 April 2008
Mario C. Grech
Anthony Mamo
Dr Alec A. Mizzi
Maurice F. Mizzi
Nazzareno Vassallo
Bank of Valletta p.l.c. – term of office expired on 10 September 2008
Charles Polidano – resigned on 29 April 2008

On 27 January 2009, Mr Anthony Mamo resigned from office and Mr Joseph Said was appointed as director in his stead.

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.

The financial statements of Midi p.l.c. for the year ended 31 December 2008 are included in the Annual Report 2008, 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.

Directors' report - continued

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 2008, and of its financial performance and its 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

27 April 2009

Company secretary: Luke Coppini

Registered office:
North Shore
Manoel Island
Malta

Telephone number: (+356) 2065 5500

Shareholder information

Directors' interests

As at 31 December 2008, 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.
Dr Arthur Galea Salomone 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 John Mary Gatt Non-Executive director	Holds a beneficiary interest in Gatt Investments Limited
Mr Mario C. Grech Non-Executive director	Director of Middlesea Valletta Life Assurance Co. Limited
Mr Anthony Mamo Non-Executive director	Holds a beneficiary interest in Pater Holding Company 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 Nazzareno Vassallo Non-Executive director	Holds a beneficiary interest in Vassallo Builders Group Limited

On 27 January 2009, Mr Anthony Mamo resigned from office and Mr Joseph Said was appointed as non-executive director in his stead. Mr Joseph Said is the Chief Executive Officer of Lombard Bank Malta p.l.c. Furthermore, as at 31 December 2008 certain directors held beneficial and non-beneficial interests in Lombard Bank Malta p.l.c. which were not considered relevant for disclosure purposes.

Other than as disclosed in the preceding paragraph, there has been no changes in the above stated directors' interests during the period from 31 December 2008 to 27 April 2009.

Shareholder information - continued

Shareholding details

As at 31 December 2008, the company's issued share capital, made up of 12,600,00 ordinary shares, was held by 13 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 2008, 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
Middleasea Valletta Life Assurance Co. Limited	13.00%	1,638,000
Bank of Valletta p.l.c.	9.52%	1,200,000
Investors Limited	8.00%	1,008,000
Gee Five Limited	6.29%	792,000
Gatt Investments Limited	6.00%	756,000
Polidano Brothers Limited	6.00%	756,000
Vassallo Builders Group Limited	6.00%	756,000
Pater Holding Company Limited	5.00%	630,000
Lombard Bank Malta p.l.c.	5.00%	630,000
First Gemini p.l.c.	1.19%	150,000
Pininfarina Extra s.r.l.	1.00%	150,000

On 16 April 2009, Pater Holding Company Limited transferred its holding to Gee Five Limited. Other than such transfer, there has been no changes in shareholders and their respective percentage holdings during the period from 31 December 2008 to 27 April 2009.

Statement of compliance with the Principles of Good Corporate Governance

Pursuant to the requirements of the Listing Rules Midi p.l.c. is hereby reporting on the extent of its adoption of the Code of 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 p.l.c. 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 Tigne' 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 p.l.c. and its' shareholders. In fulfilling its mandate, the Board of Directors assumes responsibility to:-

a) Establish corporate governance standards;
b) Review, evaluate and approve, on a regular basis, long-term plans for the Company;
c) Review, evaluate and approve the Company's budgets and forecasts;
d) Review, evaluate and approve major resource allocations and capital investments;
e) Review the financial and operating results of the Company;
f) Ensure appropriate policies and procedures are in place to manage risks and internal control;
g) Review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities and plans for senior management development including succession;
h) Review, evaluate and approve compensation strategy to 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 2008 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 2008 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 and Mr Joseph Said. 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 p.l.c. and the business connected with it (including its financial policies and corporate structure). The Board of Directors shall evaluate periodically the main organisational structure and the operation of the internal risk-management and control systems established as well as agree on any necessary changes or corrective actions regarding such systems.

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).

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 27 April 2009 and signed on its behalf by:

Albert Mizzi
Chairman

Paul Bonello
Director

Independent auditor's report

To the Shareholders of Midi p.l.c.

Report on the Financial Statements

We have audited the consolidated and the stand-alone parent company financial statements of Midi p.l.c. (together the "financial statements") on pages 14 to 45 which comprise the consolidated and parent company statements of financial position as at 31 December 2008 and the consolidated and parent company income statements, statements of changes in equity and statements of 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 2008, and of the group's and the parent company's financial performance and its 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

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

F Axisa

Fabio Axisa
Partner

27 April 2009

Statements of financial position

		Year ended 31 December			
		Group		Company	
	Notes	**2008**	2007	**2008**	2007
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	6	**33,666,042**	15,919,765	**878,997**	586,174
Investment in subsidiaries	7	**-**	-	**13,883**	13,883
Investment in joint venture	8	**276,122**	355,337	**1,500,000**	1,000,000
Total non-current assets		**33,942,164**	16,275,102	**2,392,880**	1,600,057
Current assets					
Inventories – Development project	9	**159,882,506**	155,304,584	**160,158,495**	155,399,739
Trade and other receivables	10	**4,294,069**	5,575,045	**8,339,487**	8,533,208
Current tax assets		**3,694,169**	1,611,365	**3,694,169**	1,611,365
Cash and cash equivalents	11	**542,257**	2,260,312	**434,196**	2,168,871
Total current assets		**168,413,001**	164,751,306	**172,626,347**	167,713,183
Total assets		**202,355,165**	181,026,408	**175,019,227**	169,313,240

Statements of financial position - continued

		Year ended 31 December			
		Group		Company	
	Notes	**2008**	2007	**2008**	2007
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	**29,358,000**	29,350,105	**29,358,000**	29,350,105
Retained earnings		**2,679,074**	2,332,893	**4,362,249**	3,257,640
Total equity		**32,037,074**	31,682,998	**33,720,249**	32,607,745
Provisions for liabilities and charges					
Deferred taxation	13	**1,063,160**	610,401	**1,063,160**	610,401
Non-current liabilities					
Trade and other payables	14	**28,236,660**	31,209,895	**28,236,660**	31,209,895
Borrowings	15	**40,035,029**	25,597,452	**15,534,841**	17,002,453
		68,271,689	56,807,347	**43,771,501**	48,212,348
Total non-current liabilities		**69,334,849**	57,417,748	**44,834,661**	48,822,749
Current liabilities					
Trade and other payables	14	**80,804,949**	91,896,987	**76,926,314**	87,882,746
Borrowings	15	**20,173,338**	-	**19,538,003**	-
Current tax liability		**4,955**	28,675	**-**	-
Total current liabilities		**100,983,242**	91,925,662	**96,464,317**	87,882,746
Total liabilities		**170,318,091**	149,343,410	**141,298,978**	136,705,495
Total equity and liabilities		**202,355,165**	181,026,408	**175,019,227**	169,313,240

The notes on pages 19 to 45 are an integral part of these financial statements.

The financial statements on pages 14 to 45 were authorised for issue by the board on 27 April 2009 and were signed on its behalf by:

Albert Mizzi
Chairman

Paul Bonello
Director

Income statements

		Year ended 31 December			
		Group		Company	
	Notes	**2008**	2007	**2008**	2007
		€	€	**€**	€
Revenue	16	**31,861,442**	36,488,724	**31,861,442**	36,488,724
Cost of sales	17	**(29,300,127)**	(32,048,696)	**(29,300,127)**	(32,048,696)
Gross profit		**2,561,315**	4,440,028	**2,561,315**	4,440,028
Administrative expenses	17	**(1,583,000)**	(511,495)	**(1,437,323)**	(488,035)
Other operating income		**489,399**	389,706	**517,521**	348,448
Operating profit		**1,467,714**	4,318,239	**1,641,513**	4,300,441
Finance income		**70,609**	45,183	**279,137**	253,890
Finance costs		**-**	(75,107)	**(208,529)**	(75,106)
Share of loss of joint venture	8	**(579,215)**	(493,703)	**-**	-
Profit before tax		**959,108**	3,794,612	**1,712,121**	4,479,225
Tax expense	19	**(605,032)**	(1,585,406)	**(599,617)**	(1,556,732)
Profit for the year		**354,076**	2,209,206	**1,112,504**	2,922,493
Earnings per share	20	**0.03**	0.18	**0.09**	0.23

The notes on pages 19 to 45 are an integral part of these financial statements.

Statements of changes in equity

Group	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2007		27,196,832	123,687	27,320,519
Profit for the financial year - total recognised income for 2007		-	2,209,206	2,209,206
Increase in paid up share capital	12	2,153,273	-	2,153,273
Balance at 31 December 2007		29,350,105	2,332,893	31,682,998
Balance at 1 January 2008		29,350,105	2,332,893	31,682,998
Profit for the financial year - total recognised income for 2008		-	354,076	354,076
Increase in share capital through capitalisation of retained earnings	12	7,895	(7,895)	-
Balance at 31 December 2008		**29,358,000**	**2,679,074**	**32,037,074**

Company	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2007		27,196,832	335,147	27,531,979
Profit for the financial year - total recognised income for 2007		-	2,922,493	2,922,493
Increase in paid up share capital	12	2,153,273	-	2,153,273
Balance at 31 December 2007		29,350,105	3,257,640	32,607,745
Balance at 1 January 2008		29,350,105	3,257,640	32,607,745
Profit for the financial year - total recognised income for 2008		-	1,112,504	1,112,504
Increase in share capital through capitalisation of retained earnings	12	7,895	(7,895)	-
Balance at 31 December 2008		**29,358,000**	**4,362,249**	**33,720,249**

The notes on pages 19 to 45 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	**2008**	2007	**2008**	2007
		€	€	**€**	€
Cash flows from operating activities					
Investment in development project, after application of prior year funding		**(49,977,635)**	(31,518,807)	**(32,691,386)**	(21,451,211)
Working capital movement related thereto	21	**5,450,582**	5,522,928	**4,498,940**	3,588,392
Cash outflow on development project		**(44,527,053)**	(25,995,879)	**(28,192,446)**	(17,862,819)
Cash inflow from promise of sale agreements		**12,280,181**	18,088,838	**12,280,181**	18,088,838
Net operating expenditure		**(1,496,634)**	(1,226,776)	**(1,437,323)**	(1,296,925)
Interest received/(paid)		**70,608**	(29,923)	**70,608**	178,784
Other income received		**489,399**	55,800	**517,521**	103,378
Income tax paid		**(2,258,796)**	(2,565,835)	**(2,229,662)**	(2,565,835)
Net cash used in operating activities		**(35,442,295)**	(11,673,775)	**(18,991,121)**	(3,354,579)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(386,678)**	(163,254)	**(313,942)**	(71,016)
Purchase of shares in a joint venture		**(500,000)**	-	**(500,000)**	-
Net cash used in investing activities		**(886,678)**	(163,254)	**(813,942)**	(71,016)
Cash flows from financing activities					
Proceeds from borrowings		**36,590,633**	12,919,779	**20,050,105**	4,449,383
Repayments of borrowings		**(1,979,717)**	(4,627,151)	**(1,979,717)**	(4,627,151)
Movement in other payables		**-**	(112,127)	**-**	(112,127)
Cash inflows from paid up share capital		**-**	2,153,273	**-**	2,153,273
		34,610,916	10,333,774	**18,070,388**	1,863,378
Net movement in cash and cash equivalents		**(1,718,057)**	(1,503,255)	**(1,734,675)**	(1,562,217)
Cash and cash equivalents at beginning of year		**2,260,314**	3,763,569	**2,168,871**	3,731,088
Cash and cash equivalents at end of year	11	**542,257**	2,260,314	**434,196**	2,168,871

The notes on pages 19 to 45 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These consolidated financial statements include the financial statements of MIDI p.l.c. and its subsidiaries. The consolidated 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 2008

In 2008, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2008. 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.

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 2008. 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 the income statement.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

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 subsidiares are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution 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 the profit and loss account.

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.

Following Malta's adoption of the euro as its national currency on 1 January 2008, the entity's functional currency was changed from Maltese lira to euro. The effects of the change in functional currency have been accounted for prospectively and all items have been translated into the new functional currency using the exchange rate at the date of the change.

In view of the redenomination of the company's share capital from Maltese lira to euro, the company's presentation currency also changed to euro. Accordingly, the results and financial position relating to the comparative financial period were translated and presented in these financial statements at the Irrevocably Fixed Conversion Rate of €1:Lm0.429300 as at 1 January 2008.

(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 the income statement.

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.

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 the income statement 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
Furniture, fittings and equipment	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.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with carrying amount and are recognised in the income statement.

1.5 Investment in joint venture

The group's interest in jointly controlled entities is accounted for using the equity method and is initially recorded at cost. The group's share of the joint venture post-formation profits and losses is recognised in the income statement 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.

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

1.6 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 inventory. 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.

1.7 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 company 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 the income statement. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

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

1.12 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.

1.13 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 value added tax, returns, 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 net of sales taxes and discounts and is included in the financial statements as turnover.

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 company's obligations relating to the property are completed and the 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 company, are treated as payments received on account and presented within trade and other payables.

Revenue from services is generally recognised in the period 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 is recognised on an accruals basis. Tender fees are recognised on a receipt basis.

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

(a) Market risk

(i) Foreign exchange risk

The group's revenues, operating and development expenditure and financial assets and liabilities, including financing, are mainly 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 has no significant interest-bearing assets. The company's interest rate risk principally arises from borrowings issued at variable rates (Note 15) which expose the company 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.

(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 14). 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

Credit risk arises from cash and cash equivalents 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	
	2008	2007	**2008**	2007
	€	€	**€**	€
Loans and receivables category				
Trade and other receivables (Note 10)	**4,294,069**	5,575,046	**8,339,487**	8,533,209
Cash and cash equivalents (Note 11)	**542,257**	2,260,312	**434,196**	2,168,871
	4,836,326	7,835,358	**8,773,683**	10,702,080

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

Subsidiaries bank only with local financial institutions with high quality standing or rating.

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

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

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings (refer to Notes 14 and 15). One of the group's principal liabilities consists of the liability towards the Government in respect of the temporary emphyteusis, which comprise cash payments and obligations through the performance of restoration and infrastructural work at Manoel Island and 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 bank borrowings and financing from the shareholders, are expected to be required in respect of the phases currently in progress. Liquidity risk is not deemed significant due to the group's committed borrowing facilities that it can access to meet liquidity needs, coupled with financing from the shareholders as outlined above.

The group's trade and other payables, other than the liability towards the Government, are principally repayable within one year from the balance sheet date. Payments received on account under promise of sale agreements do not give rise to cash outflows but would be utilised upon delivery of the related apartments in the expected time bands as disclosed in the related note. The table below analyses the group's other principal financial liabilities into relevant maturity groupings based on the remaining period at the reporting date 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 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	16,857,787	8,279,463	22,667,284	71,846,625
At 31 December 2007					
Bank borrowings	332,592	4,303,577	7,142,099	12,847,007	24,625,275
Private placement bonds	559,050	9,876,544	-	-	10,435,594
Due to Government in relation to purchase of land	17,397,871	8,432,141	9,192,690	40,764,034	75,786,736

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

Company	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
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	16,857,787	8,279,463	22,667,284	71,846,625
At 31 December 2007					
Bank borrowings	332,592	4,303,577	4,201,535	-	8,837,704
Private placement bonds	559,050	9,876,544	-	-	10,435,594
Due to Government in relation to purchase of land	17,397,871	8,432,141	9,192,690	40,764,034	75,786,736

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. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

	Group		Company	
	2008 €	2007 €	**2008** €	2007 €
Total borrowings	**60,208,367**	25,597,452	**35,072,844**	17,002,453
Less: cash and cash equivalents	**(542,257)**	(2,260,312)	**(434,196)**	(2,168,871)
Net debt	**59,666,110**	23,337,140	**34,638,648**	14,833,582
Total equity	**32,037,074**	31,682,998	**33,720,249**	32,607,745
Total capital	**91,703,184**	55,020,138	**68,358,897**	47,441,327
Gearing ratio	**65.1%**	42.4%	**50.7%**	31.3%

2. **Financial risk management** - continued

2.2 Capital risk management - continued

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

2.3 Fair values of financial instruments

At 31 December 2008 and 2007 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 15) as at the balance sheet date is not materially different from the carrying amounts.

The directors have assessed the fair value of the amount due to Government in relation to purchase of land (see Note 14) by reference to the original discount rate applied upon completion of the deed (see Note 9) adjusted by changes recorded since then in the yields to maturity at end of the financial reporting date of long term Malta Government securities with tenor similar to the repayment terms of the liability towards the Government. On this basis, the fair value at 31 December 2008 of the amount due to Government with respect to the purchase of land amounted to €54,537,000 (2007: €51,231,500).

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 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 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 Tigne' Point commenced towards the end of 2002 and have continued with steady progress during the current year.

5. Information pursuant to listing rules 9.20 and 9.44e.1

	Group	
	Actual results 2008 €	Forecast results 2008 €
Revenue	**31,861,442**	51,036,060
Gross profit	**2,561,315**	8,929,042
Administrative expenses	**(1,583,000)**	(259,086)
Profit before tax	**959,108**	8,683,955
Profit after tax	**354,076**	5,437,662

The forecast consolidated financial statements of the company for the financial year ended 31 December 2008 were prepared to provide financial information for inclusion in the Prospectus dated 5 December 2008 in relation to the issue of bonds to the public subsequent to the end of the financial year (Note 25). The forecast figures were based on actual results up to 30 September 2008 and projected results from 1 October up to the end of the year.

The lower actual revenue and gross profit resulted mainly from the fact that the finishes on a number of residential apartments were completed later than expected and these apartments were accordingly not delivered before 31 December 2008. A number of these contracts, for a total sales value of €11.7 million, were finalised by the date of approval of these financial statements and the remaining apartments are expected to be delivered by the end of June 2009. The overall gross profit margin in respect of these apartments is not expected to differ from that envisaged in the Prospectus. Gross profit was also impacted following a review of the basis of allocating the construction costs arising from the company's infrastructural obligations to the various phases of Tigné Point and by other specific unforeseen expenditure.

Profit before tax was also negatively affected by a re-assessment of the basis of attributing overhead expenditure to development works reflecting the overall progress of the project. As a result certain overhead costs have been expensed in the income statement rather than attributed to inventories. Furthermore, some non-recurring costs were written off during the financial year.

The above changes represent mainly timing differences on the final contractual completion of apartments that were in the main sold on plan in 2003 or relate to the manner of accounting for incurred costs, and do not impact the directors' future expectations from the project.

6. Property, plant and equipment

Group	Assets in the course of construction €	Buildings €	Office equipment, furniture & fittings €	Motor vehicles €	Total €
At 1 January 2007					
Cost	4,849,122	524,988	738,656	26,455	6,139,221
Accumulated depreciation	-	(22,826)	(560,766)	(15,952)	(599,544)
Net book amount	4,849,122	502,162	177,890	10,503	5,539,677
Year ended 31 December 2007					
Opening net book amount	4,849,122	502,162	177,890	10,503	5,539,677
Additions	10,335,164	71,116	92,138	-	10,498,418
Depreciation	-	-	(12,113)	-	(12,113)
Depreciation charged to stock development	-	(5,886)	(95,041)	(5,290)	(106,217)
Closing net book amount	15,184,286	567,392	162,874	5,213	15,919,765
At 31 December 2007					
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	-	(9,028)	(46,484)	(1,507)	(57,019)
Depreciation charged to stock development	-	-	(33,061)	(3,706)	(36,767)
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**

Included in additions for 2008 reflected in the table above is an amount of €1,421,727 (2007: €124,603) representing capitalised borrowing costs. A capitalisation rate of 6.8% (2007: 7%) was utilised in this respect.

6. Property, plant and equipment - continued

Company	Buildings €	Office equipment, furniture & fittings €	Motor vehicles €	Total €
At 1 January 2007				
Cost	517,566	277,660	26,455	821,681
Accumulated depreciation	(15,509)	(256,994)	(15,954)	(288,457)
Net book amount	502,057	20,666	10,501	533,224
Year ended 31 December 2007				
Opening net book amount	502,057	20,666	10,501	533,224
Transfers from a group undertaking	71,116	-	-	71,116
Depreciation charge	(5,886)	(6,990)	(5,290)	(18,166)
Closing net book amount	567,287	13,676	5,211	586,174
At 31 December 2007				
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
Additions	313,942	-	-	313,942
Depreciation charge	(9,028)	(6,880)	(5,211)	(21,119)
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**

7. Investments in subsidiaries

	Company	
	2008 €	2007 €
At 1 January and 31 December	**13,883**	13,883

7. Investments in subsidiaries - continued

The subsidiaries at 31 December 2008, 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 2007, are held directly by Midi p.l.c.

8. Investment in joint venture

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Year ended 31 December				
Opening carrying amount	**355,337**	849,040	**1,000,000**	1,000,000
Additions at cost	**500,000**	-	**500,000**	-
Share of loss for the period	**(579,215)**	(493,703)	**-**	-
Closing carrying amount	**276,122**	355,337	**1,500,000**	1,000,000
At 31 December				
Cost	**1,500,000**	1,000,000	**1,500,000**	1,000,000
Share of profits and reserves	**(1,223,878)**	(644,663)	**-**	-
Carrying amount	**276,122**	355,337	**1,500,000**	1,000,000

During the financial year ended 31 December 2006, the Group entered into a joint venture – Solution and Infrastructure Services Limited (S.I.S. Ltd) with Siemens S.p.A.. S.I.S. Ltd was registered in Malta and its objective is to install and maintain a fixed network of communication and data services, and provide such services to consumers. The Group's share of results of the joint venture as at 31 December, which is not listed, and its share of the assets and liabilities are shown as follows:

	Assets	Liabilities	Revenues	Loss
	€	€	€	€
2008				
Solution and Infrastructure Services Limited	**2,634,524**	**1,870,741**	**326,058**	**(579,215)**
2007				
Solution and Infrastructure Services Limited	1,986,615	1,631,279	139,080	(493,703)

9. Inventories – 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.

Costs incurred on the project up to 31 December 2008 and 2007 comprised:

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Purchase cost of land (see note below):				
- At 1 January	**39,757,892**	42,575,460	**39,757,892**	42,575,460
- Transferred to cost of sales	**(2,310,023)**	(2,817,568)	**(2,310,023)**	(2,817,568)
- At 31 December	**37,447,869**	39,757,892	**37,447,869**	39,757,892
Cost of design works and other studies, demolition, excavation, construction and restoration works and other expenses incurred:				
- At 1 January	**92,188,202**	91,026,289	**92,283,357**	91,073,867
- Additions for the year	**26,748,931**	28,699,796	**26,929,765**	28,747,373
- Transferred to cost of sales	**(22,219,633)**	(27,537,883)	**(22,219,633)**	(27,537,883)
- At 31 December	**96,717,500**	92,188,202	**96,993,489**	92,283,357
Borrowing costs attributable to the project:				
- At 1 January	**23,358,490**	21,870,086	**23,358,490**	21,870,086
- Imputed interest	**2,511,065**	2,746,331	**2,511,065**	2,746,331
- Bank and other interest	**1,846,873**	684,370	**1,846,873**	684,370
- Transfer to cost of sales - imputed interest	**(1,397,615)**	(1,538,509)	**(1,397,615)**	(1,538,509)
- Transfer to cost of sales - bank interest	**(601,676)**	(403,788)	**(601,676)**	(403,788)
- At 31 December	**25,717,137**	23,358,490	**25,717,137**	23,358,490
	159,882,506	155,304,584	**160,158,495**	155,399,739

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 14).

During the years ended 31 December 2008 and 2007, the group completed and transferred to the purchasers, residential units constructed on Tigné South. The cost allocated to these apartments was transferred to cost of sales in the income statement.

Included in additions for 2008 reflected in the table above is an amount of €2,684,876 (2007: €982,890) representing capitalised borrowing costs. A capitalisation rate of 6.1% (2007: 6.4%) was utilised in this respect.

10. Trade and other receivables

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Amounts falling due within one year				
Amounts owed by fellow subsidiaries	-	-	**6,316,969**	6,338,304
Amounts owed by joint venture	**39,045**	112,679	**21,133**	34,645
Advance payments to contractors	**1,174,846**	2,738,863	-	-
Recoverable expenses incurred on behalf of contractors	**1,961,907**	1,855,376	**1,431,938**	1,597,586
Indirect taxation	**224,407**	285,041	**33,917**	131,859
Other receivables	**97,456**	128,172	-	-
Prepayments and accrued income	**796,408**	454,915	**535,530**	430,814
	4,294,069	5,575,046	**8,339,487**	8,533,208

11. Cash and cash equivalents

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

	Group		Company	
	2008	2007	**2008**	2007
	€	€	€	€
Cash at bank and in hand	**542,257**	2,260,312	**434,196**	2,168,871

At 31 December 2008, the company and group had bank deposits amounting to €344,479 (2007: €40,685) representing advance deposits on the sale of property, which are deposited in escrow accounts and which are pledged to secure bank borrowings. Interest income earned on these deposits is offset by the company's bankers against interest costs incurred on the company's bank loans. These amounts are included within cash and cash equivalents since they are considered part of the group's overall cash management.

12. Share capital

	Company 2008 €	2007 €
Authorised		
21,000,000 (2007: 14,000,000) Ordinary shares of €2.33 (2007: €2.329373) each	**48,930,000**	32,611,228
10,000,000 Preference shares "A" of €2.329373 each	**-**	23,293,734
	72,230,000	55,904,962
Issued and fully paid		
12,600,000 (2007: 12,600,000) Ordinary shares of €2.33 (2007: €2.329373) each	**29,358,000**	29,350,105

As a result of Malta's adoption of the euro, with effect from 1 January 2008 the company's share capital has been redenominated to euro at the Irrevocably Fixed Conversion Rate of €1:Lm0.429300. Accordingly, the company's issued share capital as at 1 January 2008 of Lm12,600,000, consisting of 12,600,000 ordinary shares with a nominal value of Lm1 per share, has been converted to €29,350,105 representing 12,600,000 shares with a converted nominal value of €2.329373 per share.

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, it consisted solely of 21,000,000 ordinary shares of €2.33 each.

During the year ended 31 December 2007, the shareholders settled the outstanding commitments towards the company amounting to €2,153,273, representing the amount which was still unpaid on their shares.

13. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2007: 35%). The movement on the deferred income tax is as follows:

	Group and Company 2008 €	2007 €
At beginning of year	**610,401**	-
Charged to income statement (Note 19)	**452,759**	610,401
At end of year	**1,063,160**	610,401

The movement in the deferred tax during the year arises from temporary differences between the tax base and carrying amount of the elements of stocks transferred from development project to cost of sales in the income statement in respect of residential units sold during the current year. The recognised deferred tax liability is expected to be settled principally after more than 12 months from the end of the financial period.

14. Trade and other payables

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Amounts falling due within one year				
Payments received on account	**25,949,355**	47,855,222	**25,949,355**	47,855,222
Due to Government in relation to purchase of land (see also Note 9)	**24,042,091**	17,397,871	**24,042,091**	17,397,871
Amounts due to related parties	**924,937**	2,556,953	**67,384**	9,870
Indirect taxation	**23,129**	1,403,259	**-**	-
Other payables	**20,046,172**	13,416,285	**10,333,564**	8,033,783
Accruals and deferred income	**9,819,265**	9,267,397	**16,533,920**	14,586,000
	80,804,949	91,896,987	**76,926,314**	87,882,746
Amounts falling due after more than one year				
Payments received on account	**2,324,606**	-	**2,324,606**	-
Due to Government in relation to purchase of land (see also Note 9)	**25,912,054**	31,209,895	**25,912,054**	31,209,895
	28,236,660	31,209,895	**28,236,660**	31,209,895

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 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 2008 are included in stock-development project and the amounts referred to will be deducted from the amount due to Government when the completion stages stipulated in the relative lease agreement are attained.

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 15).

14. Trade and other payables - continued

The maturity of the group's and company's non-current liability towards Government:

	2008 €	2007 €
Due between 1 and 2 years	**16,857,787**	8,432,141
Due between 2 and 5 years	**8,279,463**	9,192,690
Due after more than 5 years	**22,667,284**	40,764,034
	47,804,534	58,388,865
Less: imputed interest component	**(21,892,480)**	(27,178,970)
	25,912,054	31,209,895

15. Borrowings

	Group		Company	
	2008 €	2007 €	**2008 €**	2007 €
Current				
Bank loans	**10,855,844**	-	**10,220,509**	-
Bonds	**9,317,494**	-	**9,317,494**	-
	20,173,338	-	**19,538,003**	-
Non-current				
Bank loans	**40,035,029**	16,279,958	**15,534,841**	7,684,959
Bonds	-	9,317,494	-	9,317,494
	40,035,029	25,597,452	**15,534,841**	17,002,453
Total borrowings	**60,208,367**	25,597,452	**35,072,844**	17,002,453

The company's bank borrowings 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 the company's temporary emphytheusis, ranking after prior charges in favour of prospective purchases 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 14).

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

15. Borrowings - continued

Bank borrowings are subject to floating rates of interest and the weighted average effective interest rate was as follows:

	Group		Company	
	2008	2007	**2008**	2007
Bank loans	**5.8%**	6.5%	**5.1%**	6.5%

During the financial year ended 31 December 2006, Midi p.l.c. effected a private placement of bonds amounting to €9,317,494. These bonds are redeemable at their principal amount together with interest accrued. The maturity date of these bonds is 27 December 2009, or an earlier date during 2009 in accordance with the private placement agreement, subject to 30 days' notice. Accordingly, the bonds have been classified as falling due within one year as at 31 December 2008. The bonds are subject to an interest rate based on the Central Bank's base rate plus a margin of 2% and is payable semi-annually. The effective interest rate as at 31 December 2008 was 4.5% (2007: 6%). The proceeds from the bond issue are restricted to the funding of the construction of a particular phase of the project. The bonds are secured by a general hypothec over the company's property, present and future, however with the exclusion of certain property areas as specified in the private placement deed. In addition, the bonds are secured by a special hypothec over portions of land at Manoel Island. The general and special hypothecs rank after certain privileges and hypothecs granted in favour of other parties and causes of preference arising by operation of law.

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Maturity of borrowings:				
Within one year	**20,173,338**	-	**19,538,003**	-
Between one and two years	**16,212,390**	13,159,974	**15,534,841**	13,159,974
Between two and five years	**6,583,137**	4,568,400	**-**	3,842,479
Over five years	**17,239,502**	7,869,078	**-**	-
	60,208,367	25,597,452	**35,072,844**	17,002,453

16. Revenue

The group's and the company'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.

17. Expenses by nature

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Cost of sales transferred from inventories – development project	**28,567,303**	30,987,396	**28,567,303**	30,987,396
Commissions payable	**732,824**	1,061,300	**732,824**	1,061,300
Depreciation	**90,080**	19,450	**-**	7,338
Employee benefit expenses (Note 18)	**12,953**	195,330	**12,953**	195,330
Other expenses	**1,479,967**	296,715	**1,424,370**	285,367
Total cost of sales and administrative expenses	**30,883,127**	32,560,191	**30,737,450**	32,536,731

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2008 and 2007 relate to the following:

	Group	
	2008	2007
	€	€
Annual statutory audit	**37,589**	15,431
Tax advisory and compliance services	**-**	2,621
Other non-audit services	**196,571**	70,193
	234,160	88,245

18. Employee benefit expense

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Wages and salaries	**2,348,724**	2,174,850	**2,348,724**	2,174,850
Social security costs	**141,185**	139,851	**141,185**	139,851
	2,489,909	2,314,701	**2,489,909**	2,314,701
Amounts included in inventories – development project (see Note 9)	**2,476,956**	2,119,371	**2,300,574**	1,920,168
Amounts recharged to subsidiaries	-	-	**176,382**	199,203
Amounts expensed	**12,953**	195,330	**12,953**	195,330
	2,489,909	2,314,701	**2,489,909**	2,314,701

18. Employee benefit expense - continued

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

	2008	2007
Technical and administration	96	93

19. Tax expense

	Group		**Company**	
	2008	2007	**2008**	2007
	€	€	**€**	€
Current tax expense	**152,273**	975,005	**146,858**	946,331
Deferred tax expense (Note 13)	**452,759**	610,401	**452,759**	610,401
Tax expense	**605,032**	1,585,406	**599,617**	1,556,732

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**	
	2008	2007	**2008**	2007
	€	€	**€**	€
Profit before tax	**959,108**	3,794,612	**1,712,121**	4,479,225
Tax on profit at 35%	**335,688**	1,328,114	**599,242**	1,567,729
Tax effect of:				
- income subject to tax at 15%	**-**	(11,933)	**-**	(11,933)
- maintenance allowance claimed on rented property	**(5,721)**	(2,055)	**(5,721)**	(5,386)
- unrecognised temporary differences	**59,927**	87,222	**-**	
- expenses not deductible for tax purposes	**12,413**	11,263	**6,096**	6,322
- share of loss of joint venture	**202,725**	172,795	**-**	-
Tax charge in the accounts	**605,032**	1,585,406	**599,617**	1,556,732

20. Earnings per share

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

	Group		Company	
	2008	2007	**2008**	2007
Net profit attributable to equity holders of the company	**€354,076**	€2,209,206	**€1,112,504**	€2,922,493
Weighted average number of ordinary shares in issue	**12,600,000**	12,600,000	**12,600,000**	12,600,000
Earnings per share	**€0.03**	€0.18	**€0.09**	€0.23

21. Other working capital movements

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
Trade and other receivables	**1,280,976**	(1,849,886)	**193,722**	(915,419)
Trade and other payables	**4,169,606**	7,372,814	**4,305,218**	4,503,811
Other working capital movements	**5,450,582**	5,522,928	**4,498,940**	3,588,392

22. 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 €260 million will be made subsequent to the end of the financial year under review. As at 31 December 2008, the group had outstanding contractual commitments for project development works for the approximate amount of €50 million, which includes the amounts disclosed in Note 24. 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 2008 the company had entered into 106 (2007: 120) 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 €70,391,100 (2007: €68,716,515) of which as at 31 December 2008, €28,273,961 (2007: €47,855,222) was received by the company. The purchase and promise of sale agreements entered into give rise to agents' commission amounting to €1,331,510 (2007: €1,129,536) that becomes due upon signing of the final deeds of sale.

23. Contingencies

(a) During 2008, the company was requested by the Malta Environment and Planning Authority to pay fees for the disposal of excavated material at sea. The directors are contending that part of the charges should ultimately be paid by the contractors that 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 2008.

(b) The company gave a joint and several suretyship security to secure the banking facilities of a subsidiary up to a limit of €24,225,400 (2007: Nil), which is supported by general and special hypothec over particular portions of land 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 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 alleged delays. To date, none of the pending claims were pursued in court.

(e) At 31 December 2008, the company had a contingency arising from uncalled share capital in fellow subsidiaries, amounting to €55,532 (2007: €55,532), for which no provision has been made in the financial statements.

(f) At 31 December 2008, the group has contingent liabilities amounting to €393,669 (2007: €393,669) in respect of guarantees issued by the bank on behalf of the fellow subsidiaries in favour of third parties in the ordinary course of business.

24. Related party transactions

All companies forming part of the respective groups of which Alf. Mizzi & Sons Limited, Bank of Valletta plc, Gatt Investments Limited, Gee Five Limited (Gasan Group), Fortress Developments Limited, Middle Sea Valletta Life Assurance Co. Limited, Investors Limited (Mizzi Organisation), Polidano Brothers Limited, Vassallo Builders Group Limited, Pater Holding Company Limited and Lombard Bank Malta plc form part, together with First Gemini p.l.c. and Pininfarina Extra srl are considered by the directors to be related parties by virtue of the shareholding of the companies referred to in Midi p.l.c.

The following transactions were carried out with related parties:

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
i) Purchase of goods and services				
Purchase of services from subsidiaries	**-**	-	**21,891,311**	19,968,050
Purchase of services from related parties	**7,127,922**	6,768,340	**133,759**	82,708

At the balance sheet date, the group had outstanding contractual commitments with related parties for project development for the amount of € 18,382,458 (2007: € 2,702,073).

24. Related party transactions - continued

	Group		Company	
	2008	2007	**2008**	2007
	€	€	**€**	€
ii) Sale of apartments to related parties				
Deposits on promise of sale agreements at 31 December	**9,271,094**	14,619,243	**9,271,094**	14,619,243
Value of contracts relating to the above promise of sales agreements	**22,105,035**	18,555,931	**22,105,035**	18,555,931
Value of contracts finalised during the current financial year	**5,625,361**	1,533,490	**5,625,361**	1,533,490
iii) Loans from related parties				
Loans from related parties	**33,242,539**	15,396,066	**8,107,016**	5,543,208
Net interest charged by related parties	**1,565,934**	332,027	**365,123**	207,424

The group has banking facilities of €51,712,090 (2007: €54,973,212) sanctioned by a related party (terms and conditions are reflected in note 15). The banking facility of the company as at 31 December 2008 is €17,703,238 (2007: €20,964,361).

As at 31 December 2008, private placement bonds for an amount of €3,959,935 (2007: nil) are held by a shareholder. The interest payable on these bonds during 2008 amounted to €233,431 (2007: nil).

Amounts capitalised in inventories during 2008, 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 €5,537,538 (2007: €5,556,605). Outstanding contractual commitments for project development in relation to such contracts as at the end of the financial reporting period amounted to €21,877,300 (2007: €4,798,297).

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 year end with respect to group subsidiaries and other related parties are disclosed Notes 10 and 14 to the financial statements.

25. Post balance sheet event

On 13 January 2009, by virtue of an Offering Memorandum dated 5 December 2008, the company issued for subscription to the general public 300,000 unsecured bonds, with an over-allotment option of another 100,000 which was exercised in full as a result of over-subscriptions. The bonds were made available in any one or any combination of two currencies, euro and Great Britain pound (GBP), provided that the aggregate principal amount of bonds issued did not exceed €40,000,000. The bonds denominated in euro and GBP have a nominal value for each bond of €100 and £100 respectively. The bonds are subject to a fixed interest of 7% per annum payable annually in arrears on 15 December of each year.

The proceeds from the bonds shall be used principally to contribute towards the finalisation of the constructions of Tigné Point and the repayment of part of the private placement bonds.

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.

26. Statutory information

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

27. Comparative information

In view of the change in the company's presentation currency from Maltese lira to euro, all comparative information in these financial statements has been converted into euro using the Irrevocably Fixed Conversion Rate of €1:Lm0.429300.

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.