MIDI p.l.c.

Annual Report and Consolidated Financial Statements
31 December 2012

Company Registration Number: C 15836

Directors' report

The Directors present their annual report and the audited Financial Statements for the year ended 31 December 2012.

Principal activity

The principal activity of the Group and the Company is the development of the Manoel Island and Tigné Point Project.

Review of the business

MIDI Group registered a loss before tax of €2.5million for the financial year ended 31 December 2012 compared to a profit before tax of €3.0 million in the previous year.

Apartment sales in the form of contracts concluded amounted to €8.0million (2011: €31.9million). This drop in revenue resulted from the fact that the Company had sold most of its stock of residential units by the end of 2011 and therefore it had only limited residential stock for sale during 2012. During 2012, development works were limited to the finalisation of the Pjazza apartments. These apartments have been well received by the market, so much so that only six apartments out of a total of twenty two have remained unsold to date. After substantial delays, full development permits for the T17 residential blocks and the T14 office block were issued by MEPA in 2012 and MIDI has concentrated its efforts on the project development planning of the Tigné North Phase which will include the aforementioned residential and office blocks as well as some commercial offerings. The development of the residential block of T17 East commenced in February 2013.

Revenues from property rental and management activities continued to improve during the period under review. Revenues increased from €5.1million in 2011 to €5.7million in 2012. This positive performance was attributable to an improvement shown by 'The Point' shopping mall as well as increased revenues from the retail and catering establishments situated in Pjazza Tigné. Additionally there was a marked increase in usage of the underlying public car parking.

The Group continued to review its funding strategy in order to sustain its long-term development plans for further phases in both Tigné Point and Manoel Island. This review resulted in a decision to sell the shareholding in Tigné Mall p.l.c., which is the company that owns and operates 'The Point' shopping mall. The disposal of this shareholding will release significant financial capital, estimated at €20.9 million, back into MIDI p.l.c. and will also strengthen the Company's financial capabilities to enable it to fulfill its current plans. MIDI p.l.c. will be reducing its aggregate borrowings in order to be in a position to raise additional finance for the development of both T17 residential phases. The Group will be in a strengthened position to deliver on its principal activity i.e. that of development and sale of residential and commercial property at Tigné Point and Manoel Island. The shareholding in Tigné Mall p.l.c. was successfully disposed of in April 2013.

Directors' report - continued

Information pursuant to Listing Rule 5.64

Structure of Capital

The Company's Ordinary Shares in issue consist of 214,159,922 Ordinary shares of €0.20 each forming part of one class of Ordinary Shares. Since there are currently no different classes of ordinary shares in the Company, all Ordinary Shares have the same rights, voting rights and entitlements in connection with any distribution whether of dividends or capital (on a winding up or otherwise). There are no shares in issue that have any preferred or deferred rights.

Every Ordinary Share carries the right to participate in any distribution of dividend declared by the Company *pari passu* with all other Ordinary Shares. Each Ordinary Share shall be entitled to one vote at meetings of Shareholders. Every Ordinary Share carries the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise, *pari passu* with all other Ordinary Shares. The Ordinary Shares are freely transferable and pursuant to admission to the Official List of the Malta Stock Exchange, the shares are transferable in accordance with the rules and regulations of the Malta Stock Exchange as applicable from time to time. Restrictions applicable to some of the Shareholders in view of lock-up arrangements were no longer applicable as at 20 December 2012 (see Note below).

Subject to the provisions of the Companies Act, the Company may purchase its own shares.

Appointment and Removal of Directors

Article 98 of the Company's Memorandum and Articles of Association states that at each Annual General Meeting of the Company all the directors shall retire from office. A director retiring from office shall retain office until the dissolution of such Meeting and a retiring director shall be eligible for re-election or re-appointment.

The Directors of the Company shall be elected as provided in Article 102 of the Company's Memorandum and Articles of Association that is a maximum of eight (8) directors shall be elected at each Annual General Meeting (or at an Extraordinary General Meeting convened for the purpose of electing directors). Voting shall take place on the basis that every member shall have one (1) vote in respect of each ordinary share held by him. A member may use all his votes in favour of one candidate or may split his votes in any manner he chooses amongst any two or more candidates. The Chairman of the Meeting shall declare elected those candidates who obtain the greater number of votes on that basis.

Powers of Directors

The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts, sue and be sued in representation of the Company. The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Companies Act or by the Articles, required to be exercised by the Company in General Meeting, subject, nevertheless, to the provisions of the Articles and of the Companies Act and to such directions, being not inconsistent with any provisions of the Articles and of the Companies Act, as may be given by the Company in General Meeting: provided that no direction given by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if such direction had not been given. The general powers conferred upon the Directors by this Article shall not be deemed to be abridged or restricted by any specific power conferred upon the Directors by any other Article.

Directors' report - continued

Information pursuant to Listing Rule 5.64 - continued

Powers of Directors - continued

Subject to the provisions of the Articles of Association, the Board of Directors may exercise all the powers of the Company to borrow money and to hypothecate or charge its undertaking, property and uncalled capital or any part thereof, and to issue debentures and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party.

Voting Rights in respect of Ordinary Shares

As outlined previously, each ordinary share shall be entitled to one vote. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one (1) vote, and on a poll every member present in person or by proxy shall have one (1) vote for each share of which he is the holder.

On a poll votes may be given personally or by proxy and a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

No member shall be entitled, in respect of any share in the capital of the Company held by him, to be present or to vote on any question, either in person or by proxy, at any General Meeting, or upon any poll, or to be reckoned in a quorum, or to exercise any other right or privilege conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such share remains unpaid.

Restrictions on Ordinary Shares

During such time as any part of the call or installment together with interests and expenses remains unpaid, the entitlement of the person from whom the sum is due to the rights and advantages conferred by membership of the Company including the right to receive dividends and the right to attend and vote at meetings of the Company, shall be suspended. This provision is similar to the provision in Article 71 referred to above under the heading “Voting rights in respect of Ordinary Shares”.

A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall, upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to Meetings of the Company. Provided always that the Directors may at any time give notice requiring any such person to elect either be registered himself or to transfer the share, and if the notice is not complied with within ninety (90) days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

The Company shall not, at any time after the forfeiture or surrender of a share and before the sale, re-allotment or other disposition of such share, exercise any voting rights in respect of such share.

Directors' report - continued

Information pursuant to Listing Rule 5.64 - continued

Transfer of Ordinary Shares

Subject to the provisions of law and of the Company's Articles of Association, the shares of the Company are freely transferable provided that in no case may a part of a share constitute the object of a transfer. Also the terms of the Lock-up arrangements, for the period ending 20 December 2012 refer in this respect.

All transfers of shares in the Company, which are listed on the Malta Stock Exchange, shall be regulated by law and accordingly Articles 34 to 36 of the Company's Articles of Association shall be applicable to such transfers only in so far as the said Articles are not inconsistent therewith.

Lock-up arrangements

By virtue of an agreement dated 18 October 2010 ("the Lock-Up Agreement") entered into between the Company and Alf. Mizzi & Sons Ltd., Fortress Developments Limited, MSV Life p.l.c., Gee Five Limited, Bank of Valletta p.l.c. and First Gemini p.l.c. ("the Restricted Shareholders"), each of the Restricted Shareholders has undertaken that during the period commencing on the date of the Lock-Up Agreement and ending twenty four (24) months after the 20 December 2010 when the Ordinary Shares were admitted to the Official List of the Malta Stock Exchange (the "Lock-Up Period"), it will not transfer, sell, assign, or dispose of, or offer or agree to transfer, sell, assign or dispose of any of the Ordinary Shares in the Company held by such Restricted Shareholders at the date that the Ordinary Shares were admitted to the Official List of the Malta Stock Exchange; provided that this restriction shall not apply to any transfer, sale, assignment or disposal of the said Ordinary Shares consequent to the enforcement, as a result of default of the underlying obligation by the pledgor, of a *bona fide* pledge made to a credit institution licensed in Malta or holding an equivalent authorisation in an EU member state or EEA state. By virtue of the Lock-Up Agreement, in the event of a new issue(s) of Ordinary Shares during the Lock-Up Period, the Restricted Shareholders undertook that they would retain, during the Lock-Up Period, an amount of Ordinary Shares which is not less than seventy five per cent (75%) of the percentage of Ordinary Shares held by them individually in the capital of the Company as at the date that the Ordinary Shares were admitted to the Official List of the Malta Stock Exchange.

By the end of the period under review, the Lock-up Period lapsed, and since the 20 December 2012 the Restricted Shareholders have been free to transfer, sell, assign, or dispose of, or offer or agree to transfer, sell, assign or dispose of any of their Ordinary Shares in the Company.

General Meetings

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year, and not more than fifteen (15) months shall elapse between the date of one Annual General Meeting of the Company and that of the next.

All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings. The Directors may, whenever they think fit, convene an Extraordinary General Meeting, and Extraordinary General Meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists as provided by the Act. If at any time there are not in Malta sufficient directors capable of acting to form a quorum, the Directors in Malta capable of acting, or if there are no directors capable and willing so to act, any two (2) members of the Company, may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Directors' report - continued

Information pursuant to Listing Rule 5.64 - continued

<u>General Meetings</u> - continued

A General Meeting of the Company shall be called by not less than twenty one (21) days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting, the proposed agenda for the Meeting and, in case of special business, the general nature of the business to be considered as well as other information which is specified in Article 56(2) of the Company's Articles of Association.

Subject to such restrictions for the time being, affecting the right to receive notice to the holders of any class of shares, notice of every General Meeting shall be given in any manner hereinbefore authorised to:- (a) every member except those members who have not supplied to the Company an address for the giving of notices to them; and (b) the Auditor for the time being of the Company; and (c) the Directors for the time being of the Company. No other person shall be entitled to receive notices of General Meetings.

A notice calling an Annual General Meeting shall specify the meeting as such and a notice convening a meeting to pass an Extraordinary Resolution as the case may be shall specify the intention to propose the resolution as such and the principal purpose thereof. A notice of General Meeting called to consider extraordinary business shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such extraordinary business.

In every notice calling a meeting, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member and such statement shall comply with the provisions of the Act as to informing members of their right to appoint proxies.

Any member or members holding not less than five per cent (5%) in nominal value of all the shares entitled to vote at the meeting may: (a) request the Company to include items on the agenda of the General Meeting, provided that each item is accompanied by a justification or a draft resolution to be adopted at the Annual General Meeting; and (b) table draft resolutions for items included in the agenda of a general meeting. The request to put items on the agenda of the General Meeting or the tabling of draft resolutions to be adopted at the General Meeting shall be submitted to the Company (in hard copy or in electronic form to an email address provided by the Company for the purpose) at least forty six (46) days before the date set for the General Meeting to which it relates and shall be authenticated by the person or persons making it. Furthermore, where the right to request items to be put on the agenda of the General Meeting or to table draft resolutions to be adopted at the General Meeting requires a modification of the agenda for the General Meeting that has already been communicated to Shareholders, there shall be made available a revised agenda in the same manner as the previous agenda in advance of the applicable record date or, if no such record date applies, sufficiently in advance of the date of the General Meeting so as to enable other Shareholders to appoint a proxy, or where applicable, to vote by correspondence.

The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Directors' report - continued

Information pursuant to Listing Rule 5.64 - continued

General Meetings - continued

An "Ordinary Resolution" means a resolution taken at a General Meeting of the Company passed by a member or members having the right to attend and vote at such meeting holding in the aggregate more than fifty per cent (50%) in nominal value of the shares represented and entitled to vote at the meeting. An "Extraordinary Resolution" means a resolution taken at a General Meeting of the Company of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principal purpose thereof has been duly given and passed by a number of members having the right to attend and vote at such meeting holding in the aggregate not less than seventy-five per cent (75%) in nominal value of the shares represented and entitled to vote at the meeting and at least fifty-one per cent (51%) in nominal value of all the shares entitled to vote at the meeting. Provided that, if one of the aforesaid majorities is obtained, but not both, another meeting shall be convened within thirty days in accordance with the provisions for the calling of meetings to take a fresh vote on the proposed resolution. At the second meeting the resolution may be passed by a member or members having the right to attend and vote at the meeting holding in the aggregate not less than seventy-five per cent in nominal value of the shares represented and entitled to vote at the meeting. However, if more than half in nominal value of all the shares having the right to vote at the meeting is represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice.

Changes to the Company's Memorandum and Articles of Association

The Company may by extraordinary resolution alter or add to its Memorandum and Articles of Association.

Other matters

The Company has nothing to report in relation to the requirements of Listing Rules 5.64.4, 5.64.5 and 5.64.10, since these do not apply to the Company. Information relating to the requirements of listing rule 5.64.11 is reflected in the Remuneration Statement on page 22.

Directors' interests in Share Capital

There are no direct interests of the Directors in the share capital of the Company or of its subsidiaries as at 31 December 2012 and 29 April 2013.

Mr. Albert Mizzi and Dr. Alec A. Mizzi have a beneficial interest in 30,422,201 ordinary shares issued by MIDI p.l.c. which are held by Alf. Mizzi & Sons Ltd. and a beneficial interest in 6,784,500 ordinary shares held by Zachary Estates Limited. In addition, Mr. Albert Mizzi and Dr. Alec A. Mizzi have a beneficial interest in 2,012,050 ordinary shares issued by MIDI p.l.c. held by First Gemini p.l.c.

Mr. Joseph Bonello has a beneficial interest in 25,351,833 shares in MIDI p.l.c. held by Fortress Developments Limited and a beneficial interest in 3,708,233 shares held by Finco Treasury Management Limited as nominees in the course of its' investment business.

Mr. Joseph A. Gasan has a beneficial interest in 19,412,261 shares in MIDI p.l.c. held by Gee Five Limited and a beneficial interest in 4,329,200 shares held by Gasan Investments Ltd.

Directors' report - continued

Registered Shareholders with 5% or more of the share capital of the Company

	31 December 2012	2011
Alf. Mizzi & Sons Ltd.	**14.21%**	14.21%
MSV Life p.l.c.	**12.55%**	12.55%
Fortress Developments Limited	**11.84%**	11.84%
Gee Five Limited	**9.06%**	9.06%
Bank of Valletta p.l.c.	**8.91%**	8.91%
Vassallo Builders Group Limited	**5.61%**	5.61%

As at 29 April 2013 the shareholding held by Vassallo Builders Group Limited in the Company amounted to 5.35% of the total Ordinary Shares.

Results and dividends

The consolidated income statement is set out on page 28. The Directors do not recommend the payment of a dividend.

Directors

The Directors of the Company who held office during the year were:

Albert Mizzi - Chairman
Joseph Bonello
Jonathan Buttigieg (appointed on 26 June 2012)
David G. Curmi
David Demarco
Joseph A. Gasan
Jesmond Manicaro (resigned on 26 June 2012)
Alec A. Mizzi
Joseph Said

All the directors shall retire from office at the Annual General Meeting of the Company in accordance with articles 98 and 99 of the Company's Articles of Association and those eligible can be re-elected or re-appointed.

Directors' report - continued

Senior Management

As at 31 December 2012, the senior management of the Group was composed as follows:

Luke Coppini	Chief Executive Officer	(appointed 18 September 2012)
Darren Azzopardi	Company Secretary	(appointed 18 September 2012)
Edwin Borg	Chief Executive Officer of Tigné Mall p.l.c.	
Kevin Mallia	Group Internal Auditor	(appointed 9 January 2012)
Jesmond Micallef	Chief Accountant	
Ivan Piccinino	Senior Project Manager	
James Vassallo	Senior Sales & Marketing Manager	

On 3 April 2012 Benjamin Muscat tendered his resignation and his termination was effective 15 June 2012. The duties of the CEO were assumed on the day by the members of the Executive Committee until the 18 September 2012 when Luke Coppini was appointed as Chief Executive Officer. On the same day, Darren Azzopardi assumed the role of Company Secretary whilst Jesmond Micallef assumed the responsibilities previously held by Mr Coppini with respect to his previous role of Chief Financial Officer of the Company.

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 2012 are included in the Annual Report 2012, 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

Directors' statement of responsibilities in relation to the Financial Statements - 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 2012, and of the Group's and the parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Going concern basis

Taking cognisance of the short-term funding arrangements together with the Group's long-term liquidity and capital management programmes, 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

Joseph A. Gasan
Director

29 April 2013

Company secretary: Darren Azzopardi

Registered office:
North Shore
Manoel Island
Gzira
Malta

Telephone number: (+356) 2065 5500

Statement of compliance with the Principles of Good Corporate Governance

A. INTRODUCTION

Pursuant to the Malta Financial Services Authority Listing Rules, MIDI p.l.c. (the "Company") is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance (the "Code") as well as on the measures adopted to ensure compliance with this same Code. For this reporting period, the Company is adhering to the Code as set out in Appendix 5.1 of Chapter 5 – Continuing Obligations, of the said Listing Rules. The Directors strongly believe that such practices 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.

Good corporate governance is the responsibility of the Board of Directors of the Company (the "Board"), and in this regard the Board has carried out a review of the Company's compliance with the Code during the period under review. Notwithstanding that the Principles of Good Corporate Governance are not mandatory, the Board has ensured their adoption, save as indicated herein within the section entitled Non-Compliance with Code. In the latter section the Board indicates and explains the instances where it has departed from or where it has not applied the Code, as allowed by the Code.

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 the Company.

B. COMPLIANCE WITH THE CODE

Principle 1: The Board

The overall management of the Company is vested in a Board of Directors consisting of a Chairman and seven (7) Directors. The Board's key role with respect to the Company's principal activities is to establish policy for the Company and to appoint all executive officers and other key members of management.

All the Directors, individually and collectively, are of the appropriate calibre, and have the necessary skills and experience to contribute effectively to the decision making process. The Board delegates specific responsibilities to a number of committees, notably the Executive Committee, the Audit Committee and the Remuneration Committee, each of which operates under formal terms of reference approved by the Board.

Principle 2: Chairman and Chief Executive

The positions of the Chairman of the Board and that of the Chief Executive Officer (the "CEO") are vested in separate individuals. The positions have been defined with specific roles rendering these positions completely separate from one another.

The Directors have appointed Mr. Albert Mizzi as Chairman of the Board. The Chairman is responsible to lead the Board and to set its agenda. The Chairman ensures that the Board's discussions on any issue put before it go into adequate depth, encourages the involvement of all Directors, and ensures that all the Board's decisions are supported by adequate and timely information. The Chairman, together with the Executive Committee, ensures that the CEO develops a strategy that is agreed to by the Board.

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

Principle 2: Chairman and Chief Executive - continued

For the period commencing on 3 April 2012 and ending on 18 September 2012, the Board's Executive Committee carried out the duties of the CEO, and this following Mr. Benjamin Muscat tendered his resignation from the post of CEO with effect from 15 June 2012. On 18 September 2012, Mr. Luke Coppini was promoted to the role of CEO, after having previously occupied the role of Chief Financial Officer and Company Secretary of the Company.

The Board has delegated specific authority to the CEO to manage specific activities within the Company which include, amongst others:

- Implementation of policies as set by the Board;
- Working towards objectives established by the Board;
- Putting into effect plans to organise, direct and manage the human resources available to attain the highest possible profitability or results in the interest of the Company's shareholders and all other stakeholders.

The role of the CEO 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. In April 2012 a Management Committee was set-up and which under the chairmanship of the CEO, creates a forum within which the Company's Senior Managers meet on a regular basis to update the rest of the management team with developments within their respective departments.

Together with the Chairman of the Board, the CEO represents the Company with third parties.

Principle 3: Composition of the Board

Following the appointment of Mr Luke Coppini to the post of CEO, as from the 18 September 2012, the Board is composed completely of non-executive Directors, including independent non-executives, each of whom is able to add value and to bring independent judgement to bear on the decision-making process. For the period commencing on the 03 April 2012 and ending on the 18 September 2012, that is the period when Dr. Alec A Mizzi, Mr. David G. Curmi, and Mr. Joseph A. Gasan as members of the Executive Committee assumed the duties of the CEO, they were classified as Executive Directors. Pursuant Mr. Luke Coppini assuming the duties of the CEO, the aforementioned members of the Executive Committee have reverted to their role of non-executive directors.

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

Principle 3: Composition of the Board - continued

The following Directors served on the Board during the period under review:

Chairman
Albert Mizzi

Executive Directors

Alec A. Mizzi	*up to 18 September 2012*
David G. Curmi	*up to 18 September 2012*
Joseph A. Gasan	*up to 18 September 2012*

Independent non-executive Directors

Joseph Bonello	
Jonathan Buttigieg	*appointed on 26 June 2012 at the Company's Annual General Meeting*
David G. Curmi	*as from 19 September 2012*
David Demarco	
Joseph A. Gasan	*as from 19 September 2012*
Jesmond Manicaro	*resigned on 26 June 2012 at the Company's Annual General Meeting*
Alec A. Mizzi	*as from 19 September 2012*
Joseph Said	

The Board deems all non-executive Directors to be independent. Furthermore it considers Albert Mizzi as an independent director despite the fact that he has served on the Board for more than twelve consecutive years.

The Articles of Association of the Company specifically regulate the appointment of Directors. The Board is composed of a minimum of five (5) and a maximum of eight (8) Directors who are appointed or elected by the Shareholders. Unless appointed for a shorter period, a Director shall hold office from the end of one Annual General Meeting to the end of the next. A retiring Director shall be eligible for re-election or re-appointment.

Every Shareholder owning twelve and a half per cent (12.5%) of the ordinary share capital is entitled to appoint one director for each twelve and a half per cent (12.5%) shareholding. Furthermore, any excess fractional shareholding not so utilised may participate in the voting for the election of further directors. Shareholders who own less than twelve and a half per cent (12.5%) of the ordinary share capital participate in the election of the directors on the basis that each Shareholder shall have one (1) vote in respect of each ordinary share held. The Chairman shall be elected by a simple majority from amongst the Directors of the Company.

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate for the requirements of the Company's business. 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 control and management of the Company's affairs and an efficient decision-making process.

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

Principle 4: The Responsibilities 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 the Company and the business connected with it (including its financial policies and corporate structure). The Board of Directors periodically evaluates 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. In fulfilling its mandate, the Board of Directors assumes responsibility to:

a) establish corporate governance standards;
b) review, evaluate and approve, on a regular basis, long-term plans for the Company;
c) review, evaluate and approve the Company's budgets and forecasts;
d) review, evaluate and approve major resource allocations and capital investments;
e) review the financial and operating results of the Company;
f) ensure appropriate policies and procedures are in place to manage risks and internal control;
g) review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities and plans for senior management development including succession;
h) review, evaluate and approve compensation strategy for senior management; and
i) review periodically the Company's objectives and policies relating to social, health and safety and environmental responsibilities.

The Board supervises compliance with the Listing Rules, including those pertaining to the preparation and publication of the Annual Report and Financial Statements, and approves the Financial Statements for submission to the General Meeting of the Shareholders. The Board retains direct responsibility for approving and monitoring:

(i) the Business Plan for the Group;
(ii) the Annual Budget;
(iii) the 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) proposals to increase the issued capital and to materially increase or decrease the Company's funding; and
(vii) other resolutions which the Board of Directors may determine to be subject to its approval.

Any meeting that a director wishes to initiate may be arranged through the Company Secretary. A Director of the Company has access to the advice from internal and external sources, which are deemed necessary for carrying out the respective roles and responsibilities and the Company will bear the related expenses. A newly appointed Director is given a thorough induction course in the operations, activities and procedures of the Company to be able to carry out the function of a Director in an effective manner.

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

Principle 5: Board Meetings

The Board holds regular meetings, seeking to hold a minimum of 1 meeting every month. 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.

Fifteen Board of Directors meetings were held during 2012 and attendance was as follows:

Board member		*Attended*
Albert Mizzi		14
Joseph Bonello		15
Jonathan Buttigieg	*appointed on 26 June 2012*	4 (out of 5)
David G.Curmi		14
David Demarco		14
Joseph A. Gasan		9
Jesmond Manicaro	*resigned on 26 June 2012*	9 (out of 10)
Alec A. Mizzi		15
Joseph Said		14

Principle 6: Information and Professional Development

The Chief Executive Officer is appointed by the Board of Directors. The recruitment and selection of senior management is the responsibility of the Remuneration Committee in consultation with the Board. In addition, the Board dedicates considerable attention towards succession planning within senior management ranks.

Newly appointed Directors are provided with briefings by the Chief Executive Officer, the Company Secretary and also by other members of Senior Management in respect to the operations of the Group. An information pack is handed over to a new Director following his appointment which usually incorporates Memoranda and Articles of Group Companies, relevant legislation as well as rules and byelaws. The Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are adhered to. Additionally, Directors may seek independent professional advice on any matter at the Company's expense.

The Company ensures the personal development of directors, management and employees by recommending attendance to seminars, conferences as well as training programmes that are designed to help improve the potential of its staff members whilst boosting the Company's competitiveness. The Company ensures that it provides the necessary training to the individual Directors on a requirements basis by formally identifying and addressing such requirements.

Principle 7: Evaluation of Board's Performance

Whilst review of all Board Committees is carried out by the Board on a regular basis, during the financial year under review, the Board did not carry out any formal and rigorous evaluation of its own performance.

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

Principle 8: Committees

The Board has appointed the following Committees:

Audit Committee

The Audit Committee is a committee appointed by the Board and is directly responsible and accountable to the Board. 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 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 the internal audit function;
(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 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 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 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 organisation of the internal audit function of the Company, including its plans, activities, staffing and organisational structure;
(n) monitoring the statutory audit of the annual and consolidated accounts;

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

Principle 8: Committees - continued

Audit Committee - continued

(o) discuss Company policies with respect to risk assessment and risk management, review contingent liabilities and risks that may be material to the Company;
(p) vetting and approving related party transactions; and
(q) to consider other matters that are within the general scope of the Committee that are referred to it by the Board of Directors.

For the year under review, the Audit Committee was composed of three non-executive directors: Mr. Joseph Said (Chairman of the Committee), Mr. Joseph Bonello and Mr. David Demarco. Mr. David Demarco is considered to be an independent member taking into account the relevant criteria specified in the Listing Rules, who the Board also considers to be competent in accounting in terms of the Listing Rules having previously and currently occupying senior positions within banking and other financial institutions.

The Audit Committee is required to meet a minimum of four (4) times a year. During the year under review the Committee met six (6) times.

When the Audit Committee's monitoring and review activities reveal cause for concern or identify the need for improvement, it shall make recommendations to the Board on the action needed to address the issue or make such improvements.

During the year under review the Company set up an Internal Audit function and appointed Mr. Kevin Mallia as the Group Internal Auditor. Internal Audit is an independent appraisal function established within the Group to carry out business process risk based audits aimed at ensuring adequate controls and efficient business processes. The Internal Auditor, who attends the meetings as secretary to the Audit Committee, also reports to the Audit Committee.

Executive Committee

The Board delegates specified authority to and accountability for the Company to the Executive Committee, which is composed of Dr. Alec A. Mizzi (Chairman of the Committee), Mr. David G. Curmi and Mr. Joseph A. Gasan. The Executive Committee supervises the management of the Company, to ensure the attainment of its strategy and objectives.

None of the Directors on the Board has any specific executive functions, other than three (3) directors that sit on the Company's Executive Committee, viz. Dr. Alec A Mizzi (Chairman of the Committee), Mr. David G. Curmi and Mr. Joseph A. Gasan who assumed certain executive duties pertaining to the role of the CEO during the period commencing on 3 April 2012 and ending on 18 September 2012.

The Executive Committee, which typically meets between two and three times a month, for a total of thirty-six (36) meetings during the period under review, acts as an interface between the Senior Management of the Company and the Board. The terms of reference of the Executive Committee envisage the monitoring of the execution of policy matters delegated by the Board to ensure the attainment of the Company's objectives.

During the period under review, the Executive Committee has set-up a Project Management Advisory Committee with the principle objective of reporting on project management matters pertaining to the Tigné Point development. The Project Management Advisory Committee is composed of non-executive directors and members from Senior Management.

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

Principle 8: Committees - continued

Remuneration Committee

In accordance with the listing rules, the Board set up a Remuneration Committee. A separate "Remuneration statement" features elsewhere in the Annual Report in compliance with the relevant Code provisions of the Principles of Good Corporate Governance.

Principle 9 & 10: Relations with Shareholders and with the Market, and Institutional Investors

Pursuant to the Company's statutory obligations in terms of the Companies Act, 1995 and the Listing Rules, the Annual Report and Financial Statements, declaration of dividends, election of directors, and 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 recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. In the Board's view the Company communicates effectively with shareholders by publishing its results on a six-monthly basis during the year, by way of half yearly and annual reports and financial statements, through Interim Directors' Statements, through periodical Company Announcements and through press releases in the local media to the market in general. The Company also issues periodical newsletters that are circulated to all its investors.

The Directors consider that the Board properly serves the legitimate interests of all Shareholders and is accountable to all Shareholders, 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. The Chairman arranges for all Directors to attend the Annual General Meeting. As outlined below, the Board has adopted rules whereby directors having conflicts of interest on any matters 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 Company holds meetings with stockbrokers and financial intermediaries at least once a year, which meeting usually coincides with the publication of financial statements.

Information on the Company's General Meetings is located in the Directors' Report.

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

Principle 11: Conflicts of Interest

By way of internal practice, the directors of the Company also act as directors of Tigné Contracting Limited, the contracting arm of the Group. Some Directors also act as directors of Tigné Point Marketing Limited, Tigné Mall p.l.c. and Solutions and Infrastructure Services Limited. During the period under review the Chief Executive Officer has acted as a director of Tigné Mall p.l.c. and is now a director of Solutions and Infrastructure Services Limited. The Directors and CEO acting as directors of other members of the Group 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.

Given the current shareholding of MIDI p.l.c., and in line with expectations upon the commencement of the Company, conflicts of interest affecting board members may arise from time to time 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 p.l.c. 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 p.l.c. by the companies that its board members may represent (or otherwise have an interest in);
3. Activities, including retail projects, carried on by MIDI p.l.c. which may compete with similar activities carried on, in the close proximity of the project by companies which its board members may represent (or otherwise have an interest in);
4. Purchases of apartments by directors or by companies that board members may represent (or otherwise have an interest in);
5. Rental Agreements by directors or by companies that the board members may represent (or otherwise have an interest in).

All contracts for goods and services, including the provision of construction services, civil and mechanical and engineering works, and any other purchases are based upon the principle of competitive bidding. The CEO negotiates with suppliers in order to ensure that the best quality goods and services are procured by MIDI at the least possible price. The Executive Committee is responsible to supervise such tendering process. In particular, also with the assistance of the Project Management Advisory Committee, The Executive Committee is responsible for assisting and directing the CEO in negotiations with contractors, suppliers and service providers and is responsible for the award of tenders not exceeding the value of €2,000,000. Any tenders exceeding such a value are awarded by the Board.

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.

By virtue of Article 91(1) 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. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has material interest.

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

Principle 11: Conflicts of Interest - continued

Article 91(5) of the Memorandum and Articles of Association states that if any question arises at any meeting as to the materiality of a director's interest or as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, then such question shall be referred to external advisors and their ruling shall be final and conclusive except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed.

The Company has implemented a clear and detailed policy in respect of dealings of directors in the Company's shares and securities, which policy is based on timely and comprehensive disclosures and notices, where and if applicable in terms of Listing Rules.

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

Principle 12: Corporate Social Responsibility

The Company recognises the importance of its role in the corporate social responsibility arena and it has taken several initiatives in this respect in particular through the restoration works undertaken on Fort Manoel and Fort Tigné. In the context of the Company's activities, management strives to ensure that environmental friendliness is given priority in the course of construction, marketing and operation of the different phases of the Manoel Island and Tigné Point project.

C. NON-COMPLIANCE WITH THE CODE

Principle 4: Code Provision 4.2.7 Succession policy for the future composition of the Board

The Board notes that pursuant to the Company's Memorandum and Articles of Association of the Company, the appointment of directors to serve on the Board of Directors is a matter which is entirely reserved to the shareholders of the Company. Thus, the Board does not consider it practical to develop a succession policy for the future composition of the Board. However, as indicated in the statement of compliance, all newly appointed directors are given a thorough induction course in the operations, activities and procedures of the Company to be able to carry out the function of a Director in an effective manner.

Principle 7: Evaluation of Board's Performance

In the context of the nature of the Company's operations and the stage of its operations together with the composition and roles of the Board, the Board did not consider that such a formal evaluation of performance was necessary, nonetheless a review of the strengths and weaknesses of each director is taken into consideration when allocating responsibilities within the Company's committees. The Board does not exclude the possibility of setting up a committee with the principal task of assessing the performance of individual directors, including the Chairman, and the effectiveness of the Board as a function.

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

Principle 8B: Nominations Committee

The Board does not consider the setting up of a Nominations Committee as appropriate given that the appointment of directors to the Board is a matter which is reserved entirely to the Group's shareholders in terms of the Memorandum and Articles of Association of the Company.

In accordance with the Company's Memorandum and Articles of Association, pursuant to a call for nominations for election to the office of Director, by notice in at least two (2) daily newspapers, all shareholders are entitled to submit nominations for such an election and have at least fourteen (14) days to submit such nominations to the Company.

Principle 9: Relations with Shareholders and with the Market (Code Provision 9.3)

There are no procedures disclosed in the Company's Memorandum or Articles as recommended in Code Provision 9.3, to resolve conflicts between minority shareholders and controlling shareholders.

In order to afford protection to minority shareholders, the Chairman and Company Secretary ensure that sufficient contact is maintained with shareholders to understand issues and concerns. The Office of the Company Secretary maintains regular communication with investors and provides individual shareholders with the opportunity to raise matters at any time throughout the year, ask questions at the AGM or to submit written questions in advance. Furthermore, as provided by the Companies Act, minority shareholders may convene Extraordinary General Meetings.

D. INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Board is ultimately responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable, as opposed to absolute assurance against material misstatement or loss.

The Company operates through the Board of Directors and the Executive Committee with clear reporting lines and delegation of powers. The Board of Directors has adopted and implemented appropriate policies and procedures to manage risks and internal control. The Executive Committee plans, executes, controls and monitors business operations in order to achieve the set objectives.

The Directors, with the assistance of Management, are responsible for the identification, evaluation and management of the key risks to which the Company may be exposed. The Company has in place clear and consistent procedures in place for monitoring the system of internal financial controls. The Directors also receive periodic management information giving comprehensive analysis of financial and business performance including variances against the Group's set targets. This process is applicable specifically in relation to the Company's financial reporting framework.

The Audit Committee reviews and assesses the effectiveness of the internal control systems, including financial reporting, and determines whether significant internal control recommendations made by internal and external auditors have been implemented. The Committee plays an important role in initiating discussions with the Board with respect to risk assessment and risk management, reviews contingent liabilities and risks that may be material to the Group.

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

E. GENERAL MEETINGS

General meetings are called and conducted in accordance with the provisions contained in the Company's Articles of Association. As outlined previously, information on General Meeting is located in the Directors' Report.

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 the Company and in the context of the Company's business operations, the Company has been substantially 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 29 April 2013 and signed on its behalf by:

Albert Mizzi Chairman	Joseph A. Gasan Director

Remuneration statement

In accordance with the requirements of the Listing Rules, the Company has a Remuneration Committee. The current members of the Remuneration Committee are Mr. Joseph Said (Chairman), Mr. David G. Curmi and Mr. Jonathan Buttigieg, the latter having replaced Dr. Jesmond Manicaro who resigned from the Board of Directors on 26 June 2012.

This Committee's objectives are those of devising a remuneration policy aimed to attract, retain and motivate directors (executive and non-executive), as well as senior management with the right qualities and skills for the benefit of the Company. The Committee is responsible for making proposals to the Board on the individual remuneration packages of directors and senior management.

The Board of Directors approved the Remuneration Report on 29 April 2013.

Remuneration Policy – Directors

In terms of the Company's Memorandum and Articles of Association, the shareholders of the Company determine the maximum annual aggregate remuneration of the directors pursuant to their appointment to the Company's Board of Directors and in relation to services rendered pursuant to their appointment by the Board of Directors on the Board Committees.

At the 2012 Annual General Meeting, held on 26 June 2012, the shareholders of the Company resolved to set a maximum annual aggregate remuneration for the Directors of the Company, which was capped at fifty thousand euro (€50,000). The remuneration policy for directors, as adopted by the Company, also provides for the remuneration of directors pursuant to their nomination and appointment on Board Committees.

The Chairman is entitled to non-cash benefits through the employment of a chauffeur. Apart from such non-cash benefit, it is confirmed that none of the Directors, purely through their appointment as directors of the Company, are entitled to profit sharing, share options, pension benefits or any other remuneration from the Company.

Total Directors' remuneration for the financial year ended 31 December 2012 in respect of their office as Directors, are as detailed below.

Fixed Remuneration	Variable Remuneration	Share Options	Others
€43,200	None	None	Non-cash benefits referred to above

The amount disclosed above reflects the total Directors' emoluments paid during the period under review.

Remuneration statement - continued

Remuneration Policy – Senior Management

The term 'senior management' shall refer to the list of officers as set out within the Directors' report.

The Board of Directors, pursuant to the recommendations of the Remuneration Committee, considers that the packages offered to Senior Management, as exhaustively listed within this Annual Report, ensure that the Company attracts and retains management staff that is capable of fulfilling its duties and obligations. Furthermore, it is the Company's policy to engage its senior management group on the basis of indefinite contracts of employment after a period of probation, rather than on fixed term contracts. Accordingly, the applicable notice periods, after probation, are those provided for in the relevant legislation.

The terms and conditions of employment of senior management are specified in their respective indefinite contracts of employment. The Company's policy is such that none of the Company's senior management is entitled to any share options and/or profit sharing arrangements.

Mr. Edwin Borg is entitled to the equivalent of a full year's pay, as severance payment, should within three years following a change in control, his employment be terminated by Tignè Mall p.l.c. other than for any of the specific causes set out in the contract of employment or by the executive himself in the cases set out in the contract.

The individual contracts of employment of the other senior management staff do not contain provisions for termination payments and/or other payments linked to early termination other than as may be applicable in accordance with legal requirements.

It is confirmed that none of the senior management staff, through their employment with the Company, are entitled to profit sharing, share options, or pension benefits. Certain members of senior management are entitled to the use of a company car.

All employees of the Company are entitled to health and life insurance, whilst executives of the Company are entitled to reimbursement of telephone expenses.

Total emoluments received by Senior Management during the period under review are as detailed below, in terms of Code Provision 8.A.5 of the Listing Rules.

Fixed Remuneration	Variable Remuneration	Share Options	Others
€549,089	None	None	Non-cash benefits referred to above

Joseph Said
Chairman, Group Remuneration Committee
29 April 2013

pwc

Independent auditor's report

To the Shareholders of MIDI p.l.c.

Report on the Financial Statements for the year ended 31 December 2012

We have audited the consolidated and stand-alone parent company financial statements of MIDI p.l.c. (together the "financial statements") on pages 26 to 82, which comprise the consolidated and parent company statements of financial position as at 31 December 2012, and the consolidated and parent company statements of income , comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 8, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from 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 of financial statements that give a true and fair view 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 parent company as at 31 December 2012, and of their financial performance and their 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.

pwc

Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements

Report on the Statement of Compliance with the Principles of Good Corporate Governance

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 10 to 21 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Matters on which we are required to report by exception

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.

- the Listing Rules to review the statement made by the Directors 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

78 Mill Street
Qormi
Malta

F Axisa

Fabio Axisa
Partner

29 April 2013

Statements of financial position

		As at 31 December			
		Group		Company	
	Notes	**2012**	2011	**2012**	2011
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	5	**58,762,096**	58,493,415	**867,714**	883,989
Investment property	6	**30,319,170**	30,076,650	**30,319,170**	30,076,650
Investments in subsidiaries	7	**-**	-	**19,886,141**	19,886,141
Investment in joint venture	8	**-**	165,504	**1,500,000**	1,500,000
Available-for-sale financial assets	9	**516,869**	508,389	**516,869**	508,389
Trade and other receivables	11	**1,151,647**	910,581	**1,151,647**	910,581
Term placements with banks	12	**200,000**	2,221,817	**200,000**	2,221,817
Total non-current assets		**90,949,782**	92,376,356	**54,441,541**	55,987,567
Current assets					
Inventories – Development project	10	**126,538,354**	128,183,794	**126,814,344**	128,459,784
Trade and other receivables	11	**7,421,510**	4,290,258	**7,393,205**	11,344,291
Current tax assets		**2,675,786**	3,594,105	**2,658,444**	3,588,640
Term placements with banks	12	**2,521,817**	1,164,687	**2,521,817**	1,164,687
Cash at bank and in hand	13	**2,040,183**	2,820,577	**1,905,934**	1,821,703
Total current assets		**141,197,650**	140,053,421	**141,293,744**	146,379,105
Total assets		**232,147,432**	232,429,777	**195,735,285**	202,366,672

Statements of financial position - continued

		As at 31 December			
		Group		Company	
	Notes	**2012**	2011	**2012**	2011
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	**42,831,984**	42,831,984	**42,831,984**	42,831,984
Share premium	14	**15,878,784**	15,878,784	**15,878,784**	15,878,784
Hedging reserve	15	**(6,968)**	(34,226)	**(6,968)**	(34,226)
Property revaluation reserve	16	**1,062,209**	-	**-**	-
Investment fair value reserve	17	**16,869**	8,460	**16,869**	8,460
Retained earnings		**4,295,641**	6,182,530	**6,048,891**	8,188,608
Total equity		**64,078,519**	64,867,532	**64,769,560**	66,873,610
Non-current liabilities					
Trade and other payables	18	**25,529,660**	28,079,197	**24,638,873**	27,201,273
Borrowings	19	**83,801,431**	82,918,584	**50,269,652**	51,654,537
Deferred tax liabilities	20	**3,007,635**	3,349,582	**1,666,955**	2,891,179
Total non-current liabilities		**112,338,726**	114,347,363	**76,575,480**	81,746,989
Current liabilities					
Trade and other payables	18	**41,063,541**	40,323,827	**43,031,572**	43,534,385
Current tax liabilities		**307,974**	137,506	**-**	-
Borrowings	19	**14,358,672**	12,753,549	**11,358,673**	10,211,688
Total current liabilities		**55,730,187**	53,214,882	**54,390,245**	53,746,073
Total liabilities		**168,068,913**	167,562,245	**130,965,725**	135,493,062
Total equity and liabilities		**232,147,432**	232,429,777	**195,735,285**	202,366,672

The notes on pages 33 to 82 are an integral part of these Financial Statements.

The Financial Statements on pages 26 to 82 were authorised for issue by the Board on 29 April 2013 and were signed on its behalf by:

Albert Mizzi
Chairman

Joseph A. Gasan
Director

Income statements

		Year ended 31 December			
		Group		Company	
	Notes	**2012**	2011	**2012**	2011
		€	€	**€**	€
Revenue	21	**13,800,110**	37,049,949	**9,247,079**	32,938,327
Cost of sales	22	**(9,505,946)**	(27,908,970)	**(8,014,875)**	(26,141,091)
Gross profit		**4,294,164**	9,140,979	**1,232,204**	6,797,236
Administrative expenses	22	**(2,065,022)**	(1,851,407)	**(1,748,074)**	(1,571,336)
Other operating income		**86,053**	254,941	**81,453**	201,989
Operating profit/(loss)		**2,315,195**	7,544,513	**(434,417)**	5,427,889
Finance income	25	**111,905**	176,922	**123,571**	249,585
Finance costs	26	**(4,791,073)**	(4,538,202)	**(3,095,304)**	(2,996,884)
Share of loss of joint venture	8	**(165,504)**	(179,373)	**-**	-
Impairment charge on investment in joint venture	8	**-**	-	**-**	(500,000)
(Loss)/profit before tax		**(2,529,477)**	3,003,860	**(3,406,150)**	2,180,590
Tax income/(expense)	27	**642,588**	(1,240,071)	**1,266,433**	(885,991)
(Loss)/profit for the year		**(1,886,889)**	1,763,789	**(2,139,717)**	1,294,599
Earnings per share	28	**(0.009)**	**0.008**		

The notes on pages 33 to 82 are an integral part of these Financial Statements.

Statements of comprehensive income

		Year ended 31 December			
		Group		**Company**	
	Notes	**2012**	2011	**2012**	2011
		€	€	**€**	€
(Loss)/profit for the year		**(1,886,889)**	1,763,789	**(2,139,717)**	1,294,599
Other comprehensive income:					
Cash flow hedges, net of deferred tax	15	**27,258**	155,621	**27,258**	155,621
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	**1,062,209**	-	**-**	-
Gains from changes in fair value of available-for-sale financial assets	17	**8,409**	8,460	**8,409**	8,460
Total other comprehensive income		**1,097,876**	164,081	**35,667**	164,081
Total comprehensive income for the year		**(789,013)**	1,927,870	**(2,104,050)**	1,458,680

The notes on pages 33 to 82 are an integral part of these Financial Statements.

Statements of changes in equity

Group	Notes	Share capital €	Share premium €	Hedging reserve €	Property revaluation reserve €	Investment fair value reserve €	Retained earnings €	Total €
Balance at 1 January 2011		42,831,984	15,878,784	(189,847)	-	-	4,418,741	62,939,662
Comprehensive income								
Profit for the year		-	-	-	-	-	1,763,789	1,763,789
Other comprehensive income:								
Cash flow hedges, net of deferred tax	15	-	-	155,621	-	-	-	155,621
Gains from changes in fair value of available-for-sale financial assets	17	-	-	-	-	8,460	-	8,460
Total other comprehensive income		-	-	155,621	-	8,460	-	164,081
Total comprehensive income		-	-	155,621	-	8,460	1,763,789	1,927,870
Balance at 31 December 2011		**42,831,984**	**15,878,784**	**(34,226)**	**-**	**8,460**	**6,182,530**	**64,867,532**
Comprehensive income								
Loss for the year		-	-	-	-	-	(1,886,889)	(1,886,889)
Other comprehensive income:								
Cash flow hedges, net of deferred tax	15	-	-	27,258	-	-	-	27,258
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	-	-	-	1,062,209	-	-	1,062,209
Gains from changes in fair value of available-for-sale financial assets	17	-	-	-	-	8,409	-	8,409
Total other comprehensive income		-	-	27,258	1,062,209	8,409	-	1,097,876
Total comprehensive income		-	-	27,258	1,062,209	8,409	(1,886,889)	(789,013)
Balance at 31 December 2012		**42,831,984**	**15,878,784**	**(6,968)**	**1,062,209**	**16,869**	**4,295,641**	**64,078,519**

Statements of changes in equity - continued

Company	Notes	Share capital €	Share premium €	Hedging Reserve €	Investment fair value reserve €	Retained earnings €	Total €
Balance at 1 January 2011		42,831,984	15,878,784	(189,847)	-	6,894,009	65,414,930
Comprehensive income							
Profit for the year		-	-	-	-	1,294,599	1,294,599
Other comprehensive income:							
Cash flow hedges, net of deferred tax	15	-	-	155,621	-	-	155,621
Gains from changes in fair value of available-for-sale financial assets	17	-	-	-	8,460	-	8,460
Total other comprehensive income		-	-	155,621	8,460	-	164,081
Total comprehensive income		-	-	155,621	8,460	1,294,599	1,458,680
Balance at 31 December 2011		42,831,984	15,878,784	(34,226)	8,460	8,188,608	66,873,610
Comprehensive income							
Loss for the year		-	-	-	-	(2,139,717)	(2,139,717)
Other comprehensive income:							
Cash flow hedges, net of deferred tax	15	-	-	27,258	-	-	27,258
Gains from changes in fair value of available-for-sale financial assets	17	-	-	-	8,409	-	8,409
Total other comprehensive income		-	-	27,258	8,409	-	35,667
Total comprehensive income		-	-	27,258	8,409	(2,139,717)	(2,104,050)
Balance at 31 December 2012		**42,831,984**	**15,878,784**	**(6,968)**	**16,869**	**6,048,891**	**64,769,560**

The notes on pages 33 to 82 are an integral part of these Financial Statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	**2012**	2011	**2012**	2011
		€	€	**€**	€
Cash flows from operating activities					
Investment in development project		**(5,808,177)**	(11,979,985)	**(5,755,022)**	(11,870,290)
Working capital movements related thereto	29	**(4,885,744)**	(8,252,703)	**286,535**	(5,615,529)
Cash outflows on development project		**(10,693,921)**	(20,232,688)	**(5,468,487)**	(17,485,819)
Cash inflows from promise of sale agreements		**7,829,953**	20,423,997	**7,829,953**	20,423,997
Cash inflows from property rental and other management operations		**5,109,557**	6,254,289	**1,211,195**	857,415
Net operating expenditure		**(2,061,152)**	(1,857,407)	**(1,744,204)**	(1,577,336)
Net interest paid		**(4,625,195)**	(4,361,280)	**(2,917,760)**	(2,747,299)
Other income/(expenses)		**86,053**	49,241	**81,453**	(3,711)
Net income tax refunded		**802,790**	2,093,888	**957,727**	2,103,066
Net cash (used in)/generated from operating activities		**(3,551,915)**	2,370,040	**(50,123)**	1,570,313
Cash flows from investing activities					
Purchase of property, plant and equipment		**(88,703)**	(121,270)	**-**	(4,126)
Proceeds from disposal of property, plant and equipment		**-**	6,000	**-**	6,000
Investment in term placements with banks		**-**	(3,186,504)	**-**	(3,186,504)
Proceeds from maturity of term placements with banks		**1,164,687**	4,000,000	**1,164,687**	4,000,000
Net cash generated from investing activities		**1,075,984**	698,226	**1,164,687**	815,370
Cash flows from financing activities					
Proceeds from bank borrowings		**6,158,664**	8,221,442	**3,158,667**	8,221,442
Repayments of bank and other borrowings		**(3,963,056)**	(12,006,949)	**(3,688,929)**	(11,804,489)
Funds allocated to cash reserve earmarked for repayment of bonds		**-**	(500,000)	**-**	(500,000)
Net cash generated from/(used in) financing activities		**2,195,608**	(4,285,507)	**(530,262)**	(4,083,047)
Net movement in cash and cash equivalents		**(280,323)**	(1,217,241)	**584,302**	(1,697,364)
Cash and cash equivalents at beginning of year		**2,320,506**	3,537,747	**1,321,632**	3,018,996
Cash and cash equivalents at end of year	13	**2,040,183**	2,320,506	**1,905,934**	1,321,632

The notes on pages 33 to 82 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. These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention as modified by the fair valuation the land and buildings class of property, plant and equipment, investment property, available-for-sale financial assets and derivative financial instruments.

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).

1.1.1 Assessment of going concern assumption

MIDI p.l.c. has registered a consolidated loss before tax amounting to €2,529,477 (2011: profit of €3,003,860) during the financial year ended 31 December 2012. The Group's total assets exceeded its total liabilities by €64,078,519 (2011: €64,867,532) as at 31 December 2012.

The Group has been reviewing its financing arrangements to ensure that it is in a position to meet its operational and cash flow commitments throughout the twelve month period subsequent to 31 December 2012. During the current financial year, the Group's bankers and a number of Restricted Shareholders have confirmed their willingness to support the Group's financial requirements.

MIDI Group continued to review its funding strategy in the context of the timing of the different development stages of the Tigné Point and Manoel Island project to sustain its long-term development plans. The Group's liquidity and capital management programmes comprise: i) monitoring the feasibility of the different project phases based on net cash inflows and income streams; ii) reviewing the sustainability of the carrying amount of assets allocated to the respective phases; and iii) assessing the appropriate funding mix to be applied to each phase. The outcome of the review of the Group's funding programmes in the longer-term could potentially result in changes to the existing or projected use of the asset base pertaining to the different phases of the Tigné Point and Manoel Island project to leverage the underlying cash flow streams.

Subsequent to 31 December 2012, as a result of the review highlighted above, the Company's directors resolved to sell the Group's shareholding in Tigné Mall Limited (Tigné Mall p.l.c. with effect from 1 March 2013 subsequent to conversion into public limited liability company), which is the company that owns and operates 'The Point' shopping mall. The disposal of this shareholding will release significant financial capital, amounting to €20.9 million, back into MIDI and will also strengthen the Company's financial capabilities to enable it to fulfill its current plans. MIDI will be reducing its aggregate borrowings in order to be in a position to raise additional financing for the development of both T17 residential phases. The disposal process has been completed by the date of authorisation for issue of these Consolidated Financial Statements. The Group will be in a strengthened position to deliver on its principal activity i.e. that of development and sale of residential and commercial property at Tigné Point and Manoel Island.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

1.1.1 Assessment of going concern assumption - continued

The Group's projected equity levels are also being assessed in the context of the future project phases, focusing on the relationship between the amount of borrowings and shareholders' equity.

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

1.1.2 Standards, interpretations and amendments to published standards effective in 2012

In 2012, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2012. 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.

1.1.3 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 2012. 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.

Amendment to IAS 1, 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether subsequently, they are potentially reclassifiable to profit or loss (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards.

1. Summary of significant accounting policies - continued

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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate Financial Statements, investments in subsidiaries are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the subsidiaries are reflected in the Company's separate Financial Statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated Financial Statements are presented in euro, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings, comprising mainly 'The Point' shopping mall, are shown at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

Land is depreciated over the remaining term of property interest. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	2012	2011
	%	%
Buildings	1	1
Plant and integral assets:		
Electrical and plumbing installations	3 – 8	2 - 10
Plant, machinery and operational equipment	2 - 15	4 – 6.67
Office equipment, furniture, fittings and other assets	10 - 33.33	10 - 33.33
Motor vehicles	20	20

Assets in course of construction are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made. Investment property principally comprises land and buildings.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

These valuations are reviewed annually by professional valuers. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

For a transfer from inventories to investment property, arising on changes in intended use as evidenced by commencement of an operating lease arrangement rather than sale, any difference between the fair value at the transfer date and its previous carrying amount within inventories shall be recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 Investment in joint venture

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

Investments in jointly controlled entities are accounted for at cost less impairment losses in the Company's separate Financial Statements. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the joint venture are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.8 Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, term placements with banks and cash and cash equivalents in the statement of financial position (notes 1.10 and 1.11).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months from the end of the reporting period.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

Recognition and measurement
The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are recognised on the settlement date, which is the date on which an asset is delivered to or by the Group. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the asset. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the asset and other changes in the carrying amount of the asset. The translation differences on monetary assets are recognised in profit or loss; translation differences on non-monetary assets are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary assets classified as available-for-sale are recognised in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

When assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within 'investment and other related income'.

Dividends on available-for-sale equity instruments are recognised in profit or loss within 'investment and other related income' when the Group's right to receive payments is established.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

(a) Assets carried at amortised cost
For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

Impairment - continued

(b) Assets classified as available for sale
In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1.9 Inventories – Development project

The main object of the Group is the development of a large area of land acquired; this development is intended in the main for resale purposes, and is accordingly classified in the Financial Statements as inventories. Any elements of the project which are identified for business operation within the Group's activities or long-term investment purposes are transferred at their carrying amount to property, plant and equipment or investment property when such identification is made and the cost thereof can be reliably segregated.

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.13 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.14 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

1. Summary of significant accounting policies - continued

1.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as part of borrowing costs over the period of the borrowings and accounted for as follows:

(i) Borrowing costs that are directly attributable to the development project are capitalised as part of the cost of the project and are included in its carrying amount. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare any distinct part of the project for its sale or intended use are completed. Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.
(ii) All other borrowing costs are recognised in profit or loss as incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.17 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. Summary of significant accounting policies - continued

1.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales taxes, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met as described below.

Sales of property are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the Group's obligations relating to the property are completed such that possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the Financial Statements, due to the fact that the significant risks and rewards of ownership still pertain to the Group, are treated as payments received on account and presented within trade and other payables.

Revenue from services is generally recognised in the period during which the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

1.19 Derivative financial instruments and hedging

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair values of derivative contracts are mainly based on dealer quotes obtained at the end of the reporting period from the Group's counterparties. The fair value of cross-currency interest rate swaps is mainly based on the present value of the estimated future cash flows.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability if the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

1. Summary of significant accounting policies - continued

1.19 Derivative financial instruments and hedging - continued

On the date a derivative contract is entered into, the Group designates certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met. Under the requirements of IAS 39, the criteria for a derivative instrument to be accounted for as a cash flow hedge include:

- formal documentation of the hedging instrument, hedging item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

Accordingly, the Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. This process includes linking derivatives designated as hedges to specific assets and liabilities or to specific forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the hedging reserve within equity in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. Where the forecast transaction results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are reclassified from equity as a reclassification adjustment and included in the initial measurement of the cost of the asset or liability. Otherwise amounts deferred in equity are reclassified to profit or loss as a reclassification adjustment and presented as revenue or expense in the periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss when the hedged forecast transaction affects profit or loss. However, if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

1.20 Operating leases

(a) An undertaking is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) An undertaking is the lessor

Assets leased out under operating leases are included in property, plant and equipment or investment property in the statement of financial position and are accounted for in accordance with accounting policies 1.4 and 1.5 respectively. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1. Summary of significant accounting policies - continued

1.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Financial risk management

2.1 Financial risk factors

The activities of the Group, of which the Company forms part, potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective Company's financial performance. The parent Company's Board of Directors provides principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. In order to manage exposures to risks arising from fluctuations in currency exchange rates and interest rates, the Group made use of derivative financial instruments during the year. The general hedging policy guidelines regarding currency and interest rate risks are set by the Board and the Company's finance department is responsible for implementation of these hedging policies. The respective derivative transactions are concluded only with first rate counterparties.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. The Group is exposed to foreign exchange risk with respect to bonds issued to the public which are denominated in sterling. The Company has hedged the foreign exchange cash flow exposure on the interest and principal of the bonds by entering into a fixed to fixed euro/sterling cross currency interest rate swap with a local financial institution. Except as outlined above, the Group's revenues, operating and development expenditure and financial assets and liabilities, including financing, are denominated in euro. Accordingly, the Group is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The Group's significant instruments which are subject to fixed interest rates comprise term placements with banks (Note 12), borrowings from related parties (Note 19) and the bonds issued to the general public (Note 19). In this respect, the Group is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost. The Group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 19) which expose the Group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on borrowings costs in respect of these liabilities. Based on this analysis, management considers the potential impact of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. The Group's operating cash flows are substantially independent of changes in market interest rates.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

The Group is not significantly exposed to credit risk arising in the course of its principal activity relating to sale of residential units in view of the manner in which promise of sale agreements are handled through receipt of payments on account at established milestones up to delivery (see Note 18). The Group monitors the performance of the purchasers throughout the term of the related agreement in relation to meeting contractual obligations and ensures that contract amounts are fully settled prior to delivery.

Credit risk arises from cash and cash equivalents, other deposits with banks and receivables, which constitute the Group's loans and receivables category for IAS 39 categorisation purposes. The Group's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Group		**Company**	
	2012	2011	**2012**	2011
	€	€	**€**	€
Loans and receivables category				
Trade and other receivables (Note 11)	**7,421,510**	4,290,258	**7,393,205**	11,344,291
Term placements with banks (Note 12)	**2,721,817**	3,386,504	**2,721,817**	3,386,504
Cash and cash equivalents (Note 13)	**2,040,183**	2,820,577	**1,905,934**	1,821,703
	12,183,510	10,497,339	**12,020,956**	16,552,498

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

Group undertakings bank only with local financial institutions with high quality standing or rating. During the year ended 31 December 2009, the Group entered into a derivative with such an institution (Note 19).

The Group's receivables mainly comprise recoverable expenses incurred on behalf of contractors and receivables in respect of rental operations. With respect to rental operations, the Group invoices its customers quarterly in advance and assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history. The Group monitors the performance of these assets on a regular basis. These 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 significant past due or impaired financial assets other than past due receivables amounting to €589,723, in respect of rental activities, which are overdue by three months.

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 18 and 19). One of the Group's principal liabilities consists of the liability towards the Government in respect of the temporary emphyteusis, which comprises cash payments and obligations through the performance of restoration and infrastructural work at Manoel Island and Tigné Point.

Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations. The Group's liquidity risk is managed actively by management. Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows from development and operation of the different phases of the project at Tigné Point and Manoel Island. This includes reviewing the matching or otherwise of expected cash inflows and outflows arising from expected maturities of financial instruments in relation to the distinct project phases.

The Group has been reviewing its financing arrangements to ensure that it is in a position to meet its operational and cash flow commitments. During the current financial year, the Group's bankers and a number of Restricted Shareholders have confirmed their willingness to support the Group's financial requirements.

MIDI Group continued to review its funding strategy in the context of the timing of the different development stages of the Tigné Point and Manoel Island project to sustain its long-term prospects. As outlined previously, subsequent to 31 December 2012, the Company's directors resolved to sell the Group's shareholding in Tigné Mall Limited, which is the company that owns and operates 'The Point' shopping mall. The disposal of this shareholding will release significant financial capital, amounting to €20.9 million, back into MIDI. MIDI will be reducing its aggregate borrowings (refer to Note 33) such that it will be in a position to raise additional financing for the development of other project phases.

Liquidity risk is not deemed significant in the opinion of the Directors, taking cognisance of the short-term funding arrangements together with the Group's long-term liquidity management.

The Group's trade and other payables (Note 18), other than the liability towards the Government and certain other payables, are principally repayable within one year from the end of the reporting period. Payments received on account under promise of sale agreements do not give rise to cash outflows but would be utilised upon delivery of the related apartments in the expected time bands as disclosed in the related note. The table below analyses the Group's other principal non-derivative financial liabilities into relevant maturity groupings based on the remaining period at year end 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. These cash flows have been reflected in the bands below on the basis of the contractual terms of the arrangements (refer to Note 19).

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

Group	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2012					
Bank borrowings	16,672,242	7,353,188	20,459,420	26,100,705	70,585,555
7% Bonds 2016 - 2018	2,800,000	2,800,000	8,400,000	42,677,260	56,677,260
Due to Government in relation to purchase of land	27,232,704	2,329,373	6,988,120	29,509,272	66,059,469
Other non-current liabilities	35,488	298,802	373,193	391,953	1,099,436
At 31 December 2011					
Bank borrowings	15,450,412	13,702,372	16,324,905	20,430,541	65,908,230
7% Bonds 2016 - 2018	2,800,000	2,800,000	8,400,000	45,477,260	59,477,260
Due to Government in relation to purchase of land	23,855,113	2,329,373	6,988,120	34,068,827	67,241,433
Other non-current liabilities	61,012	34,471	614,106	422,301	1,131,890

Company	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2012					
Bank borrowings	12,544,784	4,065,884	7,500,351	-	24,111,019
7% Bonds 2016 - 2018	2,800,000	2,800,000	8,400,000	42,677,260	56,677,260
Due to Government in relation to purchase of land	27,232,704	2,329,373	6,988,120	29,509,272	66,059,469
Other non-current liabilities	2,794	2,794	97,167	-	102,755
At 31 December 2011					
Bank borrowings	11,449,384	9,366,301	3,316,692	-	24,132,377
7% Bonds 2016 - 2018	2,800,000	2,800,000	8,400,000	45,477,260	59,477,260
Due to Government in relation to purchase of land	23,855,113	2,329,373	6,988,120	34,068,827	67,241,433
Other non-current liabilities	1,777	1,777	62,784	35,000	101,338

The table below analyses the Group's and the Company's gross settled derivative financial liabilities, consisting of a cross currency interest rate swap contract, into relevant maturity groupings based on the remaining period at 31 December 2012 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

Group and Company	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2012					
- Outflows	564,456	564,456	8,629,906	-	9,758,818
- Inflows	606,421	606,421	9,849,044	-	11,061,886
At 31 December 2011					
- Outflows	564,456	564,456	9,194,362	-	10,323,274
- Inflows	592,482	592,482	10,215,138	-	11,400,102

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents and other term placements with banks. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Total borrowings	**98,160,103**	95,672,133	**61,628,325**	61,866,225
Less:				
- cash and cash equivalents	**(2,040,183)**	(2,820,577)	**(1,905,934)**	(1,821,703)
- term placements with banks	**(2,721,817)**	(3,386,504)	**(2,721,817)**	(3,386,504)
- reserve classified as available-for-sale investments for the eventual repayment of the bonds (Note 9)	**(316,869)**	(308,389)	**(316,869)**	(308,389)
Net debt	**93,081,234**	89,156,663	**56,683,705**	56,349,629
Total equity	**64,078,519**	64,867,532	**64,769,560**	66,873,610
Total capital	**157,159,753**	154,024,195	**121,453,265**	123,223,239
Gearing ratio	**59.2%**	57.9%	**46.7%**	45.7%

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.

The Group's projected equity levels are being assessed in the context of the future project phases, focusing on the relationship between the amount of borrowings and shareholders' equity. As outlined previously, MIDI Group is reviewing its funding strategy in the context of the timing of the different development stages of the Tigné Point and Manoel Island project to sustain its long-term prospects. In this respect, the disposal of the Group's shareholding in Tigné Mall Limited (the company that owns and operates 'The Point' shopping mall), subsequent to 31 December 2012, will release significant financial capital, amounting to €20.9 million, back into MIDI. MIDI will also be reducing in a significant manner its aggregate borrowings (refer to Note 33 for further information). In view of the Group's activities comprised within its liquidity and capital management programmes, the development stage of the distinct phases and the extent of projected borrowings or financing, the capital level as at the end of the financial reporting period is currently deemed adequate by the Directors.

2.3 Fair values of financial instruments

At 31 December 2012 and 2011 the carrying amounts of other financial instruments, comprising cash at bank, receivables, payables, accrued expenses and short-term borrowings approximated their fair values in view of the nature of the instruments or their short-term maturity. The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of the Group's bank and other borrowings (Note 19) as at the end of the reporting period is not materially different from the carrying amounts. Information on the fair value of the bonds issued to the public is disclosed in Note 19 to the Financial Statements.

The fair value of derivative financial instruments is determined in accordance with the Group's accounting policy disclosed in accounting policy 1.19. Fair values are determined using discounted cash flow techniques based entirely on observable market data at the end of the reporting period (see Note 15). Accordingly the derivative contract is categorised as Level 2 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'. The Directors have assessed the fair value of the amount due to Government in relation to purchase of land (see Note 18) by reference to the original discount rate applied upon completion of the deed (see Note 10) adjusted by changes recorded since then at end of the reporting period in the yields to maturity of long term Malta Government securities with tenor similar to the repayment terms of the liability towards the Government. On this basis, the fair value at 31 December 2012 of the amount due to Government with respect to the purchase of land amounted to €51.3 million (2011: €53.1 million).

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.

3. Critical accounting estimates and judgements - continued

As referred to in Notes 5 and 6 to the financial statements, the Group's land and buildings category of property, plant and equipment and its investment property are fair valued on 31 December on the basis of professional advice, which considers current market prices for the property. As furthermore referred to in Note 5, during the current financial year the directors have reviewed and revised the estimated useful lives of the different classes of property, plant and equipment based on technical advice received.

4. Activities of the Group - segment information

The MIDI Consortium was granted a letter of intent by the Government of Malta in December 1992 for the development of the Manoel Island and Tigné Point project. Project negotiations were successfully concluded and a 99 year emphyteutical grant was entered into with Government on 15 June 2000. Works at Tigné Point commenced in 2000 and a number of phases have been completed since then. During the financial year ended 31 December 2012, development works were limited to the finalisation of the Pjazza apartments. Full development permits for the T17 residential blocks and the T14 office block were issued during the current financial year and accordingly MIDI has concentrated its efforts on the project development planning of the Tigné North Phase which will include the aforementioned residential and office blocks as well as some commercial offerings.

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

- development and sale of property, which comprises primarily the construction and sale of residential units within Tigné Point and Manoel Island Project; and
- property rental and management, which currently involves the leasing and management of retail space within 'The Point' shopping mall together with the rental of other areas within the project.

The Board of Directors assesses the performance of the segments on the basis of segment operating results, before financing costs and tax impact. The financial information for the reportable segments in relation to the years ended 31 December 2012 and 2011 is as follows:

	Development and sale of property		**Property and rental management**		**Group**	
	2012	2011	**2012**	2011	**2012**	2011
	€	€	**€**	€	**€**	€
Segment revenue	**8,079,629**	31,971,635	**5,720,481**	5,078,314	**13,800,110**	37,049,949
Segment results - operating (loss)/profit	**(1,692,440)**	4,384,220	**4,007,635**	3,160,294	**2,315,195**	7,544,514

5. Property, plant and equipment

Group	Land and buildings €	Plant and integral assets €	Office equipment, furniture and fittings €	Motor vehicles €	Total €
At 1 January 2011					
Cost	44,951,209	14,821,829	2,404,257	26,455	62,203,750
Accumulated depreciation	(631,537)	(571,189)	(913,173)	(26,455)	(2,142,354)
Net book amount	44,319,672	14,250,640	1,491,084	-	60,061,396
Year ended 31 December 2011					
Opening net book amount	44,319,672	14,250,640	1,491,084	-	60,061,396
Additions	59,269	23,943	38,058	-	121,270
Disposals	(14,789)	-	-	(26,455)	(41,244)
Depreciation charge	(777,039)	(762,816)	(134,607)	-	(1,674,462)
Depreciation released on disposals	-	-	-	26,455	26,455
Closing net book amount	43,587,113	13,511,767	1,394,535	-	58,493,415
At 31 December 2011					
Cost	44,995,689	14,845,772	2,442,315	-	62,283,776
Accumulated depreciation	(1,408,576)	(1,334,005)	(1,047,780)	-	(3,790,361)
Net book amount	43,587,113	13,511,767	1,394,535	-	58,493,415
Year ended 31 December 2012					
Opening net book amount	43,587,113	13,511,767	1,394,535	-	58,493,415
Additions	-	60,653	28,050	-	88,703
Reclassifications	(1,691,955)	1,554,957	136,998	-	-
Adjustments	-	(65,797)	-	-	(65,797)
Revaluation surplus arising during the year	1,634,169	-	-	-	1,634,169
Depreciation charge	(577,081)	(675,492)	(135,821)	-	(1,388,394)
Closing net book amount	**42,952,246**	**14,386,088**	**1,423,762**	**-**	**58,762,096**
At 31 December 2012					
Cost or valuation	43,017,738	16,395,585	2,607,363	-	62,020,686
Accumulated depreciation	(65,492)	(2,009,497)	(1,183,601)	-	(3,258,590)
Net book amount	**42,952,246**	**14,386,088**	**1,423,762**	**-**	**58,762,096**

5. Property, plant and equipment - continued

Based on technical advice received from an international firm of construction and property consultants, on 1 January 2012 the carrying amount of certain items of plant and equipment was reclassified from the ‘land and buildings’ class to the ‘plant and other integral assets’ and ‘office equipment, furniture and fittings’ classes. The effect of this reclassification on the financial results of the Group for the year under review and on the financial position at the end of the reporting period was an increase in the Group’s depreciation charge of €65,708, and an equivalent decrease in the net assets.

The Group’s principal property (land and buildings together with all other integral assets together comprising The Point Shopping Mall) was revalued on 31 December 2012 by independent professionally qualified valuers. The valuation was made on the basis of open market value. The book value of the property has been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, has been credited to the revaluation reserve in shareholders’ equity (refer to Note 16). The valuation, which was prepared in line with the RICS Valuation - Professional Standards, was determined on the basis of market value by evaluating the property with reference to its trading potential as a fully equipped operational entity. The market value is based on the future income that a Reasonably Efficient Operator (REO) would expect to be able to realise from operation of the property. The expert valuation considers the free cash flows arising from the projected income streams that a REO could be expected to derive from the operation of the Property over the duration of the sub-emphyteutical period. These projected free cash flows were discounted to present value using an estimate of the weighted average cost of capital that would be available to a REO for financing such an operation.

If the group’s land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2012 **€**	2011 €
Cost	**43,505,019**	45,196,974
Accumulated depreciation	**(1,978,340)**	(1,401,259)
Net book amount	**41,526,679**	43,795,715

Based on the technical advice referred to previously, during the current financial year the directors have reviewed the estimated remaining useful life of the different classes of property, plant and equipment so as to reflect fairly the impact of depreciation periods in the Group’s financial statements. As a result of this process, the useful life of these assets has been revised (refer to accounting policy 1.3) with effect from 1 January 2012. The effect of this change in accounting estimate on the financial results of the Group for the year under review and on the financial position at the end of the reporting period was a decrease in the Group’s depreciation charge of €355,984, and an equivalent increase in the net assets. The resultant decreased depreciation charge has been included in the determination of the financial results for the applicable financial year in accordance with the requirements of IAS 8. This change in accounting estimate affects the depreciation charge in each period during the remaining useful life of the assets and these impacts will be recognised in the future periods accordingly.

Bank borrowings are secured on the Group’s property, plant and equipment (Note 19).

5. Property, plant and equipment - continued

	Buildings €	Office equipment, furniture and fittings €	Motor vehicles €	Total €
Company				
At 1 January 2011				
Cost	902,624	349,204	26,455	1,278,283
Accumulated depreciation	(48,475)	(292,423)	(26,455)	(367,353)
Net book amount	854,149	56,781	-	910,930
Year ended 31 December 2011				
Opening net book amount	854,149	56,781	-	910,930
Additions	-	4,126	-	4,126
Disposals	(14,789)	-	(26,455)	(41,244)
Depreciation charge	(8,138)	(8,140)	-	(16,278)
Depreciation released on disposals	-	-	26,455	26,455
Closing net book amount	831,222	52,767	-	883,989
At 31 December 2011				
Cost	887,835	353,330	-	1,241,165
Accumulated depreciation	(56,613)	(300,563)	-	(357,176)
Net book amount	831,222	52,767	-	883,989
Year ended 31 December 2012				
Opening net book amount	831,222	52,767	-	883,989
Depreciation charge	(8,878)	(7,397)	-	(16,275)
Closing net book amount	**822,344**	**45,370**	**-**	**867,714**
At 31 December 2012				
Cost	887,835	353,330	-	1,241,165
Accumulated depreciation	(65,491)	(307,960)	-	(373,451)
Net book amount	**822,344**	**45,370**	**-**	**867,714**

6. Investment property

	Group and Company	
	2012	2011
	€	€
Year ended 31 December		
Opening carrying amount	**30,076,650**	24,784,666
Reclassifications from Inventories - Development Project	**-**	4,297,099
Additions	**242,520**	994,885
Closing carrying amount	**30,319,170**	30,076,650
At 31 December		
Cost and carrying amount	**30,319,170**	30,076,650

During the year ended 31 December 2011, the Group reclassified certain costs, originally recognised within inventories, which were deemed to be directly attributable to certain parts or areas of the project already categorised as investment property, as reflected in the table above.

The properties are held for long-term rental yields or for capital appreciation purposes.

In the opinion of the Directors, the fair value of investment property at the end of the reporting period is not materiality different from its carrying amount.

Bank borrowings are secured on the Group's investment property (Note 19).

7. Investments in subsidiaries

	Company	
	2012	2011
	€	€
At 1 January	**19,886,141**	7,249,208
Additions	**-**	12,636,933
At 31 December	**19,886,141**	19,886,141

During the preceding financial year, the Company increased its investment in Tigné Mall Limited, which entity capitalised balances due to the parent amounting to €12,636,933 (Note 11).

The subsidiaries at 31 December 2012 and 2011, 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%**

7. Investments in subsidiaries - continued

Group undertaking	Registered office	Class of shares held	Percentage of shares held
Tigné Mall Limited	The Point Shopping Mall Management Suite Pjazza Tigné Point Sliema, Malta	Ordinary shares	**99%**
Tigné Point Marketing Limited	North Shore Manoel Island, Malta	Ordinary shares	**99%**

All shareholdings are held directly by MIDI p.l.c..

Subsequent to the end of the reporting period the directors of Tigné Mall Limited initiated a process of conversion into a public limited company. On 22 February 2013, MIDI p.l.c. announced its intentions to offer for sale all its shareholding in Tigné Mall Limited. As a result, Tigné Mall Limited will no longer form part of the Group. Refer to Note 33 for further details.

8. Investment in joint venture

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Year ended 31 December				
Opening carrying amount	**165,504**	344,877	**1,500,000**	2,000,000
Share of loss for the year	**(165,504)**	(179,373)	**-**	-
Impairment charge	**-**	-	**-**	(500,000)
Closing carrying amount	**-**	165,504	**1,500,000**	1,500,000
At 31 December				
Cost	**2,000,000**	2,000,000	**2,000,000**	2,000,000
Share of profits and reserves	**(2,000,000)**	(1,834,496)	**-**	-
Provisions for impairment	**-**	-	**(500,000)**	(500,000)
Carrying amount	**-**	165,504	**1,500,000**	1,500,000

The Group had entered into a joint venture - Solution & Infrastructure Services Limited (S.I.S. Ltd.) with Siemens S.p.A.. The principal business objective of S.I.S. Ltd., which is not listed, is to install and maintain a fixed network of communication and data services, and provide similar services to consumers.

8. Investment in joint venture - continued

The jointly-controlled entity has registered financial losses since inception; the entity is implementing an operational and financial plan aimed at improving financial results. During the year ended 31 December 2011, the Company impaired its investment in the jointly-controlled entity in the stand-alone financial statements by reference to the estimated recoverable amount determined on the basis of value in use. The value in use computation focused on the three year cash flow projections of the investee with prudent assumptions in relation to long-term growth rates underlying terminal value and discount rate. As at 31 December 2012, the Directors reviewed the estimated recoverable amount of the investment determined on the basis of value in use, and no further impairment charges were deemed necessary.

The Group's share of results of the joint venture as at 31 December and its share of the assets and liabilities are shown as follows:

	Assets	Liabilities	Revenues	Loss
	€	€	€	€
2012				
Solution & Infrastructure Services Limited	**3,255,401**	**3,289,806**	**1,301,449**	**(166,161)**
2011				
Solution & Infrastructure Services Limited	3,504,929	3,339,425	1,442,448	(179,373)

9. Available-for-sale financial assets

	Group and Company	
	2012	2011
	€	€
Year ended 31 December		
Opening carrying amount	**508,389**	200,000
Additions at cost	**-**	299,929
Gains from changes in fair value	**8,480**	8,460
Closing carrying amount	**516,869**	508,389
At 31 December		
Cost	**499,929**	499,929
Fair value gains	**16,940**	8,460
Carrying amount	**516,869**	508,389

The Group's available-for-sale investments, which are fair valued annually, consist of:

a) equity investments amounting to €200,000 in an unlisted local private company; and

b) debt securities with a cost amounting to €299,929, comprising Malta Government securities subject to fixed rates of interest ranging from 4.25% to 5.20% and having maturity dates between 2017 and 2031.

9. Available-for-sale financial assets - continued

The fair value of the equity investments is estimated by reference to the net asset backing of the investee. At the end of the reporting period, the cost of these investments approximates fair value and no movements have been reflected directly in equity in other comprehensive income.

The fair value of the debt securities at the end of the reporting period, amounting to €316,869 (2011: €308,389), is based on the market value of the instruments as quoted on the Malta Stock Exchange as at the year end. These debt securities form part of the reserve held under trust arrangement earmarked for the eventual repayment of the Company's bonds (see Note 19).

The Group is not exposed to significant credit risk and price risk in respect of available-for-sale investments taking into account the level of such investments. Considering the nature and amount of such available-for-sale investments, sufficient information on fair values has been provided in this note.

10. Inventories – Development project

The main object of the Group is the development of a large area of land at Manoel Island and Tigné Point, acquired from the Government of Malta for this purpose by virtue of a 99 year emphyteutical grant entered into on 15 June 2000. This development is intended in the main for resale purposes. Construction works during the year ended 31 December 2012, reflected within the table below, were concentrated in commercial and residential areas which principally comprise the Plaza Block apartments and the basement levels of the majority of the areas comprising the Tigné North phase.

During the years ended 31 December 2012 and 2011, the Group completed and transferred to the purchasers, residential units constructed on Tigné Point. The cost allocated to these apartments was recognised within cost of sales in profit or loss. During the year ended 31 December 2011, the Group reclassified certain costs, originally recognised within inventories, which are deemed to be directly attributable to certain parts or areas of the project already categorised as investment property (Note 6).

10. Inventories – Development project - continued

The carrying amount of works on the project are also presented as inventories at Company level, notwithstanding the fact that certain expenditure was carried out by another group undertaking, to reflect the substance of the arrangement in place between MIDI p.l.c. and this other group undertaking. Costs incurred on the project up to 31 December 2012 and 2011 comprised:

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Purchase cost of land (see note below):				
- At 1 January	**29,405,305**	32,408,677	**29,405,305**	32,408,677
- Transferred to cost of sales	**(865,838)**	(3,003,372)	**(865,838)**	(3,003,372)
- At 31 December	**28,539,467**	29,405,305	**28,539,467**	29,405,305
Cost of design works and other studies, demolition, excavation, construction and restoration works and other expenses incurred:				
- At 1 January	**63,866,617**	81,697,706	**64,142,607**	81,973,696
- Additions for the year	**2,978,592**	8,602,739	**2,978,592**	8,602,739
- Transferred to cost of sales	**(6,113,075)**	(22,136,729)	**(6,113,075)**	(22,136,729)
- Transferred to investment property	**-**	(4,297,099)	**-**	(4,297,099)
- At 31 December	**60,732,134**	63,866,617	**61,008,124**	64,142,607
Borrowing costs attributable to the project:				
- At 1 January	**34,911,872**	32,829,279	**34,911,872**	32,829,279
- Imputed interest (see note below)	**1,969,956**	1,959,003	**1,969,956**	1,959,003
- Bank and other interest	**1,125,076**	1,178,861	**1,125,076**	1,178,861
- Transferred to cost of sales	**(740,151)**	(1,055,271)	**(740,151)**	(1,055,271)
- At 31 December	**37,266,753**	34,911,872	**37,266,753**	34,911,872
	126,538,354	128,183,794	**126,814,344**	128,459,784

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 18).

Borrowing costs arising from bank and other borrowings capitalised within inventories are reflected within the table above. A capitalisation rate of 7% (2011: 6.95%) was utilised in this respect.

11. Trade and other receivables

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Current				
Receivables in respect of rental operations	**1,845,848**	1,177,700	**213,804**	200,325
Amounts owed by subsidiaries	**-**	-	**3,503,235**	9,275,567
Amounts owed by joint venture	**1,763,145**	655,678	**1,727,610**	655,678
Amounts owed by other related parties	**839,748**	554,392	**-**	-
Recoverable expenses incurred on behalf of contractors	**1,446,016**	1,110,156	**1,322,343**	953,664
Other receivables	**499,798**	347,902	**-**	-
Prepayments and accrued income	**1,026,955**	444,430	**626,213**	259,057
	7,421,510	4,290,258	**7,393,205**	11,344,291
Non-current				
Derivative financial instruments (Note 19)	**1,151,647**	910,581	**1,151,647**	910,581

The Company has hedged the foreign exchange cash flow exposure on the interest and principal of the bonds issued which are denominated in sterling by entering into a fixed to fixed euro/sterling cross currency interest rate swap. Cash flow hedge accounting rules have been applied in accordance with the Group's accounting policy and a hedging reserve has been recognised (refer to Note 15). The notional amount of the contract is €7,526,080 (£7,070,000) and the principal amounts will be re-exchanged upon maturity of the contract on 15 December 2018. On 15 December of each year, fixed interest amounts determined by reference to the notional referred to above will be exchanged with the Company receiving 7% of the sterling notional amount and paying 7.5% of the euro equivalent.

Amounts owed by subsidiaries as at 31 December 2012 are unsecured, interest free and repayable on demand. Amounts owed by subsidiaries as at 31 December 2011 were unsecured, interest free and repayable on demand, with the exception of an amount of €5,819,105 which was subject to a fixed interest rate of 5.5% per annum.

During the year ended 31 December 2011, amounts owed by subsidiary amounting to €12,636,933 were converted as an investment in the subsidiary as the investee capitalised the amount as an equity injection (Note 7).

Amounts owed by joint venture and other related parties are unsecured, interest free, and repayable on demand.

Receivables in respect of rental operations include €93,307 (2011: €86,643) due from related parties.

12. Term placements with banks

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Current				
Deposits with banks	**2,521,817**	1,164,687	**2,521,817**	1,164,687
Non-current				
Deposits with banks	**200,000**	2,221,817	**200,000**	2,221,817

At 31 December 2012, the Group's outstanding term placements with banks comprise an amount of €700,000 which constitutes an intrinsic part of the cash reserves held under trust agreement earmarked for the eventual repayment of the bonds (see Note 19). The other amounts relate to placements that are pledged as collateral to secure amount due to Government in relation to purchase of land (refer to Note 18).

The weighted average effective interest rate applicable as at 31 December 2012 was 1.9% (2011: 1.6%) for deposits maturing within one year and 3.0% (2011: 2.0%) for deposits maturing after more than one year.

13. Cash and cash equivalents

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

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Cash at bank and in hand	**2,040,183**	2,820,577	**1,905,934**	1,821,703
Cash reserve held under trust arrangement earmarked for eventual repayment of bonds	**-**	(500,071)	**-**	(500,071)
Cash and cash equivalents	**2,040,183**	2,320,506	**1,905,934**	1,321,632

As disclosed above, cash and cash equivalents for the purpose of the statements of cash flows, exclude the cash reserve held under trust arrangement earmarked for the eventual repayment of the bonds (see Note 19).

At 31 December 2012, the Group and Company had bank deposits amounting to €423,706 (2011: nil) representing payments on the sale of property, which were deposited in restricted accounts and which were pledged to secure bank borrowings (refer to Note 19). Interest income earned on these deposits was offset by the bankers against interest costs incurred on the bank loans. These amounts were included within cash and cash equivalents since they were considered part of the Group's overall cash management.

14. Share capital

	Company	
	2012	2011
	€	€
Authorised		
450,000,000 Ordinary shares of €0.20 each	**90,000,000**	90,000,000
Issued and fully paid		
214,159,922 Ordinary shares of €0.20 each	**42,831,984**	42,831,984

On 1 November 2010 an offer of shares having a nominal value of €0.20 each and offered at an Issue Price of €0.45 each was made to the public pursuant to the Prospectus dated 1 November 2010. As at the closing of this offer on 2 December 2010 the Company issued and allotted 67,369,922 ordinary shares with a nominal value of €0.20 each, fully paid up. The share premium attributable to these Issued shares, reflecting the difference of €0.25 between the Issue Price and the nominal value, amounting to €16,842,481, is presented separately in the statement of financial position. Share issue costs, amounting to €963,697, have been deducted from the share premium.

15. Hedging reserve

Group and Company

The fair value changes arising from derivative financial instruments qualifying as effective cash flow hedges are recorded in a separate category of equity, in the hedging reserve, as shown below:

	2012	2011
	€	€
At 1 January		
Gross amount of losses	**52,656**	292,073
Deferred income taxes	**(18,430)**	(102,226)
	34,226	189,847
Movements during year ended 31 December		
Gains from changes in fair value of derivative instruments arising during the year	**(241,066)**	(500,457)
Deferred income taxes	**84,373**	175,160
	(156,693)	(325,297)
Transfers to Inventories – development project as a reclassification adjustment	**4,066**	10,016
Deferred income taxes	**(1,423)**	(3,506)
Reclassified from equity to profit or loss as a reclassification adjustment	**195,065**	251,024
Deferred income taxes	**(68,273)**	(87,858)
	129,435	169,676
At 31 December		
Gross amount of losses	**10,721**	52,656
Deferred income taxes	**(3,753)**	(18,430)
	6,968	34,226

The Company has hedged the foreign exchange cash flow exposure on the interest and principal of the bonds issued which are denominated in sterling by entering into a fixed to fixed euro/sterling cross currency interest rate swap (Note 19). The net fair value losses at 31 December 2012 will be reclassified from equity to profit or loss as a reclassification adjustment in the financial periods in which the hedged transactions, comprising the interest and principal amounts of the bonds denominated in sterling, affect the income statement. This would occur throughout the term of the cross currency interest rate swap, which matures on 15 December 2018, reflecting the incidence of the annual settlement dates until maturity as established by the terms of the contract.

16. Property revaluation reserve

	Group 2012 €	2011 €
Revaluation of land and buildings		
At 1 January	**-**	-
Revaluation surplus arising during the year (Note 5)	**1,634,169**	-
Deferred income taxes on revaluation surplus arising during the year (Note 20)	**(571,960)**	-
At 31 December	**1,062,209**	-

The tax impact relating to components of other comprehensive income is presented in the table above. The revaluation reserve is non-distributable.

17. Investment fair value reserve

	Group and Company 2012 €	2011 €
At 1 January	**8,460**	-
Gains from changes in fair value of available-for-sale financial assets	**8,409**	8,460
At 31 December	**16,869**	8,460

The fair value reserve reflects the cumulative net changes in fair value of available-for-sale financial assets held by the Group and Company, which changes are recognised directly in equity in other comprehensive income.

18. Trade and other payables

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Current				
Payments received on account	**275,300**	467,752	**275,300**	467,752
Due to Government in relation to purchase of land (Note 10)	**27,232,704**	23,855,113	**27,232,704**	23,855,113
Amounts owed to subsidiary	**-**	-	**2,770,541**	-
Amounts owed to joint venture	**228,005**	338,252	**-**	-
Amounts owed to other related parties	**1,673,426**	2,868,498	**-**	-
Indirect taxation	**587,635**	1,205,673	**76,390**	95,313
Other payables	**5,457,661**	5,257,264	**3,788,982**	3,287,582
Accruals and deferred income	**5,608,810**	6,331,275	**8,887,655**	15,828,625
	41,063,541	40,323,827	**43,031,572**	43,534,385

18. Trade and other payables - continued

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Non-current				
Due to Government in relation to purchase of land (Note 10)	**24,526,988**	27,099,310	**24,526,988**	27,099,310
Other payables	**1,002,672**	979,887	**111,885**	101,963
	25,529,660	28,079,197	**24,638,873**	27,201,273

Amounts owed to subsidiary, joint venture and other related parties are unsecured, interest free, and repayable on demand.

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 current portion of the amounts due to Government in relation to the purchase of land was determined on the basis of the contracted terms of emphyteutical grant entered into on 15 June 2000. This portion is contractually deemed as current on the basis of the arrangement, but only an outflow of €2,329,373 is expected during the financial year ending 31 December 2013 (2012: €2,329,373).

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

(a) an amount, originally contracted at €11.65 million, which is being satisfied through the performance of restoration works on major historical sites forming part of the project;
(b) an amount, originally contracted at €20.96 million, which is being satisfied through the construction of all the public infrastructure works required at Manoel Island and Tigné Point;
(c) the balance which is being settled in cash.

Various costs incurred in respect of (a) and (b) above up to 31 December 2012 are included in Inventories - Development project and the amounts referred to will be deducted from the amount due to Government when the completion stages stipulated in the relative lease agreement are attained.

The amounts due to Government with respect to the acquisition of land are secured by a first ranking special privilege on the emphyteutical concession at Tigné Point and Manoel Island, and a general hypothec over the Company's property (see also Note 19).

18. Trade and other payables - continued

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

	2012	2011
	€	€
Between 1 and 2 years	**2,329,373**	2,329,373
Between 2 and 5 years	**6,988,120**	6,988,120
Over 5 years	**29,509,272**	34,068,828
	38,826,765	43,386,321
Less: imputed interest component	**(14,299,778)**	(16,287,011)
	24,526,987	27,099,310

Non-current other payables represent deposits effected under operating lease arrangements by a number of tenants. These amounts are refundable at the end of the lease term and are subject to interest at 3% per annum. Amounts owed to related parties in this respect are disclosed in Note 32.

19. Borrowings

	Group		**Company**	
	2012	2011	**2012**	2011
	€	€	**€**	€
Current				
Bank loans	**11,358,673**	12,753,549	**11,358,673**	10,211,688
Related party loans	**2,999,999**	-	**-**	-
	14,358,672	12,753,549	**11,358,673**	10,211,688
Non-current				
Bank loans	**43,681,180**	43,090,695	**10,149,401**	11,826,648
389,172 7% Bonds 2016 - 2018	**40,120,251**	39,827,889	**40,120,251**	39,827,889
	83,801,431	82,918,584	**50,269,652**	51,654,537
Total borrowings	**98,160,103**	95,672,133	**61,628,325**	61,866,225

On 13 January 2009, by virtue of an Offering Memorandum dated 5 December 2008, the Group issued for subscription to the general public 300,000 unsecured bonds, with an over-allotment option of a maximum of another 100,000. The over-allotment option was exercised in full in monetary terms as a result of over-subscriptions. The bonds were made available in any one or any combination of two currencies, euro and sterling, provided that the aggregate principal amount of bonds issued did not exceed €40,000,000. The bonds denominated in euro and sterling have a nominal value for each bond of €100 and £100 respectively. The bonds are subject to fixed interest, denominated in the respective currency of the nominal amount, of 7% per annum payable annually in arrears on 15 December of each year. The Company has hedged the foreign exchange cash flow exposure on the interest and principal of the bonds issued which are denominated in sterling by entering into a fixed to fixed euro/sterling cross currency interest rate swap (Note 11).

19. Borrowings - continued

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, during the year ended 31 December 2010, the Company started building a reserve equivalent to 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. As at 31 December 2012 the reserve held under trust arrangement amounted to €1,000,000 (2011: €1,000,000). This reserve consisted of Malta Government securities classified as available-for-sale, term placements with banks and other bank balances (see Notes 9, 12 and 13). Subsequent to 31 December 2012, MIDI p.l.c. intends to effect an additional settlement amounting to €1,000,000 into the reserve.

The bonds have been admitted to the Official List of the Malta Stock Exchange on 20 January 2009. The quoted market price for the euro and sterling bonds as at 31 December 2012 was 103.50 and 103.50 respectively (2011: 102.00 and 102.00), which in the opinion of the Directors fairly represented the fair value of these financial liabilities.

The proceeds from the bonds were principally used to contribute towards the finalisation of the construction of Tigné Point together with the repayment of private placement bonds and other financial liabilities.

The bonds are measured at the amount of net proceeds adjusted for the amortisation of directly attributable and incremental transactions costs, consisting of bond issue costs incurred in the preparation and implementation of the bond issue, using the effective interest method as follows:

	Group and Company	
	2012	2011
	€	€
Face value of bonds		
317,029 7% euro bonds 2016 - 2018	**31,702,900**	31,702,900
72,143 7% sterling bonds 2016 - 2018	**8,839,971**	8,636,955
	40,542,871	40,339,855
Gross amount of bond issue costs	**(741,441)**	(741,425)
Amortisation up to end of current year	**318,821**	229,459
Unamortised bond issue costs	**(422,620)**	(511,966)
Amortised cost and closing carrying amount of bonds	**40,120,251**	39,827,889

19. Borrowings - continued

As at 31 December 2012, Company bank borrowings for an amount of €16,008,073 (2011: €16,538,526) are principally secured by general hypothecs over the Company's assets, however with the exclusion of certain property areas, and by special hypothecs and special privileges over specified portions of land comprised within the Company's temporary emphyteusis, ranking after the privilege in favour of Government in respect of the amounts outstanding attributable to the acquisition of land (see also Note 18). As at 31 December 2012, these borrowings are also secured by a pledge on term placements with banks and bank balances (Notes 12 and 13). Other Company bank borrowings for an amount of €5,500,000 (2011: €5,500,000) are secured by a general hypothec over the Company's assets and by a special hypothec over portions of land at Manoel Island. These general and special hypothecs also rank after prior charges in favour of Government.

The bank borrowings of a subsidiary are secured by a general hypothec over the subsidiary's assets and by a joint and several suretyship of the parent Company supported by general and special hypothecs over specified portions of land comprised within the Company's temporary emphyteusis, ranking after prior charges in favour of Government.

The group's related party loans, granted by certain shareholders of the Company, are unsecured. These borrowings are presented as current liabilities as the group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period; these liabilities are expected to be repaid in full within the forthcoming twelve month period.

Bank borrowings are subject to floating rates of interest and related party loans are subject to fixed interest rates. The weighted average effective interest rates as at the end of the reporting period were as follows:

	Group		**Company**	
	2012	2011	**2012**	2011
Related party loans	**7.0%**	-	**-**	-
Bank loans	**5.0%**	5.2%	**5.8%**	5.7%

Maturity of total borrowings as at 31 December:

	Group		**Company**	
	2012	2011	**2012**	2011
	€	€	**€**	€
Within one year	**14,358,672**	12,753,539	**11,358,673**	10,211,688
Between one and two years	**4,890,126**	11,686,864	**3,464,605**	8,681,223
Between two and five years	**15,944,909**	13,006,477	**6,684,796**	3,145,425
Over five years	**62,966,396**	58,225,253	**40,120,251**	39,827,889
	98,160,103	95,672,133	**61,628,325**	61,866,225

20. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2011: 35%). The movement on the deferred income tax account is analysed as follows:

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
At beginning of year	**3,349,582**	2,451,247	**2,891,179**	2,209,299
Charged/(credited) to profit or loss (Note 27):				
- unabsorbed capital allowances	**(2,213)**	105,339	**(2,213)**	-
- inventories recognised in cost of sales	**245,237**	600,236	**245,237**	600,236
- property, plant and equipment	**310,362**	108,964	**45**	(2,152)
- unutilised tax losses	**(1,481,971)**	-	**(1,481,971)**	-
Charged to other comprehensive income - deferred income taxes on revaluation surplus arising during the year	**571,960**	-	**-**	-
Tax credit relating to other components of other comprehensive income - cash flow hedging reserve (Note 15)	**14,678**	83,796	**14,678**	83,796
At end of year	**3,007,635**	3,349,582	**1,666,955**	2,891,179

The deferred tax recognised in profit or loss and the balance at 31 December arose from:

- temporary differences between the tax base and carrying amount of the elements of stocks transferred from Inventories - development project to cost of sales within profit or loss in respect of residential units sold during the year;

- temporary differences arising between the tax base and carrying amount of property, plant and equipment; and

- unutilised tax losses and unabsorbed capital allowances (whereas unutilised tax losses have no expiry date, unabsorbed capital allowances are forfeited upon cessation of trade).

The tax charged to other comprehensive income reflects the deferred tax on the revaluation surplus arising during the year in relation to fair valuation of the land and buildings category of property, plant and equipment (refer to Note 16). The tax credit relating to other components of other comprehensive income reflects the tax effect of re-measurement of derivative instruments qualifying as effective cash flow hedges and has been recognised directly within equity in other comprehensive income. Accordingly, the tax impact relating to components of other comprehensive income is presented in the table above and further analysed in Notes 15 and 16.

20. **Deferred taxation** - continued

Deferred income tax assets and liabilities are offset when the taxes concerned relate to the same fiscal authority. The following amounts are offset in the statement of financial position:

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Deferred tax assets				
- remeasurement of cash flow hedging instruments	**(3,752)**	(18,430)	**(3,752)**	(18,430)
- unabsorbed capital allowances	**(2,213)**	-	**(2,213)**	-
- temporary differences arising on property, plant and equipment	**(2,107)**	(2,152)	**(2,107)**	(2,152)
- unutilised tax losses	**(1,481,971)**	-	**(1,481,971)**	-
Deferred tax liabilities				
- temporary differences between tax base and carrying amount of				
- inventories recognised in cost of sales	**3,156,998**	2,911,761	**3,156,998**	2,911,761
- property, plant and equipment	**768,720**	458,403	**-**	-
- temporary differences arising on fair valuation of property	**571,960**	-	**-**	-
Net amount	**3,007,635**	3,349,582	**1,666,955**	2,891,179

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period.

21. **Revenue**

The Group's revenue relates mainly to the sale of a number of residential units constructed on Tigné Point which were handed over to the purchasers during the current financial year. The Group's revenue also includes income from the leasing and management of retail space within 'The Point' shopping mall together with the rental of other areas within the project. Revenues from transactions with one customer in relation to property sales amount to €1,900,000, representing more than 10% of the company's revenues.

22. Expenses by nature

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Cost of sales transferred from Inventories – Development project and related items	**7,719,064**	24,895,372	**7,719,064**	24,895,372
Commissions payable	**246,224**	863,400	**246,224**	863,400
Depreciation of property, plant and equipment (Note 5)	**1,388,394**	1,674,462	**16,275**	16,278
Employee benefit expense (Note 23)	**771,123**	716,999	**542,778**	505,734
Motor vehicle operating lease rentals	**35,053**	40,722	**19,742**	25,020
Directors' emoluments (Note 24)	**54,700**	25,000	**43,200**	25,000
Other expenses	**1,356,410**	1,544,422	**1,175,666**	1,381,623
Total cost of sales and administrative expenses	**11,570,968**	29,760,377	**9,762,949**	27,712,427

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2012 and 2011 relate to the following:

	Group	
	2012	2011
	€	€
Annual statutory audit	**31,000**	31,000
Tax advisory and compliance services	**2,700**	7,360
Other non-audit services	**113,300**	62,700
	147,000	101,060

23. Employee benefit expense

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Wages and salaries	**1,570,652**	1,661,457	**1,387,131**	1,483,001
Social security costs	**83,175**	89,187	**71,697**	77,392
	1,653,827	1,750,644	**1,458,828**	1,560,393
Amounts reflected in Inventories – Development project (see Note 10)	**414,660**	412,643	**414,660**	412,643
Amounts recharged as service charges	**124,779**	131,693	**-**	-
Amounts recharged to subsidiaries	**-**	-	**158,125**	152,707
Amounts expensed in profit or loss	**771,123**	716,999	**542,778**	505,734
Amounts recharged to third parties	**343,265**	489,309	**343,265**	489,309
	1,653,827	1,750,644	**1,458,828**	1,560,393

Average number of persons employed by the Group and Company during the year:

	Group		Company	
	2012	2011	**2012**	2011
Technical and administration	**58**	56	**53**	50

24. Directors' emoluments

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Directors' fees	**54,700**	25,000	**43,200**	25,000

25. Finance income

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Interest income from:				
- bank deposits	**82,275**	176,922	**80,282**	176,922
- amounts owed from subsidiaries	**-**	-	**20,434**	72,663
- other	**29,630**	-	**22,855**	-
	111,905	176,922	**123,571**	249,585

26. Finance costs

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Interest and related expense recognised in profit or loss on:				
- Bank loans and overdrafts	**2,786,485**	2,663,562	**1,232,031**	1,147,621
- Bonds issued to the general public				
Coupon interest payable	**1,657,333**	1,693,203	**1,657,333**	1,693,203
Amortisation of difference between net proceeds and redemption value	**53,973**	50,291	**53,973**	50,291
- Interest on related party loans	**139,233**	-	**-**	-
- Interest on tenant deposits	**27,028**	25,377	**-**	-
- Bank and other charges	**127,021**	105,769	**71,285**	105,769
- Amounts owed to subsidiary	**-**	-	**80,682**	-
	4,791,073	4,538,202	**3,095,304**	2,996,884

Finance costs capitalised are disclosed in Note 10 to these Financial Statements.

27. Tax expense

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Current taxation:				
Current tax expense	**317,543**	460,068	**8,338**	322,443
Adjustment recognised in financial period for current tax of prior periods	**(31,546)**	(34,536)	**(35,869)**	(34,536)
Deferred tax (credit)/expense (Note 20)	**(928,585)**	814,539	**(1,238,902)**	598,084
Tax (income)/expense	**(642,588)**	1,240,071	**(1,266,433)**	885,991

27. Tax expense - continued

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

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
(Loss)/profit before tax	**(2,529,477)**	3,003,860	**(3,406,150)**	2,180,590
Tax at 35%	**(885,317)**	1,051,351	**(1,192,153)**	763,207
Tax effect of:				
- maintenance allowance claimed on rented property	**(26,296)**	(15,471)	**(26,296)**	(15,471)
- expenses not deductible for tax purposes	**240,906**	290,456	**6,822**	7,470
- income not subject to tax	**(7,999)**	(2,100)	**(7,999)**	(2,100)
- income subject to reduced rates of tax	**(11,393)**	(5,761)	**(11,118)**	(5,761)
- overprovision of current tax in prior year	**(31,546)**	(34,536)	**(35,869)**	(34,536)
- unrecognised deferred tax in prior years	**-**	(106,649)	**-**	(1,818)
- share of loss of joint venture	**57,926**	62,781	**-**	-
- impairment charge on investment in joint venture	**-**	-	**-**	175,000
- other differences	**21,131**	-	**180**	-
Tax (income)/expense	**(642,588)**	1,240,071	**(1,266,433)**	885,991

28. 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	
	2012	2011
Net (loss)/profit attributable to equity holders of the Company	**(€1,886,889)**	€1,763,789
Weighted average number of ordinary shares in issue	**214,159,922**	214,159,922
Earnings per share	**(€0.009)**	€0.008

29. Working capital movements

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Trade and other receivables	**(2,463,104)**	1,669,607	**3,964,565**	1,580,765
Trade and other payables	**(2,422,640)**	(9,922,310)	**(3,678,030)**	(7,196,294)
Working capital movements	**(4,885,744)**	(8,252,703)	**286,535**	(5,615,529)

30. Commitments

In addition to settling the liabilities associated with the purchase price of the land, the emphyteutical grant entered into with the Government provides for a series of development obligations relating to the contents of the project and the timescales over which it should be completed. As a result of these commitments, it is expected that total development investment in excess of around €295 million will be made subsequent to the end of the financial year under review. As at 31 December 2012, the Group had outstanding contractual commitments for project development works for the approximate amount of €2 million (2011: €7 million), which includes the amounts disclosed in Note 32. 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 2012, the Company had entered into a total of 4 (2011: 7) promise of sale agreements with respect to sale of apartments in Tigné Point. These agreements are expected to generate sales amounting to around €1,676,500 (2011: €3,660,250) of which as at 31 December 2012, €220,300 (2011: €410,250) was received by the Company. The purchase and promise of sale agreements entered into give rise to agents' commission amounting to €54,575 (2011: €64,000) that becomes due upon signing of the final deeds of sale.

Operating lease commitments – where the group/company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases, which are primarily entered into by a subsidiary undertaking in relation to operations from 'The Point' shopping mall, are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Not later than 1 year	**5,343,510**	5,196,034	**1,031,696**	984,545
Later than 1 year and not later than 5 years	**12,596,914**	15,260,382	**2,881,881**	3,531,854
Over 5 years	**15,988,141**	17,040,400	**1,974,212**	2,114,565
	33,928,565	37,496,816	**5,887,789**	6,630,964

30. Commitments - continued

Operating lease commitments – where the group/company is the lessee

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	€	€	**€**	€
Not later than 1 year	**101,236**	87,330	**12,300**	10,424
Later than 1 year and not later than 5 years	**221,945**	310,895	**31,945**	35,599
	323,181	398,225	**44,245**	46,023

31. Contingencies

(a) The Company was requested by the Malta Environment and Planning Authority to pay fees amounting to €1,282,320 in 2009 for the disposal of excavated material at sea, which payment was made in full by the Company during the same year. The Directors are contending that the said fees, or part thereof, should ultimately be paid by the contractor engaged to carry out the excavation works. The Company is still in the process of arbitration with the relevant contractor and accordingly the extent of such recoverable amounts could not be reliably estimated as at 31 December 2012.

(b) The Company is subject to a joint and several suretyship to secure the banking facilities of Tigné Mall Limited (Tigné Mall p.l.c. with effect from 1 March 2013) which as at 31 December 2012 amounted to €36,531,778 (2011: €33,805,908). The Company is securing the repayment of the banking facilities of Tigné Mall p.l.c. through general hypothecs over the Company's present and future assets as well as special hypothecs over specific portions of land forming part of the Company's temporary emphyteutical concession. The Company is informed that Tigné Mall p.l.c. is in possession of a commitment from the relative bankers, whereby pursuant to admission to listing of Tignè Mall p.l.c.'s ordinary shares and the ensuing reduction in loans by an amount of €6,500,000, the security referred to herein will be cancelled.

(c) In terms of the Emphyteutical Deed, the Company is responsible for the construction and installation of the public infrastructure including drainage, water, electricity and telecommunications distribution systems, which on completion of each phase shall pass on to Government. The Company maintains that the circumstances from when the Emphyteutical Deed was entered into have now changed whereby state monopoly over telecommunication infrastructure has been removed and that accordingly telecommunication infrastructure should not revert back to Government upon completion of each phase. Although there is no litigation as yet, correspondence on the matter has been exchanged.

(d) The Company has received claims from property buyers mainly relating to damages allegedly incurred by them due to latent defects in their apartments and other differences. To date some of the pending claims were pursued in court; however the amount of the claims, where quantified, were not deemed material by the Company's Directors.

31. Contingencies - continued

(e) At 31 December 2012, the Company had a contingency arising from uncalled share capital in subsidiaries, amounting to €37,272 (2011: €37,272), for which no provision has been made in the Financial Statements.

(f) At 31 December 2012, the Group has contingent liabilities amounting to €393,664 (2011: €393,664) in respect of guarantees issued by the bank in the ordinary course of business in favour of the Malta Environment and Planning Authority. At 31 December 2012, the Group also had contingent liabilities amounting to €2,491,113 (2011: €3,186,503) in respect of guarantees issued by the banks in the ordinary course of business in favour of the Government.

(g) At 31 December 2012, the Company has contingent liabilities in respect of guarantees given to the bank to secure the banking facilities of its joint venture for the amount of €2,870,000 (2011: €2,870,000), and of a related party for the amount of €522,500 (2011: €522,500).

32. Related party transactions

All companies forming part of the respective groups of companies of which Alf. Mizzi & Sons Limited, Bank of Valletta p.l.c., Gatt Investments Limited, Gee Five Limited, Fortress Developments Limited, MSV Life p.l.c., Investors Limited, Polidano Brothers Limited, Vassallo Builders Group Limited and Lombard Bank Malta p.l.c. form part, are considered by the Directors to be related parties together with First Gemini p.l.c. and Pininfarina Extra s.r.l. by virtue of the shareholding of the companies referred to in MIDI p.l.c. All entities owned, controlled or significantly influenced by the Company's ultimate shareholders, together with the Company's Directors, close members of their families and all entities owned, controlled or significantly influenced by these individuals, are the principal related parties of the Group. MIDI p.l.c. has an interest in a jointly controlled entity, Solutions & Infrastructure Services Limited (SIS), which is also considered a related party.

The following transactions were carried out with related parties:

	Group		**Company**	
	2012	2011	**2012**	2011
	€	€	**€**	€
i) Purchase of goods and services				
Purchase of services from subsidiaries	**-**	-	**5,208,886**	23,455,620
Purchase of services from related parties	**1,556,248**	4,496,327	**89,911**	202,048

At the end of the reporting period, the Group had outstanding contractual commitments with related parties for project development for the amount of €1,364,176 (2011: €1,510,000).

	Group		**Company**	
	2012	2011	**2012**	2011
	€	€	**€**	€
ii) Sale of apartments to related parties				
Value of contracts finalised during the current financial year	**432,250**	5,513,299	**432,250**	5,513,299

32. Related party transactions - continued

iii) Rental income from related parties				
Revenue earned during the current financial year	**911,540**	802,919	**362,147**	264,009
Balances as at 31 December included within other non-current liabilities (Note 18)	**137,778**	188,703	**35,000**	35,000
iv) Bank loans from shareholders				
Balances at 31 December	**53,489,924**	50,680,577	**19,958,145**	16,874,669
Net interest charged during the year	**2,636,382**	2,372,012	**1,081,928**	856,652
v) Related party loans				
Balances at 31 December	**2,999,999**	-	**-**	-
Net interest charged during the year	**139,233**	-	**-**	-

The Group has banking facilities for the amount of €53,489,924 (2011: €50,680,577) sanctioned by related parties (terms and conditions are reflected in Note 19). The banking facilities of the Company as at 31 December 2012 which are sanctioned by related parties amount to €19,958,145 (2011: €16,874,669). Movements in bank loans are analysed in Note 19 to the Financial Statements. During the year ended 31 December 2009, the Group also entered into a derivative contract with a financial institution which is a related party (Notes 15 and 19).

	Group		**Company**	
	2012	2011	**2012**	2011
	€	€	**€**	€
vi) Deposits with banks				
Balances at 31 December	**2,459,776**	1,987,557	**2,326,967**	996,281
Interest income earned	**15,183**	12,095	**15,183**	12,095

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

	Group and Company Face value of bonds held at 31 December		**Group and Company** Interest payable during the year	
	2012	2011	**2012**	2011
	€	€	**€**	€
vii) Bonds held by related parties				
Shareholders	**-**	-	**-**	4,438
Directors and other officers of the Company, together with close family members of these individuals	**106,760**	115,903	**7,473**	8,113
Other related parties	**732,800**	732,800	**51,296**	51,296
Held by related parties as nominees	**2,541,101**	2,389,390	**177,877**	167,257

32. Related party transactions - continued

Amounts relating to project development which were capitalised in investment property and in inventories during 2012, pertaining to material contracts (as required by Listing Rule 5.70.1), to which the Group is a party and in which directors are materially interested amounted to €600,897 (2011: €2,227,043). These services were provided by shareholder companies mentioned previously, entities controlled or significantly influenced by the shareholder companies and MIDI p.l.c.'s jointly controlled entity. Outstanding contractual commitments for project development in relation to such contracts as at the end of the reporting period amounted to €1,364,176 (2011: €1,471,358).

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

Balances outstanding as at the year end with respect to group subsidiaries and other related parties are disclosed in Notes 11 and 18 to the Financial Statements. Interest receivable and payable in this respect are disclosed in Notes 25 and 26 respectively.

A subsidiary undertaking (Tigné Mall Limited) is party to an operational agreement with MIDI p.l.c.'s jointly controlled entity (SIS). Through this Agreement, SIS will operate the car park spaces underlying the Tigné Point Shopping Mall for a period of 20 years. By virtue of a separate agreement, SIS operates the larger adjoining car park spaces that are the property of MIDI p.l.c.. Income attributable to Tigné Mall Limited and MIDI p.l.c. is shared on the basis of the ratio of car spaces belonging to MIDI p.l.c. and Tigné Mall Limited, or as may otherwise be agreed between MIDI p.l.c. and its subsidiary.

The ambient temperature control of the Group's shopping mall ("HVAC") is provided to the company by SIS by virtue of an agreement between Tigné Mall Limited and SIS regulating the provision of this service and covering a period of twenty years to 31 December 2030. SIS charges, which include, inter alia all water and electricity costs related to HVAC, amounted to €311,814 (2011: €294,480) during the year. The cost of the HVAC service is principally recovered through the service charge invoiced to shopping mall tenants.

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

33. Events subsequent to the end of the reporting period

On 22 February 2013, MIDI p.l.c. announced that it intended to offer for sale all the ordinary shares it held as at 31 December 2012 in Tigné Mall Limited (Tigné Mall p.l.c. with effect from 1 March 2013 subsequent to conversion into public limited liability company), a subsidiary undertaking. It also announced that Tigné Mall Limited intended to issue new shares and offer them to the public. As a result of this Combined Offering, therefore, Tigné Mall Limited would no longer form part of the MIDI Group.

The disposal process has been completed by the date of authorisation for issue of these Consolidated Financial Statements. The disposal has been effected for an aggregate consideration of €21,200,000 and is expected to generate a cash surplus, net of expenses, amounting to €20,900,000. MSV Life p.l.c., a shareholder of MIDI p.l.c., has invested €10,000,000 in the Company's Offer with the balance of the Offer being taken up principally by other institutional investors. This divestment is not expected to give rise, upon disposal, to a material gain or loss within profit or loss in the Consolidated Financial Statements for the year ending 31 December 2013. A gain on disposal of €1 million is expected to be realised and reflected in profit or loss in the Company's stand-alone financial statements for the forthcoming financial year.

The Group's assets and liabilities as at 31 December 2012 which are attributable to Tigné Mall Limited are disclosed in the table below:

	As at 31 December 2012 €
ASSETS	
Non-current	
Property, plant and equipment	**58,026,791**
Current	
Trade and other receivables	**2,142,788**
Cash and cash equivalents	**131,821**
	2,274,609
Total assets	**60,301,400**
Non-current liabilities	
Trade and other payables	**(890,787)**
Borrowings	**(33,531,779)**
Deferred tax liabilities	**(1,340,680)**
	(35,763,246)
Current liabilities	
Trade and other payables	**(2,751,146)**
Current tax liabilities	**(307,974)**
	(3,059,120)
Total liabilities	**(38,822,366)**
	21,479,034

33. Events subsequent to the end of the reporting period - continued

The Group's revenues and expenditure for the year ended 31 December 2012 reflected in profit or loss, which are attributable to Tigné Mall Limited,are disclosed in the table below.

	Year ended 31 December 2012 €
Revenue	4,553,010
Cost of sales	(1,491,071)
Gross profit	3,061,939
Administrative expenses	(277,848)
Operating profit	(2,784,091)
Finance income	8,768
Finance costs	(1,754,650)
Profit before tax	1,038,209
Tax expense	(622,624)
Profit after tax	415,585

MIDI p.l.c. will be applying the net proceeds arising on disposal, amounting to €20,900,000, principally in the reduction of its bank borrowings (refer to Note 19) with a view to managing its finance costs. Utilising the Company's effective interest rates applicable to its borrowings as at 31 December 2012, the reduction in interest costs is expected to exceed the pre-tax financial results reflected in the table above.

34. Statutory information

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

35. Comparative information

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