MIDI P.L.C.
ANNUAL REPORT
2019

MIDI

MANOEL ISLAND & TIGNÉ POINT DEVELOPMENT

CONTENTS

CHAIRMAN'S MESSAGE

It is my pleasure to welcome you to the Tenth Annual General Meeting of MIDI p.l.c.. During the past year, MIDI Group has continued to achieve very good results from the ongoing delivery of a number of Q2 apartments to their owners and also proceeded with the preparations for the development of Manoel Island and the Q3 residential block.

I am pleased to announce that the Group has registered a profit after tax of €8.2 million for the financial year ended 31 December 2019, compared to a profit of €11.6 million registered during the previous year. Similar to the previous year, the 2019 financial results continued to be positively impacted by the delivery of a number of Q2 apartments, albeit on a much reduced scale, given that most of the Q2 apartments were delivered to their owners during 2018.

The Group's financial results were also positively impacted by the financial results of Mid Knight Holdings Limited ("MKH"). The Group's 50% share of MKH profits for 2019 amounts to €1.6 million compared to €1.3 million recorded in the 2018 financial statements. Together with the retail and catering activities, this block has added to the vibrancy of Pjazza Tigné, which is at the heart of the Tigné Point development.

The Group generated revenues of €27.7 million compared to €52.5 million generated in 2018. Revenues generated from the sale of property (mainly from Q2 apartments) amounted to €24.3 million with a resultant operating profit of €9.7 million. Revenues generated from the Group's rental operations and ancillary activities amounted to

€3.4 million compared to €3.9 million generated in 2018. Although revenues from these activities were lower than those reported in the previous year, the operating profit improved from €0.7 million in 2018 to €2.0 million. This improvement in profitability is due to the fact that in 2018 an impairment charge of €1.4 million was accounted for against the book value of the HVAC plant operated by Solutions & Infrastructure Services Limited ("SIS"), a Group company.

As already mentioned, the sale of a number of apartments forming part of the Q2 residential block has once again positively impacted the 2019 financial results. In my opinion and that of the Board, the Q2 residential development has proved to be an unqualified success, having achieved a standard of quality that has been the hallmark of the Tigné Point development and which has set a new benchmark for residential developments undertaken in Malta. Last year was also characterised by MIDI's efforts to finalise the design of the first phase of the Manoel Island project and conducting the preparatory works in accordance with the current permits. The revised Outline Development Permit for Manoel Island was approved by the Planning Authority on the 7 March 2019, however this permit was appealed by the NGO *Flimkien Għal Ambjent Aħjar* ("FAA"). Unfortunately, the appeal lodged by the FAA was upheld by the Environment & Planning Review Tribunal ("EPRT") on 17 June 2020. The EPRT concluded that the Company must submit a fresh Environment Impact Assessment ("EIA") to the Environment Resources Authority ("ERA") in order for the Planning Authority to reconsider the Outline Development Application. Although the Company considers this decision to be a setback in its progress towards commencing the Manoel Island development, we remain committed to this project.

As announced in the December 2019 Company Announcement, the discussions between MIDI p.l.c. and Tumas Group Limited in connection with establishing a joint venture for the development of Manoel Island ceased by mutual agreement. The Company is currently pursuing a number of alternative options with respect to financing the Manoel Island development.

On 16 April 2020, the Planning Authority granted the development permit for the final phase of the Tigné Point development. This phase includes the development of the Q3 residential block which will comprise 63 apartments and 4 levels of car parking as well as the embellishment of the Garden Battery and adjoining areas. This permit is now the subject of an appeal which was lodged by the Fort Cambridge Residents Association.

I am pleased to inform you that the Company's recent restoration of the Garden Battery located at Tigné Point, was recognised for its outstanding restoration works during the 14th edition of the Architectural Heritage awards organised by the leading local cultural and heritage NGO, *Din l-Art Ħelwa*. The Company was awarded a Diploma for outstanding contribution to Maltese cultural heritage

"I AM ALSO CONFIDENT THAT THE GROUP'S FUTURE PROSPECTS ARE VERY PROMISING"

ALEC A. MIZZI
CHAIRMAN, MIDI P.L.C.

and to the achievement of architectural excellence in Malta by the admirable restoration and conservation of the Garden Battery. This achievement certainly underscores the Company's commitment towards safeguarding the historical buildings it has been entrusted with.

Although the ongoing COVID-19 pandemic has not impacted the 2019 financial results, it is expected to impact negatively the 2020 financial results. At the time of writing this report, it is evident that this pandemic has had significant consequential effects on the Maltese economy and hence has resulted in a challenging 2020, from both an operational and financial point of view for the Company. Nevertheless, my Board is confident that the Company has the necessary financial resources to continue weathering this challenging period and meeting all its obligations as they fall due, as it has been doing over the past months.

In view of the current uncertain circumstances it has been deemed prudent to take all necessary measures to preserve the Company's cash resources. In fact, Management implemented a number of cost-cutting measures and has continued to monitor the situation to take any other necessary measures should the need arise. Furthermore,

the Board of Directors will not be recommending to pay a dividend during 2020 in respect of the 2019 financial year.

Together with my fellow directors I would like to express our appreciation to our CEO, Mark Portelli, and his management team, as well as to all staff for their unfailing commitment and loyalty during the past year. Indeed I am also confident that the Group's future prospects are very promising and I look forward to sharing more of the Company's success stories in the near future.

I would also like to take this opportunity to thank my fellow Board members for their continued support and valuable contributions. Finally, I would like to thank all MIDI's shareholders, bondholders, clients and all other stakeholders who have continued to show trust and confidence in the MIDI Group of Companies.

Alec A. Mizzi
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

I am pleased to announce that MIDI Group has registered a profit after tax of €8.2 million for the year ended 31 December 2019, following the profit after tax of €11.6 million registered during the previous financial year.

This year's positive financial results are once again mainly attributable to the contribution generated from the sale of apartments and commercial units forming part of the Q2 residential block. Although the number of Q2 apartments delivered during this year was significantly less than last year, given that most of the Q2 apartments were delivered during the 2018 financial year, nonetheless revenues generated from the sale of properties amounted to €24.3 million (2018: €48.6 million). The operating profit achieved from the sale of these apartments amounted to €9.7 million (2018: €17.8 million). In terms of contribution expressed as a percentage of revenue, 2019's figure is actually higher than the one achieved for 2018 (2019: 40% vs 2018: 37%).

The Group's results continue to be positively impacted by the financial results of Mid Knight Holdings Limited ("MKH"), a jointly controlled entity which now owns and operates The Centre office block at Tigné Point. The Company's share of its profits for 2019 amounts to €1.6 million which is 20% higher than that recorded for 2018 at €1.3 million.

Throughout 2019, the Company's primary focus was on the development of Manoel Island. The revised Outline Development Permit for Manoel Island was approved by the Planning Authority on the 7 March 2019, however this permit was appealed by the NGO *Flimkien Għal Ambjent Aħjar* ("FAA"). As announced by the Company in June 2020, the appeal lodged by the FAA was upheld by the Environment & Planning Review Tribunal ("EPRT") on 17 June 2020. The EPRT concluded that the Company must submit a fresh Environment Impact Assessment ("EIA") to the Environment Resources Authority ("ERA") in order for the Planning Authority to reconsider the Outline Development Application. The decision of the EPRT is undoubtedly a setback for the development plans for Manoel Island, however the Company remains committed to the project and is working to ensure that the updated EIA is concluded in the shortest time possible, with a view to resubmitting the Outline Development Application to the Planning Authority during the first quarter of 2021.

In addition, the Company announced in December 2019 that the ongoing discussions with Tumas Group, in respect of forming a joint venture for the development of Manoel Island, were terminated by mutual agreement. The Company is currently pursuing a number of alternative options with respect to financing the Manoel Island development.

On 16 April 2020, a full development permit was granted by the Planning Authority for the development of the final residential block at Tigné Point, to be marketed as Q3, consisting of 63 apartments, 4 levels of car parking and the landscaping, paving and embellishment of the Garden Battery and adjoining areas. This permit is now the subject of an appeal which was lodged by the Fort Cambridge Residents Association. Nevertheless, the Company is continuing with the processes associated with both the design and procurement aspects of the development, to be able to commence the works immediately, should the appeal be decided in MIDI's favour.

"WE ARE CONFIDENT THAT BOTH THE Q3 DEVELOPMENT AND THE MANOEL ISLAND DEVELOPMENT WILL UNLOCK SIGNIFICANT SHAREHOLDER VALUE OVER THE COMING YEARS."

MARK PORTELLI
CHIEF EXECUTIVE OFFICER, MIDI P.L.C.

REVENUES & OPERATING RESULTS

During 2019, the Group generated revenues amounting to €27.7 million (2018: €52.5 million). The sharp drop in revenues is principally due to the fact that the Company delivered most of the Q2 apartments in 2018, hence leaving a much smaller number of apartments to be delivered in 2019. In addition, the Company sold the commercial properties situated on the ground floor of the Q2 residential block. In fact, revenues generated from the sale of property in 2019 amounted to €24.3 million compared to €48.6 million achieved in 2018. The remaining €3.4 million (2018: €3.9 million) has been generated by the Group's property rental and management operations which includes, the Company's rental operations, income from the concession agreement of the car parking operations, income from the concession agreement of the Manoel Island Yacht Marina, as well as HVAC services which are provided by the Company's subsidiary Solutions & Infrastructure Services Limited ("SIS").

The Group's gross profit for the year amounted to €14.6 million, compared to €22.5 million in 2018. This is equivalent to 53% of revenues, up from 43% achieved in 2018, which indicates that the Q2 apartments and commercial units sold during 2019 had, in aggregate, a higher profit margin than that achieved during 2018. The Group ended the year with an operating profit of €11.7 million, compared to an operating profit of €18.5 million in 2018.

INCOME STATEMENT

The Income Statement for the Group is summarised below:

	2019	2018
	€	€
Revenue	**27,724,273**	52,469,028
Cost of sales	**(13,135,143)**	(29,931,681)
Gross profit	**14,589,130**	22,537,347
Other operating income	**133,621**	173,997
Administrative expenses	**(3,040,986)**	(4,259,530)
Operating profit	**11,681,765**	18,451,814
Finance income	**427,328**	512,947
Finance costs	**(2,501,197)**	(2,454,958)
Share of profit of joint venture	**1,625,780**	1,348,806
Profit before tax	**11,233,676**	17,858,609
Tax expense	**(3,019,296)**	(6,224,069)
Profit for the year	**8,214,380**	11,634,540

ADMINISTRATIVE EXPENSES AND FINANCE COSTS

Group administrative expenses for the year have decreased from €4.3 million to €3.0 million, principally due to the fact that in 2018, an impairment charge of €1.4 million had been passed against the book value of the HVAC plant owned by SIS.

Finance costs for 2019 are marginally higher than those recorded for 2018 (2019: €2.50 million vs 2018: €2.45 million). The main finance cost is the interest payable annually, amounting to €2.0 million, on the 4% bond issued by the Company in 2016, which will be redeemed in 2026. Finance income is marginally down from €0.5 million to €0.4 million, as interest on shareholders' loans in MKH reflect the fact that the shareholders' loans were repaid in full by MKH at the end of October 2019.

JOINT VENTURE – SHARE OF PROFITS

The Group's financial results include its 50% share of MKH's profit for the year under review, which share amounts to €1.6 million (2018: €1.3 million). In 2020, MKH issued a first dividend to its shareholders with the Company's share amounting to €1.4 million.

BALANCE SHEET REVIEW

The Group's total assets have increased from €220.7 million to €234.6 million as at 31 December 2019. The major asset remains inventory, which consists of land held for development and work in progress, which has increased from €123.6 million to €125.4 million. This increase is mainly attributable to design works of the first phase for Manoel Island and to a lesser extent to the design works ongoing on the Q3 block. In addition, inventories pertaining to the Q2 apartments which were sold during 2019 have been transferred to cost of sales in the Income Statement. Group assets also include investment properties valued at €37.1 million, the Group's investment in MKH (2019: €29.8 million vs 2018: €29.6 million) and cash equivalents amounting to €21.9 million (2018: €13.5 million). The increase in cash balance is mainly attributable to the fact that the Company's shareholders' loans in MKH, amounting to €9.7 million, were repaid at the end of October.

As of 2019, the Group has adopted the provisions of IFRS 16 which is an accounting standard that regulates how leases are accounted for. It requires that any leases that the Group has entered into, are placed onto the balance sheet by recognising a

right-of-use asset and a corresponding lease liability for the duration of the lease. In view of the fact that the Company has an obligation for the payment of ground rent until 2099 to the Government of Malta as stipulated by the Deed of Emphyteusis signed in 2000, a right-of-use asset of €13.1 million and a corresponding lease liability of €13.6 million have been recorded in the balance sheet under non-current assets and current/non-current liabilities respectively.

The Group's Net Asset Value ("NAV") has increased from €97.4 million to €104.0 million, equivalent to a NAV per share of €0.49 (2018: €0.45). There was no change in the level of Group borrowings, although total liabilities have increased from €123.2 million to €130.7 million, with an increase of €13.6 million relating to the recognition of lease liabilities, partly offset by the reduction in trade and other payables amounting to €6.3 million. The gearing ratio has continued to follow the downward trend of the past years, with gearing as at 31 December 2019 being 26.4% compared to 31.8%, as at 31 December 2018.

LOOKING FORWARD

It is now very evident that the ongoing COVID-19 pandemic has significantly disrupted Malta's economy. Although the measures to combat and stem the spread of the disease have not impacted the 2019 financial results, it is however

expected that the 2020 financial results will be negatively impacted. In fact, the Company has seen a contraction in the demand for the residential units the Company currently holds in stock and the Company has had to make concessions to its tenants, which will have a negative impact on the Company's rental income. Hence revenues generated from both sale of property and rentals will be significantly lower for 2020, when compared to the same revenues generated during 2019.

In view of the uncertain circumstances, it has been deemed prudent to take all necessary measures to preserve the Company's cash resources. In fact, Management has already implemented several cost-cutting measures and will continue to monitor the situation to take any other necessary measures, should the need arise. This is proving to be a challenging year, but we are confident that the Company will continue navigating this difficult period successfully, as it has over the past few months. Looking further ahead, we are confident that both the Q3 development and the Manoel Island development will unlock significant shareholder value over the coming years.

Although the Company is experiencing delays to its ongoing projects, I cannot stress enough how much work is currently ongoing behind the scenes in order for the Company to be in a position to move swiftly, once the current obstacles are overcome and to make up for any time that has been lost. In this respect, I would like to thank the Senior Management team and Group employees for all their hard work and support. I would also like to take this opportunity to thank my Chairman, Dr. Alec A. Mizzi, and the Board of Directors, for their unreserved support. We are confident that the Company will successfully achieve the targets that we have set ourselves for the coming years.

Mark Portelli
Chief Executive Officer, MIDI p.l.c.

MIDI
MANOEL ISLAND & TIGNÉ POINT DEVELOPMENT

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their annual report and the audited Financial Statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The MIDI Group (the "Group") comprises MIDI p.l.c. ("MIDI" or the "Company") and four subsidiaries, Tigné Contracting Limited, Tigné Point Marketing Limited, T14 Investments Limited and Solutions & Infrastructure Services Limited. The Company also holds a 50% share in Mid Knight Holdings Limited ("MKH").

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

REVIEW OF THE BUSINESS

The Group has registered a profit after tax of €8.2 million for the financial year ended 31 December 2019 compared to a profit after tax of €11.6 million registered during the previous year.

The financial results are mainly driven by the contribution generated from the sale of a number of apartments forming part of the Q2 residential block as well as the commercial units located on the ground floor of the same residential block. When compared to the 2018 financial year, there were less apartments sold during 2019 given that the majority of the Q2 apartments were delivered to their owners during 2018. Hence revenues from the sale of property during 2019 amounted to €24.3 million (2018: €48.6 million) with contribution generated amounting to €9.7 million (2018: €17.8 million).

The property rental and management segment has also achieved improved profitability. This segment includes the Group's rental operations of its Pjazza retail outlets and foreshore restaurants, car parking operations, operator concession fees earned from the Manoel Island Yacht Marina and all the operating activities carried out by Solutions & Infrastructure Services Limited ("SIS"), a Group company. Revenues for 2019 amounted to €3.4 million (2018: €3.9 million) with resultant contribution amounting to €2.0 million (2018: €652k). The improvement in the 2019 contribution when compared to that of 2018 is mainly due to the fact that in the 2018 financial statements an impairment of €1.4 million was accounted for against the book value of the SIS HVAC plant.

Total assets have increased from €220.7 million as at 31 December 2018 to €234.6 million while Net Asset Value increased from €97.4 million to €104.0 million as at 31 December 2019. Hence the Net Asset Value per share as at the end of 2019 stood at €0.486 compared to €0.455 as at the end of 2018.

The Group's financial results are positively impacted by the financial results of Mid Knight Holdings Limited, a jointly controlled entity accounted for on the basis of the equity method of accounting. The Group's 50% share of MKH profits for 2019 amounts to €1.6 million compared to €1.3 million recorded in the 2018 financial statements. The profits are wholly generated from the rental operations of 'The Centre', an office block situated at Tigné Point which was developed and is being operated by MKH.

The Company's focus has continued to be on the Manoel Island development as it works towards finalising the design of the first phase of the project which has been entrusted to the internationally renowned architectural firm Foster+Partners. The Outline Development Permit was approved by the Planning Authority on the 7 March 2019 and provides for a gross developable area of 127,178 square metres. This permit is currently the subject of an appeal.

A first works contract relating to site enabling works has been awarded and works relating to site clearance are currently underway. As part of the design process of Phase 1 of the project, the Company has also submitted a number of full development applications to the Planning Authority. The Company has also started the process of identifying a principal contractor to undertake the works associated with Phase 1 of the project.

On the 2 December 2019, the Company announced, via company announcement MDI141, that its discussions with Tumas Group Company Limited in connection with the possibility of establishing a joint venture with respect to the development of Manoel Island had ceased by mutual agreement. Nevertheless, the Company remains fully committed to the project and a number of development options are being pursued.

DIRECTORS' REPORT • CONTINUED

On 16 April 2020 a full development permit was granted by the Planning Authority for the development of the final phase of the Tigné Point development. This includes the development of the Q3 residential block which will comprise of 63 apartments and 4 levels of car parking and the embellishment of the Garden Battery and adjoining areas. The Company has commenced the process associated with preparing the respective tender documents for this development and the target is to commence development works early in 2021.

The ongoing COVID-19 pandemic has significantly disrupted Malta's economy. Although the measures to combat and stem the spread of the disease have not impacted the 2019 financial results, it is however expected that the 2020 financial results will be impacted negatively. Although it is not possible to accurately assess the extent and duration of the pandemic as well as the consequential effects on the Maltese economy, it is apparent that this pandemic will have a significant impact throughout 2020 on both the sale of the residential units the Company currently holds in stock as well as on its rental operations. Although 2020 is expected to be a challenging year, the Company has sufficient funds to meet all its ongoing obligations and forecasted cash outflows as they fall due, taking into account the Company's arrangements with bankers in respect of existing bank facilities. However, in view of the uncertain circumstances it is deemed prudent to take all necessary measures to preserve the Company's cash resources. In fact Management have already implemented a number of cost-cutting measures and will continue to monitor the situation to take any other necessary measures should the need arise. Furthermore, the Board of Directors are not recommending to pay a dividend during 2020 in respect of the 2019 financial year.

In terms of progress on the Company's ongoing projects, the Manoel Island Masterplan appeal process has been halted as the sittings of the Environment and Planning Review Tribunal have been cancelled until further notice. This will inevitably mean a delay in the commencement of the development of Manoel Island.

INFORMATION PURSUANT TO LISTING RULE 5.64

STRUCTURE OF CAPITAL

The Company has an authorised share capital of ninety million euro (€90,000,000) divided into four hundred and fifty million (450,000,000) Ordinary Shares having a nominal value of €0.20 each.

The Company's issued share capital is forty two million eight hundred and thirty one thousand nine hundred eighty four euro (€42,831,984) divided into two hundred and fourteen million one hundred fifty nine thousand nine hundred and twenty two (214,159,922) Ordinary shares of €0.20 each fully paid up and forming part of one class of Ordinary Shares.

Any increase in the issued share capital of the Company shall be decided upon by an Ordinary Resolution of the Company: provided that, notwithstanding the foregoing, the Company may by Ordinary Resolution authorise the Directors to issue shares up to the amount specified as the authorised share capital of the Company, which authorisation shall be for a maximum period of five years and is renewable for further periods of five years each.

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.

Subject to the provisions of the Companies Act (Chapter 386 of the Laws of Malta) (the "Companies Act"), the Company may purchase its own shares.

DIRECTORS' REPORT • CONTINUED

INFORMATION PURSUANT TO LISTING RULE 5.64 • CONTINUED

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.

The Directors of the Company may appoint one (1) additional director to the Board of the Company without the requirement that the appointment of such director be ratified by a members' resolution taken at a General Meeting of the Company. A director so appointed by the Board of the Company shall hold office until the end of the Annual General Meeting following his appointment. The director so appointed may be withdrawn or replaced by the Board at any time. At the 2020 Annual General Meeting, it is being proposed for approval by the General Meeting that a change to the Articles of Association is undertaken such that the Directors of the Company may appoint a maximum of two (2) additional directors as aforesaid.

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 of Association, required to be exercised by the Company in General Meeting, subject, nevertheless, to the provisions of the Articles of Association and of the Companies Act and to such directions, being not inconsistent with any provisions of the Articles of Association 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 Article 87 of the Articles of Association shall not be deemed to be abridged or restricted by any specific power conferred upon the Directors by any other Article.

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.

DIRECTORS' REPORT • CONTINUED

INFORMATION PURSUANT TO LISTING RULE 5.64 • CONTINUED

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. 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.

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.

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.

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. Furthermore, Article 182(1) of the Companies Act, sets out a period of seven (7) months from the end of the accounting period, within which period, a public company is to call a general meeting for the approval of the annual accounts for the applicable accounting period.

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.

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.

DIRECTORS' REPORT • CONTINUED

INFORMATION PURSUANT TO LISTING RULE 5.64 • CONTINUED

GENERAL MEETINGS • CONTINUED

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.

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 (30) 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 (75%) 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 approved by the shareholders in general meeting alter or add to its Memorandum and Articles of Association.

DIRECTORS' REPORT • CONTINUED

INFORMATION PURSUANT TO LISTING RULE 5.64 • CONTINUED

OTHER MATTERS

The Company has nothing to report in relation to the requirements of Listing Rules 5.64.4, 5.64.5, 5.64.7 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 pages 40 to 42.

INFORMATION PURSUANT TO LISTING RULE 5.70.1

There is no information required to be provided under Listing Rule 5.70.1.

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AS AT 22 APRIL 2020

Dr. Alec A. Mizzi and Mr. Alan Mizzi have a beneficial interest in 37,206,701 (2018: 37,206,701) ordinary shares issued by the Company which are held by Alf. Mizzi & Sons Ltd. In addition, Dr. Alec A. Mizzi and Mr. Alan Mizzi, through Alf. Mizzi & Sons Ltd., have a beneficial interest in 2,012,050 (2018: 2,012,050) ordinary shares in the Company which are held by First Gemini p.l.c..

Mr. Joseph Bonello has a direct interest in 2,405,321 (2018: 2,405,321) ordinary shares in the Company held in his own name. In addition, as at 31 December 2019, Mr. Joseph Bonello has a beneficial interest in 9,913,475 (2018: 9,835,566) shares held by Finco Treasury Management Limited as nominees in the course of its investment business. As at 22 April 2020, this beneficial interest increased to 9,952,874 ordinary shares.

Mr. Mark Andrew Weingard has a direct interest in 19,075,402 (2018: 19,075,402) ordinary shares in the Company held in his own name.

Mr. Joseph A. Gasan has a beneficial interest in 23,741,461 (2018: 23,741,461) ordinary shares in the Company held by Gasan Enterprises Limited.

REGISTERED SHAREHOLDERS WITH 5% OR MORE OF THE SHARE CAPITAL OF THE COMPANY

		31 DECEMBER	
	22 APRIL 2020	**2019**	2018
Alf. Mizzi & Sons Ltd.	**17.37%**	**17.37%**	17.37%
MAPFRE MSV Life p.l.c.	**12.55%**	**12.55%**	12.55%
Gasan Enterprises Limited	**11.09%**	**11.09%**	11.09%
Mr. Mark A. Weingard	**8.91%**	**8.91%**	8.91%
Rizzo Farrugia & Co. Ltd.	**6.08%**	**6.03%**	5.11%

RESULTS AND DIVIDENDS

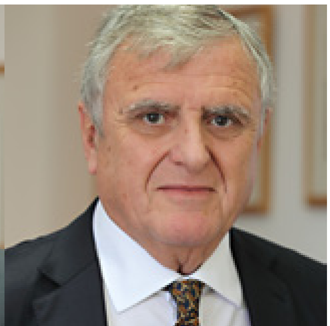
The consolidated income statement is set out on page 60. The Board of Directors is not recommending a dividend payment in respect of the year ended 31 December 2019 in view of the implications brought about by the COVID-19 pandemic (refer to Note 35), to preserve the Group's cash resources enabling it to manage liquidity demands over the coming months.

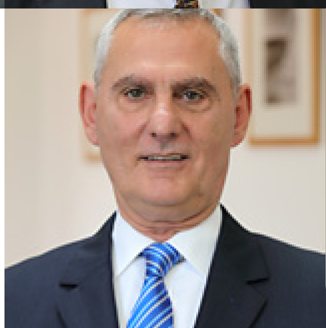
DIRECTORS' REPORT • CONTINUED

DIRECTORS

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

Alec A. Mizzi - Chairman	
Joseph A. Gasan	
David G. Curmi	
Joseph Bonello	
David Demarco	*(resigned on 11 June 2019; re-appointed on 17 June 2019)*
John Mary *sive* Jimmy Gatt	*(appointed on 11 June 2019)*
Alan Mizzi	
Joseph Said	
Mark A. Weingard	
Jonathan Buttigieg	*(resigned on 11 June 2019)*





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, COMPANY SECRETARY AND INTERNAL AUDIT

As at 31 December 2019, the senior management of the Group was composed as follows:

Mark Portelli	Chief Executive Officer
Jesmond Micallef	Chief Financial Officer
Ivan Piccinino	Senior Project Manager
Ehsan Tabrizi	Chief Commercial Manager *(resigned on 28 June 2019)*
Catherine Formosa	Company Secretary

The Company's Board of Directors engaged the services of EY Malta to provide internal audit related services to the Company.

DIRECTORS' STATEMENT OF RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required by the Maltese Companies Act (Cap. 386) 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 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, and that comply with the Maltese Companies Act (Cap. 386). 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 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and made available on the 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.

STATEMENT BY DIRECTORS IN TERMS OF LISTING RULE 5.68

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 2019, 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 – LISTING RULE 5.62

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

DIRECTORS' REPORT • CONTINUED

GOING CONCERN BASIS – LISTING RULE 5.62 • CONTINUED

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.

FINANCIAL KEY PERFORMANCE INDICATORS

The Directors consistently monitor the Group's financial performance by assessing a range of financial indicators which illustrate the financial strength and performance of the Group.

The main financial key performance indicators which are monitored by the Board include the following:

	2019	2018
Working Capital Ratio	**3.01**	2.72
Debt to Asset Ratio	**0.25**	0.56
Debt to Equity Ratio	**1.26**	1.26

NON-FINANCIAL KEY PERFORMANCE INDICATORS

HUMAN RESOURCES

The Group seeks to employ high quality people in order to have talented and multi-skilled human resources to take forward the development project. It seeks to ensure that it provides the necessary environment in which its employees can develop their capabilities and contribute towards the achievements of the Group's ambitious goals. Further disclosures are made in the Statement of Compliance with the Principles of Good Corporate Governance and the Remuneration Statement.

CORPORATE SOCIAL RESPONSIBILITY

The Group has always recognised the importance of its Corporate Social Responsibility over the years, most notably during the restoration works undertaken on Fort Manoel and Fort Tigné and other historical buildings. In this regard, the Company's recent restoration of the Garden Battery located at Tigné Point, was recognised for its outstanding restoration works during the 14th edition of the Architectural Heritage awards organised by the leading local cultural and heritage NGO, Din l-Art Ħelwa. The Company was awarded a Diploma for outstanding contribution to Maltese cultural heritage and to the achievement of architectural excellence in Malta by the admirable restoration and conservation of the Garden Battery.

As part of its commitment to promote its environmental friendly values, the Company is deploying green and ecofriendly strategies in the course of construction, marketing and operations of the various phases of the Manoel Island and Tigné Point project.

Furthermore, in its drive to ensure that the guiding principles of Guardianship Deed with the Manoel Island Foundation are respected, the Company regularly meets with the members of the Foundation to discuss issues related to the Manoel Island project. Through this Foundation, which was set up by the Company in collaboration with the Gżira Local Council, the Company has provided commitments governing the Manoel Island Public Park, the Foreshore, the Swimming Zones, Fort Manoel and building heights on Manoel Island in accordance with the terms of the Guardianship Deed.

The Company also has reached out to the neighbouring communities of Gżira and Sliema by supporting various initiatives organised at community level. During 2019, the Company entered into a sponsorship agreement with the Gżira United Football Nursery to support it in the organisation of sporting events for the benefit of the children of this community.

DIRECTORS' REPORT • CONTINUED

NON-FINANCIAL KEY PERFORMANCE INDICATORS • CONTINUED

CORPORATE SOCIAL RESPONSIBILITY • CONTINUED

The Group has also offered various premises which form part of the Group's assets free of charge to non-profit organisations and other third parties to carry out activities and events which benefit philanthropic causes. Further reference to the Group's Corporate Social Responsibility is disclosed in the Statement of Compliance with the Principles of Good Corporate Governance.

FINANCIAL RISK MANAGEMENT

The Financial risk management note in the Financial Statements (Note 2) describes the process of how the Group identifies, measures and manages its financial risks. The main categories of risk described in this section are market, credit and liquidity risks.

AUDITORS

In terms of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public interest entities (the "Statutory Audit Regulation"), the engagement of external auditors is subject to a maximum engagement period of ten years, although such period may be extended for a further ten year period where a public tendering process for the audit is conducted in accordance with the Statutory Audit Regulation. Since upon the completion of the Financial Year ending 2019 audit, PricewaterhouseCoopers as external auditors would have been in office for a period of ten years, the Company issued a tender for the engagement of external auditors. The tender process was overseen by the Audit Committee and resulted in a recommendation to re-appoint PricewaterhouseCoopers as the Group's external auditors, which recommendation was endorsed by the Board. The re-appointment of PricewaterhouseCoopers as the Company's external auditors will be proposed at the 2020 Annual General Meeting. Subject to the approval of the shareholders, PricewaterhouseCoopers will undertake the audit of the MIDI Group for the year ending 31 December 2020.

On behalf of the Board

Alec A. Mizzi
Chairman

Joseph A. Gasan
Director

23 April 2020

Company Secretary: Catherine Formosa

Registered office:
North Shore
Manoel Island
Gżira
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 are committed to the values of transparency, honesty and integrity in all their actions and strongly believe that such practices are in the best interests of the Company, its Shareholders and other stakeholders. The Directors believe that the Company benefits from having in place more transparent governance structures and from improved relations with the market which enhance market integrity and confidence.

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 and policy setting of the Company is vested in a Board of Directors consisting of a Chairman and eight (8) Directors.

While the Board provides the necessary leadership in the overall direction of the Company, its key role with respect to the Company's principal activities is to establish the Company's strategy and to appoint all members of Senior Management 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 Supervisory Board, the Audit Committee and the Remuneration Committee, which has been recently reconstituted as a Remuneration and Nomination Committee (as described under Principle 8), each of which operates under formal terms of reference approved by the Board. The Project Management Advisory Committee reports to the Supervisory 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.

Dr. Alec A. Mizzi serves as Chairman of the Board who 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 Supervisory Board, 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

B. COMPLIANCE WITH THE CODE • CONTINUED

PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE • CONTINUED

The role of CEO is vested in Mr. Mark Portelli. 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;
- representing the Company with third parties;
- 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. The CEO chairs the Management Committee, a forum within which the Company's Senior Managers meet on a regular basis to action and implement Board decisions in a timely manner.

PRINCIPLE 3: COMPOSITION OF THE BOARD

The Board is composed exclusively of non-executive Directors. The following Directors served on the Board during the period under review:

Chairman
Alec A. Mizzi

Independent non-executive Directors

Joseph A. Gasan	
David G. Curmi	
Joseph Bonello	
David Demarco	*(resigned on 11 June 2019; re-appointed on 17 June 2019)*
John Mary *sive* Jimmy Gatt	*(appointed on 11 June 2019)*
Alan Mizzi	
Joseph Said	
Mark A. Weingard	
Jonathan Buttigieg	*(resigned on 11 June 2019)*

During the period under review, the Board consisted of nine independent Directors (including the Chairman).

The Board determines whether a director is independent by considering the following principles relating to independence contained in the Code:

i. whether the director has been an executive officer or employee of the Company or a subsidiary of the Company as the case may be within the last three years;
ii. whether the director has or has had within the last three years, a significant business relationship with the Company either directly, or as a partner, shareholder, director or senior employee of a body that has a such a relationship with the Company;
iii. whether the director has received or receives significant additional remuneration from the Company or any member of the group of which the Company forms part in addition to a director's fee;
iv. whether the director has close family ties with any of the Company's executive directors or senior employees;
v. whether the director has served on the Board for more than twelve consecutive years; or
vi. whether the director is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the Company or any member of the group of which the Company forms part.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

B. COMPLIANCE WITH THE CODE • CONTINUED

PRINCIPLE 3: COMPOSITION OF THE BOARD • CONTINUED

The Board considers that despite the fact that Dr. Alec A. Mizzi and Mr. Joseph A. Gasan have served on the Board for more than twelve consecutive years, this has not undermined the said Directors' ability to consider appropriately the issues which are brought before the Board. Mr. Joseph Said and Mr. Mark Andrew Weingard are also considered to be independent directors despite the fact that they are directors of companies that have a significant business relationship with the Group.

The composition of the Board is determined by the Articles of Association of the Company. The appointment of Directors to the Board is reserved exclusively to the Company's shareholders, except in so far as (i) the situation contemplated in Article 102(3) of the Articles of Association where the Directors may appoint one (1) additional director to the Board without the requirement that the appointment be ratified by a members' resolution taken at a General Meeting of the Company; and (ii) an appointment which may be made by the Board to fill a casual vacancy on the Board in terms of Article 103(3).

The Board is composed of a minimum of five (5) and a maximum of nine (9) Directors. A maximum of eight (8) Directors are elected at each Annual General Meeting (or at an Extraordinary General Meeting convened for the purpose of electing directors) while the Board of Directors may appoint one (1) additional director to the Board without the requirement that the appointment be ratified by a members' resolution taken at a General Meeting of the Company in terms of Article 102(3).
At the 2020 Annual General Meeting, it is being proposed for approval by the General Meeting that a change to Article 102(3) of the Articles is undertaken such that the Directors of the Company may appoint a maximum of two (2) additional directors without the requirement that the appointment be ratified by a members' resolution taken at a General Meeting of the Company. As a consequence, a change to the Memorandum of Association is also being proposed for approval at the 2020 Annual General Meeting such that the maximum number of directors on the Board is increased from nine (9) to ten (10) Directors.

No election will take place where there are as many nominations for the Board of Directors as there are vacancies, in which case the candidates so nominated will be automatically appointed Directors.

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. The Director appointed by the Board in terms of Article 102(3) shall hold office until the end of the Annual General Meeting following his appointment.

Shareholders are entitled to 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. A shareholder may use all his votes in favour of one candidate or may split his votes in any manner he chooses amounts two or more candidates. The candidates elected are those candidates who obtain the greater number of votes on that basis.

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.

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.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

B. COMPLIANCE WITH THE CODE • CONTINUED

PRINCIPLE 4: THE RESPONSIBILITIES OF THE BOARD • CONTINUED

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 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.

PRINCIPLE 5: BOARD MEETINGS

The Board endeavours to meet on a monthly basis, with additional meetings held as necessary. 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.

After each Board meeting, minutes that faithfully record attendance, matters discussed and decisions taken, are prepared and circulated to all Directors as soon as practicable after the meeting.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

B. COMPLIANCE WITH THE CODE • CONTINUED

PRINCIPLE 5: BOARD MEETINGS • CONTINUED

A total of sixteen (16) Board of Directors meetings were held during 2019 and attendance was as follows:

Board member	Attended
Alec A. Mizzi	16
Joseph A. Gasan	14
David G. Curmi	9
Joseph Bonello	16
David Demarco	15
John Mary *sive* Jimmy Gatt *(appointed on 11 June 2019)*	8 (out of 8)
Alan Mizzi	15
Joseph Said	16
Mark Andrew Weingard	15
Jonathan Buttigieg *(resigned on 11 June 2019)*	7 (out of 8)

Directors, who were unable to attend, appointed Alternate Directors.

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 which has been recently reconstituted as a Remuneration and Nomination Committee (as described under Principle 8 below) in consultation with the Board.

Newly appointed Directors are provided with briefings by the Chief Executive Officer and also by other members of Senior Management in respect to the operations of the Group. An information pack is handed to a new Director following his appointment which incorporates Memoranda and Articles of Group companies, terms of reference of any relevant committees, any company policies as well as relevant legislation and rules. 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

During March 2020, the Board carried out an evaluation of its own performance together with that of the Committees and the Chairman. The Board delegated the carrying out of the evaluation exercise to the Remuneration Committee. The exercise was conducted through a comprehensive Board Effectiveness Questionnaire, the results of which were analysed by the Remuneration Committee and then discussed by the Board. The review has not resulted in any material changes in the Company's internal organisation or in its governance structures. However, some best practice recommendations which emerged from the analysis of the results will be implemented by the Board.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

B. COMPLIANCE WITH THE CODE • 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 has recently approved changes to the terms of reference to the Audit Committee in particular in order to ensure full compliance with the updated Listing Rules in the area of related party transactions.

The main role and responsibilities of the Audit Committee are:

a. to inform the Board of Directors of the outcome of the statutory audit and to explain how the statutory audit contributed to the integrity of the Financial Statements and what the role of the Audit Committee was in this process;
b. to monitor the financial reporting process and to submit recommendations of proposals to ensure its integrity;
c. to monitor the effectiveness of the Company's internal quality control and risk managements system and, where applicable, its internal audit regarding the financial reporting without breaching its independence;
d. to monitor the audit of the annual and Consolidated Financial Statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26 (6) of the Statutory Audit Regulation;
e. to review the additional report prepared by the statutory auditors or audit firm submitted to the Audit Committee in terms of Article 11 of the Statutory Audit Regulation. The Audit Committee may disclose the additional report to third parties in order to execute its functions in line with the terms of reference;
f. to review and monitor the independence of the statutory auditors or audit firms in accordance with Articles 22, 22a, 22b, 24a and 24b of the Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directive 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC and Article 6 of the Statutory Audit Regulation and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of the Statutory Audit Regulation;
g. the procedure for the selection of statutory auditors or audit firms;
h. to recommend the statutory auditors or the audit firm to be appointed in accordance with Article 16 of the Statutory Audit Regulation;
i. to review the Company's internal financial control system and, unless addressed by a separate risk committee or the Board itself, risk management systems;
j. to review, as applicable, the organisation of the internal audit function of the Company, including its plans, activities, staffing and organisational structure;
k. to establish internal procedures and to monitor these on a regular basis;
l. to establish and maintain access between the internal and external auditors of the Company and to ensure that this is open and constructive;
m. 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;

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

B. COMPLIANCE WITH THE CODE • CONTINUED

PRINCIPLE 8: COMMITTEES • CONTINUED

AUDIT COMMITTEE • CONTINUED

n. to gain an understanding of whether significant internal control recommendations made by internal and external auditors have been implemented by management;
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. to vet and approve related party transactions in accordance with the requirements contained in the Listing Rules; 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. The directors that served on the Audit Committee for the year under review were: Mr. Joseph Said (Chairman of the Committee), Mr. David Demarco and Mr. Alan Mizzi.

In terms of Listing Rules 5.117 and 5.118, Mr. David Demarco ACIB, BA (Hons) Accountancy, MBA, FIA, CPA is the Director who the Board considers as competent in accounting and/or auditing. Mr. David Demarco is considered independent because he is free from any business, family or other relationship with the Company or its management that may create a conflict of interest such as to impair his judgement.

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

The Audit Committee oversees the Internal Audit process. This independent appraisal function was established within the Group to carry out business process risk based audits aimed at ensuring adequate controls and efficient business processes. Such a process is undertaken by EY Malta, with representatives of the firm attending the meetings of the Audit Committee and thereby reporting directly to the Audit Committee.

SUPERVISORY BOARD

The Board delegates some of its responsibilities to the Supervisory Board, which is composed of Dr. Alec A. Mizzi (Chairman of the Committee), Mr. David G. Curmi (Director), Mr. Joseph A. Gasan (Director), Mr. Mark Portelli (CEO of the Company), Mr. Jesmond Micallef (CFO of the Company), Mr. Ivan Piccinino (Senior Project Manager of the Company), and Mr. Ehsan Tabrizi (CCO of the Company) who formed part of the Supervisory Board until his resignation on the 28 June 2019.

The objective of the Supervisory Board is to take, or to establish the basis on which, all decisions within the Company are taken, other than decisions on those matters specifically reserved for the Board of Directors or the other committees. The Supervisory Board is also entrusted to act as an interface between the Senior Management of the Company and the Board of Directors.

Some of the more important functions carried out by the Supervisory Board include:

a. the approval and monitoring of strategic and forecasting processes;
b. reporting on strategic matters to the Board of Directors;
c. the review of the Company's annual budget and funding requirements with an aim of making its own recommendations to the Board of Directors;
d. the supervision of the Project Management Advisory Committee on all development related matters, including the making of recommendations to the Board of Directors with regards to the awarding of contract of works; and
e. the consideration of all new business opportunities, including joint ventures with third parties on existing or new projects.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

B. COMPLIANCE WITH THE CODE • CONTINUED

PRINCIPLE 8: COMMITTEES • CONTINUED

PROJECT MANAGEMENT ADVISORY COMMITTEE

In view of the inherent operations of the Company as a property developer, the Supervisory Board set-up a sub-committee in the form of an advisory committee to assist it with project management related matters pertaining to the Tigné Point and the Manoel Island development.

In furtherance of such an advisory role, the Project Management Advisory Committee's ("PMAC") involvement extends to the three main stages of project management: (i) the preparatory stages of the development; (ii) the performance stage when construction works are undertaken on site; and (iii) the handover stage when following completion, the end product is either transferred to a third party purchaser or alternatively sought to be implemented by the Company as part of its overall operations.

Some of the more specific functions undertaken by the PMAC include the following:

a. to make recommendations on the appropriate procurement procedure to be adopted in particular phases of the project;
b. to act as an interface between the Company and the project management consultants engaged by the Company;
c. to prepare and/or to oversee the preparation of reports on the short listed bidders;
d. to oversee the negotiation of the contract of works between Senior Management and contractors;
e. to provide regular updates and/or to request the preparation of such update reports on the progress of works on the individual construction phases, both from a timing and cost point of view; and
f. to advise the Supervisory Board on any action that may be required on project management matters.

The PMAC is composed of Mr. David Demarco (Director) who chairs the committee, Mr. John Mary *sive* Jimmy Gatt (Director) and members of Senior Management. A number of consultants also attend the meetings of the PMAC.

REMUNERATION AND NOMINATION COMMITTEE

In April 2020, the Board reconstituted the Remuneration Committee as a Remuneration and Nomination Committee. The terms of reference of the Remuneration Committee were therefore amended to incorporate also the functions delegated to it in its capacity as a Nomination Committee. The Board was of the view that considering the size of the Company it was more practical to have one Committee as opposed to two separate committees.

Information regarding the Remuneration and Nomination Committee is found as part of the section in the Annual Report entitled "Remuneration Statement".

PRINCIPLE 9 & 10: RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET, AND INSTITUTIONAL INVESTORS

Pursuant to the Company's statutory obligations in terms of the Maltese Companies Act (Cap. 386) 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.

The Board is of the view that during the period under review, the Company communicated effectively with shareholders through periodical Company Announcements and through press releases in the local media to the market in general.

The Company also communicates with its shareholders through the Company's Annual General Meeting ("AGM"). Apart from the AGM, the Company communicates with its shareholders by way of the Annual Report and Financial Statements. The Company's website also contains information about the Company and its business, including an Investor Relations Section.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

B. COMPLIANCE WITH THE CODE • CONTINUED

PRINCIPLE 9 & 10: RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET, AND INSTITUTIONAL INVESTORS • CONTINUED

The Directors consider that the Board properly serves the legitimate interests of all Shareholders and is accountable to all Shareholders. The Board intends to ensure that the Company communicates with Shareholders effectively, not only through the General Meetings, but also through contact with the individual directors as necessary.

The Chairman arranges for all Directors to attend the Annual General Meeting. Information on the Company's General Meetings is found in the Directors' Report.

Individual shareholders can raise matters relating to their shareholding and the business of the Group at any time throughout the year, and are given the opportunity to ask questions at the AGM or submit written questions in advance. In terms of Article 129 of the Companies Act, the Board may call an extraordinary general meeting on the requisition of shareholders holding not less than one-tenth of the paid up share capital of the Company.

The Company holds meetings with stockbrokers and financial intermediaries at least once a year, which meeting usually coincides with the publication of the annual financial statements.

PRINCIPLE 11: CONFLICTS OF INTEREST

By way of internal practice, some of the Company's Directors also act as directors on fully owned subsidiaries within the Group, namely: Tigné Contracting Limited, Tigné Point Marketing Limited, Solutions & Infrastructure Services Limited and T14 Investments Limited. Joseph A. Gasan is also a director on Mid Knight Holdings Limited, a joint venture company.

During the period under review the Chief Executive Officer has acted as a director of Tigné Point Marketing Limited and Mid Knight Holdings Limited.

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest.

The Directors and the CEO acting as directors of other companies of the Group and other third companies may be subject to conflicts between the potentially divergent interests of the Company, the Group or such other third companies. The Company is not aware of any private interest or duties unrelated to the Group which may or are likely to place the Directors or 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., Tigné Contracting Limited, Solutions & Infrastructure Services Limited, Mid Knight Holdings Limited and companies related to Board members;
2. financing and insurance related services which have been/may be provided to MIDI p.l.c. by companies related to Board members;
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 related to Board members;
4. purchases of apartments by directors or by companies related to Board members; and
5. rental agreements by directors or by companies related to Board members.

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. With regard to construction services, the Supervisory Board is responsible, with assistance from the Project Management Advisory Committee, to supervise the tendering process. In particular, the Supervisory Board 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 million. Any tenders exceeding such a value are awarded by the Board.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

B. COMPLIANCE WITH THE CODE • CONTINUED

PRINCIPLE 11: CONFLICTS OF INTEREST • CONTINUED

In terms of the Memorandum and Articles of Association of the Company, the directors are obliged to declare to the Board and to keep the Board advised, on an ongoing basis of any direct or indirect 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, whether direct or indirect, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

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 the auditors 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.

DEALING IN COMPANY SECURITIES

On joining the Board and regularly thereafter, the Directors are informed of their obligations on dealing in securities of the Company within the parameters of the law, including the Listing Rules and the Market Abuse Regulations (MAR), as well as within the Company's policy in respect of dealings by directors in the Company's securities, which policy is based on timely and comprehensive disclosures and notifications, as applicable in terms of the law.

Directors' interests in the share capital of the Company are contained in the Directors' report.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

The Group has always recognised the importance of its Corporate Social Responsibility, most notably during the restoration works undertaken on Fort Manoel, Fort Tigné and other historical buildings. In this regard, the Company's recent restoration of the Garden Battery located at Tigné Point, was recognised for its outstanding restoration works during the 14th edition of the Architectural Heritage awards organised by the leading local cultural and heritage NGO, Din l-Art Ħelwa. The Company was awarded a Diploma for outstanding contribution to Maltese cultural heritage and to the achievement of architectural excellence in Malta by the admirable restoration and conservation of the Garden Battery.

As part of its commitment to promote its environmentally friendly values, the Company is deploying green and ecofriendly strategies in the course of construction, marketing and operations of the various phases of the Manoel Island and Tigné Point project.

Furthermore, in its drive to ensure that the guiding principles of Guardianship Deed with the Manoel Island Foundation are respected, the Company regularly meets with the members of the Foundation to discuss issues related to the Manoel Island project. Through this Foundation, which was set up by the Company in collaboration with the Gżira Local Council, the Company has provided commitments governing the Manoel Island Public Park, the Foreshore, the Swimming Zones, Fort Manoel and building heights on Manoel Island in accordance with the terms of the Guardianship Deed.

The Company also has reached out to the neighbouring communities of Gżira and Sliema by supporting various initiatives organised at community level. During 2019, the Company entered into a sponsorship agreement with the Gżira United Football Nursery to support it in the organisation of sporting events for the benefit of the children of this community.

The Group has also offered various premises which form part of the Group's assets free of charge to non-profit organisations and other third parties to carry out activities and events which benefit philanthropic causes. Further reference to the Group's Corporate Social Responsibility is disclosed in the Statement of Compliance with the Principles of Good Corporate Governance.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

C. NON-COMPLIANCE WITH THE CODE

PRINCIPLE 3: EXECUTIVE AND NON-EXECUTIVE DIRECTORS ON THE BOARD

The Board is composed entirely of non-executive Directors. This composition is explained under Principle 3 in Section B. The Board notes that the provisions of Principle 3 suggest that the Board should be composed of executive and non-executive directors, including independent non-executives. However, it is equally noted that the focus of the supporting principles is on the importance of having non-executive directors who not being involved in the day-to-day running of the business, can bring fresh perspectives and contribute more objectively in supporting as well as constructively challenging and monitoring the management team. With the role played by the Supervisory Board as an interface between the Board of Directors and the Company's Senior Management, the Board is satisfied that the strategy of the Board is adequately implemented. Furthermore, the CEO as well as members of Senior Management are invited to attend meetings of the Board of Directors, albeit without a vote, in order to ensure their full understanding and appreciation of the Board's strategy. This enables the Chief Executive Officer and Senior Management to provide direct input to the Board's deliberations.

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 (other than in the case of the ninth director who may be appointed by the Board or where the need arises to fill a casual vacancy). Accordingly, shareholders are afforded the power to nominate and elect a new board of directors on an annual basis. Thus, the Board does not consider it practical to develop a succession policy for the future composition of the Board since every Director is required to retire from office at the Annual General Meeting. 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 by Senior Management to be able to carry out the function of a Director in an effective manner.

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. It is the Board's view that this Code Provision is not applicable to the Company since the Company has no controlling shareholders.

This notwithstanding, the Company ensures 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. Shareholders are also given the opportunity to ask questions at the AGM or to submit written questions in advance. Furthermore, as provided by the Companies Act, the Board may call an extraordinary general meeting on the requisition of shareholders holding not less than one-tenth of the paid up share capital of the Company.

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 Supervisory Board 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 Supervisory Board plans, executes, controls and monitors business operations in order to achieve the set objectives.

The Directors, with the assistance of Senior 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

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE • CONTINUED

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

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.

E. LISTING RULE 5.97.5

The information required by this Listing Rule is found in the Directors' Report.

F. 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 Meetings 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 and save as indicated herein in the section entitled "Non-Compliance" the Company has applied the principles and has been in compliance with the Code throughout the financial year under review. The Board shall keep these principles under review and shall monitor any developments in the Company's business to evaluate the need to introduce new corporate governance structures or mechanisms as and when the need arises.

Approved by the Board on 23 April 2020 and signed on its behalf by:

Alec A. Mizzi
Chairman

Joseph A. Gasan
Director

REMUNERATION REPORT

MEMBERSHIP AND TERMS OF REFERENCE OF THE REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is composed of Mr. Joseph Said (Chairman), Mr. David G. Curmi and Mr. Mark Andrew Weingard as members, all of whom are independent non-executive directors.

As stated earlier on in this Report, in April 2020, the Remuneration Committee was reconstituted as a Remuneration and Nomination Committee and the terms of reference of the Remuneration Committee were amended to incorporate the functions of the Committee also as a Nominations Committee. The terms of reference were also generally updated to reflect the recently introduced provisions of the Listing Rules in relation to the remuneration policy for directors. The amended terms of reference were approved by the Board.

As Remuneration Committee, the Committee is charged with the oversight of the remuneration policies implemented by the Company. Its objectives are those of devising a remuneration policy aimed to attract, retain and motivate directors, 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 remuneration of Directors and the individual remuneration packages of Senior Management.

In its function as Nomination Committee, the Committee is to periodically assess the structure, size, composition and performance of the Board and to highlight any skills or experience that in the opinion of the Committee are beneficial to the Board and that may currently be missing. The Committee is also responsible for identifying, nominating and proposing to the Board, for its approval, candidates for the position director to be appointed by the Board without the requirement that the appointment of such director or directors be ratified by a members' resolution taken at a General Meeting of the Company in terms of Article 102(3) of the Articles of Association of the Company. It is also entrusted with considering succession planning and selection and appointment policies in relation to the position of CEO and other Senior Management. The Committee is also be responsible for selecting, nominating and proposing to the Board, for its approval, candidates for the position of CEO and other Senior Management.

The function of the Committee as a Nomination Committee in relation to the nomination of candidates for the position of director is influenced significantly by the requirements within the Memorandum and Articles of Association in relation to nomination of Directors in terms of which the appointment of directors to the Board is a matter which is reserved entirely to the Company's shareholders except in so far as (i) the situation contemplated in Article 102(3) of the Articles of Association referred to above and (ii) an appointment which may be made by the Board to fill a casual vacancy on the Board in terms of Article 103(3). It is for this reason that the Committee as a Nomination Committee has not been entrusted with the full functions and responsibilities as envisaged by the spirit of the Code.

REMUNERATION STATEMENT

The Board of Directors approved and signed the Remuneration Report on 23 April 2020.

In accordance with Listing Rule 12.26A, which was introduced during 2019, the Company is required to establish a 'remuneration policy as regards directors' and to grant the right to shareholders to vote on the remuneration policy at the Annual General Meeting. The amendments to the Listing Rules also require the Company to draw up a remuneration report in accordance with the 'remuneration policy as regards directors' and with the criteria in Appendix 12.1 'Information to be provided in the Remuneration Report' of the said Listing Rules. As a result, the Company will be requesting a vote in respect of the 'remuneration policy as regards directors' at the 2020 Annual General Meeting. Subsequent to this the Company will update the remuneration statement published in its future annual reports to ensure conformity with the new requirements of the Listing Rules.

REMUNERATION REPORT • CONTINUED

REMUNERATION STATEMENT - 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 2019 Annual General Meeting, held on 11 June 2019, the shareholders of the Company resolved to set a maximum annual aggregate remuneration for the Directors of the Company, which was capped at seventy five thousand euro (€75,000). 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.

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 2019 in respect of their office as Directors, are as detailed below.

FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€74,023	None	None	None

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

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. None of the Company's Senior Management, through their employment with the Company, is entitled to any share options and/or profit sharing arrangements or pension benefits. Senior Management are eligible for an annual bonus entitlement by reference to the attainment of pre-established objectives.

The individual contracts of employment of all senior management staff, excluding the Chief Executive Officer, contain provisions for termination payments other than as may be applicable in accordance with legal requirements.

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

REMUNERATION REPORT • CONTINUED

REMUNERATION POLICY - SENIOR MANAGEMENT • CONTINUED

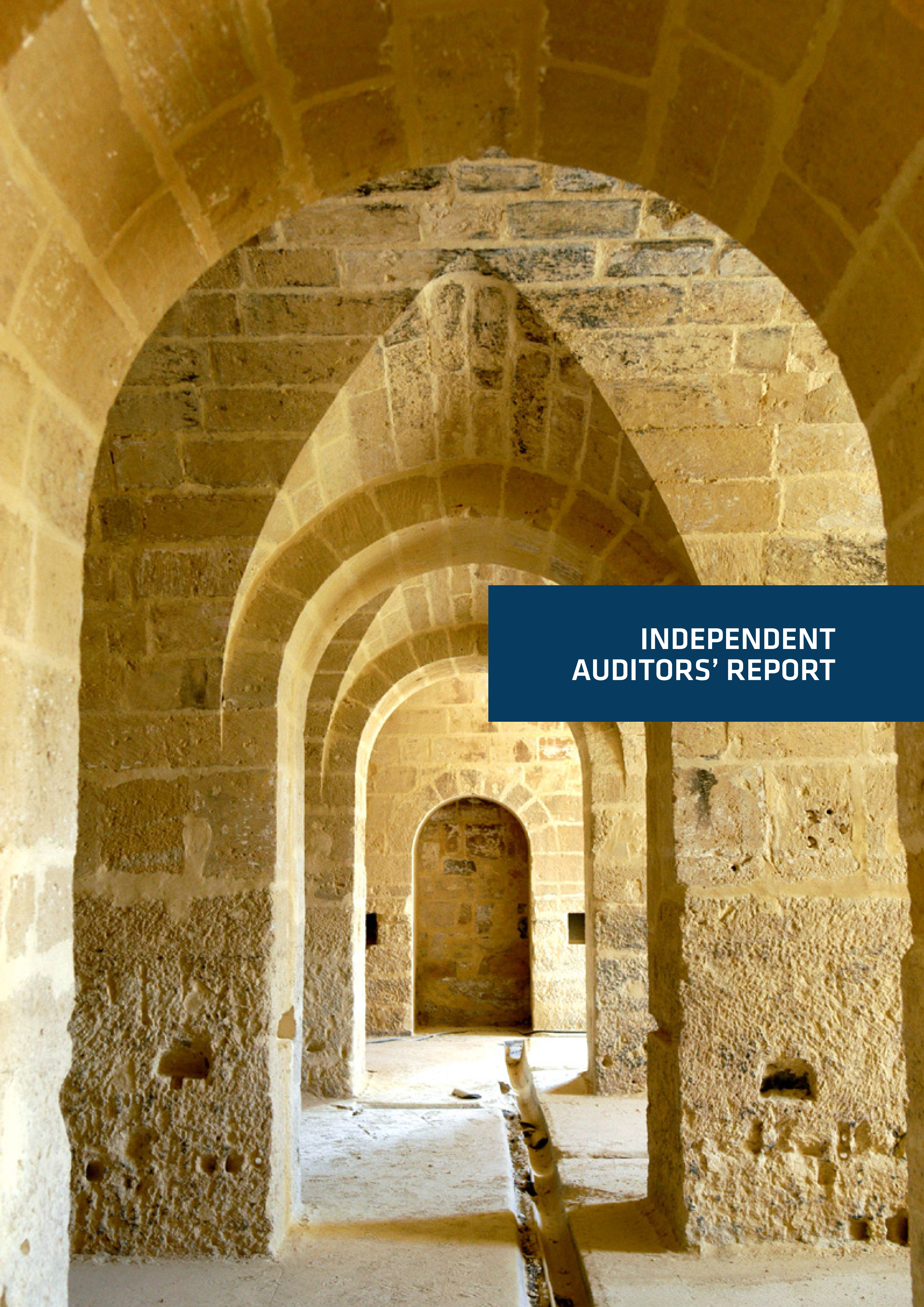
Total emoluments received by Senior Management during the period under review are as detailed below, in terms of Code Provision 8.A.5 of the Listing Rules.

FIXED REMUNERATION	VARIABLE REMUNERATION	SHARE OPTIONS	OTHERS
€346,113	€142,200	None	Non-cash benefits referred to above

Joseph Said
Chairman of Remuneration Committee

David G. Curmi
Member of Remuneration Committee

23 April 2020



INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- MIDI p.l.c.'s Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2019, 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 ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

MIDI p.l.c.'s financial statements, set out on pages 58 to 118, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2019;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

pwc

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

Independence

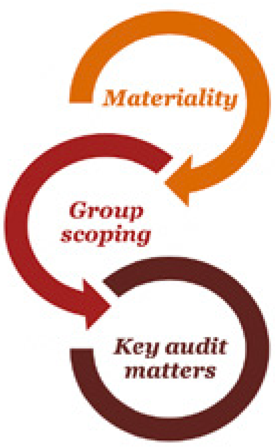
We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the parent company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the group and its subsidiaries, in the period from 1 January 2019 to 31 December 2019, are disclosed in Note 22 to the financial statements.

Our audit approach

Overview



Overall group materiality:
€780,000, which represents 0.75% of consolidated net assets

The audit carried out by the group engagement team covered all companies within the group as at and for the year ended 31 December 2019, comprising MIDI p.l.c. (the Parent Company) and its subsidiaries: Tigné Contracting Limited, Tigné Point Marketing Limited, T14 Investments Limited and Solutions & Infrastructure Services Limited, as well as the investment in joint venture Mid Knight Holdings Limited and its subsidiary Mid Knight Operations Limited.

Fair valuation of property
Inventory valuation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€780,000
How we determined it	0.75% of consolidated net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the underlying value of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 0.75%, which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €39,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is composed of MIDI p.l.c. (the Parent Company) and its subsidiaries: Tigné Contracting Limited, Tigné Point Marketing Limited, T14 Investments Limited and Solutions & Infrastructure Services Limited. It also holds investments in joint ventures namely Mid Knight Holdings Limited and Mid Knight Operations Limited.

Full scope audit procedures were performed by PwC Malta on all the components. This, together with the additional procedures performed on the consolidation at the Group level, were sufficient to allow us to conclude on our opinion on the Group financial statements as a whole.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Fair valuation of property, relating to the Group and the Parent Company	
The Group's and Parent Company's assets comprise properties held for long-term rental yields or for capital appreciation, which are classified as investment property and accounted for at fair value. The latest full independent property valuation for the Group's investment property was carried out in prior financial years, on the basis of an assessment of the open market value of the respective properties. The valuation was carried out by an independent architect and civil engineer. In previous financial years, the Board of Mid Knight Holdings Limited, a jointly controlled entity, commissioned an independent valuation of the company's main asset, consisting of an office block known as 'The Centre', which as from 2017 is being rented to third parties. The asset is accounted for as Investment Property in the financial statements of the joint venture. The open market valuation was carried out by an independent architect and civil engineer. On a periodic basis, management performs an assessment on each component of the Group's investment property for the purpose of ascertaining whether the respective asset's carrying amount is significantly different from estimated fair values. Management updates the valuation models for each component to assess the carrying amounts. Further disclosure is included in Note 7 (Investment Property) and Note 9 (Investment in joint venture). We focused on this area because of the significance of the carrying value of the Group's, Company's and joint venture's property in the respective Statements of Financial Position, together with the judgemental nature of the assumptions used in	We read the independent valuation reports for all properties, including the investment property of Mid Knight Holdings Limited, and confirmed that the valuation approach for each property in determining the fair value of property was in accordance with professional valuation standards. We also evaluated the competence, qualifications, experience and objectivity of management's property valuation experts. We engaged our in-house valuation experts to critique and challenge the principal assumptions used in the valuation. Our experts also held discussions with the valuers to understand the basis on which the architect's valuation was prepared. Particular focus was placed on the assumptions and methodology used. Third party evidence and other data was obtained to corroborate the assumptions. We reviewed management's detailed assessments as to whether the key assumptions utilised in the valuation reports obtained for the investment property in previous financial years are still applicable as at 31 December 2019. Our valuation experts have reviewed management's valuation models, including the underlying assumptions, which have been prepared by management during the current financial year for each component of the Group's and Company's property to support the carrying amount. These models confirmed that there are no significant differences between carrying amounts and estimated fair values as at 31 December 2019 as we concluded, based on our audit work, that the outcome of the management assessments in respect of carrying amounts as at 31 December 2019 was within a reasonable range. In addition, we evaluated the adequacy of the disclosures made in Notes 7 and 9 of the financial statements, including those regarding the principal assumptions.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

Key audit matter	How our audit addressed the Key audit matter
Fair valuation of property, relating to the Group and the Parent Company - continued	
valuations and in management's assessments, such as the sales price per car space or square metre and the discount rates applied. Developments relating to the COVID-19 pandemic that occurred after the end of the reporting period are deemed to be non-adjusting subsequent events for financial reporting purposes. However, the Group's financial reporting framework requires disclosure of material impacts of these developments on the fair valuation or carrying amount of the Group's property as at the date of approval of the financial statements.	We have also reviewed the disclosures relating to non-adjusting events occurring after the end of the reporting period indicating the estimated impact of COVID-19 on the carrying amount of the assets as at the date of approval of the financial statements. Based on assessments carried out by management, the estimated impact on the fair valuation of specific elements of investment property is not considered material taking cognisance of discounted projected cash flows for the entire term of the emphyteutical grant. Also, the estimated sales values of other elements of investment property have not been materially impacted on the basis of management assessments. We concluded, based on our audit work, that the outcome of the assessments in respect of changes subsequent to year end is not unreasonable as at the date of approval of the financial statements. Developments and revisions to forecast economic and market conditions after the date of approval of the financial statements might give rise to potential changes in the outcome of management assessments carried out subsequent to that date.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

Key audit matter	How our audit addressed the Key audit matter
Inventory valuation, relating to the Group and the Parent Company	
The carrying amount of inventory at a Group and Parent Company level represents the value of land, development and borrowing costs attributable to the various phases of the Manoel Island and Tigné Point project which are either held for sale or under development as at 31 December 2019, analysed by project phase. Further disclosure is included in Note 12 (Inventories - Development project). For each project phase, management assesses whether inventory is carried at the lower of cost and net realisable value, on the basis of projected financial information. We focused on this area because of the significance of the carrying value of inventories, which includes costs attributable to the Manoel Island project, in the Group's Statement of Financial Position and the judgemental nature of the assumptions used by management in the assessment referred to above. Taking cognisance of developments relating to the COVID-19 pandemic that occurred after the end of the reporting period, management's assessments indicate that no impairment indicators have been registered subsequent to year end in respect of the key inventory elements, as these are principally expected to generate sales revenues in a few years' time.	We understood and evaluated the assessment performed by management to ascertain whether inventory is carried at the lower of cost and net realisable value, for all elements of inventory including the Manoel Island project. Our audit procedures included a review, also with the assistance of our valuation experts, of the projected financial information prepared by management with the objective of estimating recoverable amounts. In relation to the Manoel Island project, we are aware that subsequent to the announcement made in December 2019 indicating the cessation of discussions with a potential joint venturer, the Group continued to actively engage in discussions with other parties that have signalled substantive interest in the development of the island. We are also aware that during the current year, the Planning Authority approved the revised Masterplan and revised Outline Development Permit for the restoration and redevelopment of Manoel Island, and that currently this permit is subject to an appeal process. We understand, based on our procedures, that the management assessment in respect of Manoel Island indicates that the Company is currently considering a number of financing options which include internally raised funding and the involvement of third party investors as outlined above, and is targeting to commence preparatory works in respect of the Manoel Island project once the appeal process is concluded. We have discussed with management and the audit committee the principal assumptions underlying the inventory assessments performed for the different inventory elements.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

Key audit matter	How our audit addressed the Key audit matter
Inventory valuation, relating to the Group and the Parent Company - continued	
	We concluded, based on our audit work, that the outcome of the assessments in respect of carrying amounts as at 31 December 2019 is not unreasonable. We have also reviewed the disclosures relating to non-adjusting events occurring after the end of the reporting period, indicating the estimated impact of COVID-19 on the carrying amount of the assets as at the date of approval of the financial statements. Based on management's assessments carried out subsequent to year end, an extreme decline in future property sales prices would have to be experienced to give rise to possible impairment of the carrying amounts attributable to inventory elements. We concluded, based on our audit procedures, that the outcome of the management assessments in respect of changes subsequent to 31 December 2019 was within a reasonable range. Developments and revisions to forecast economic conditions after the date of approval of the financial statements might give rise to potential changes in the outcome of management assessments carried out subsequent to that date.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and Remuneration Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Message, the Chief Executive Officer's Review of Operations, and the Five Year Record, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information, including the Directors' Report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' Report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

When we read the Chairman's Message, the Chief Executive Officer's Review of Operations, and the Five Year Record, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance in accordance with International Standards on Auditing.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group and Parent Company's trade, customers, and suppliers, and the disruption to their business and the overall economy.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 28 to 39 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MIDI p.l.c.

Other matters on which we are required to report by exception

We also have responsibilities:

- Under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - 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.
- Under 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.

Appointment

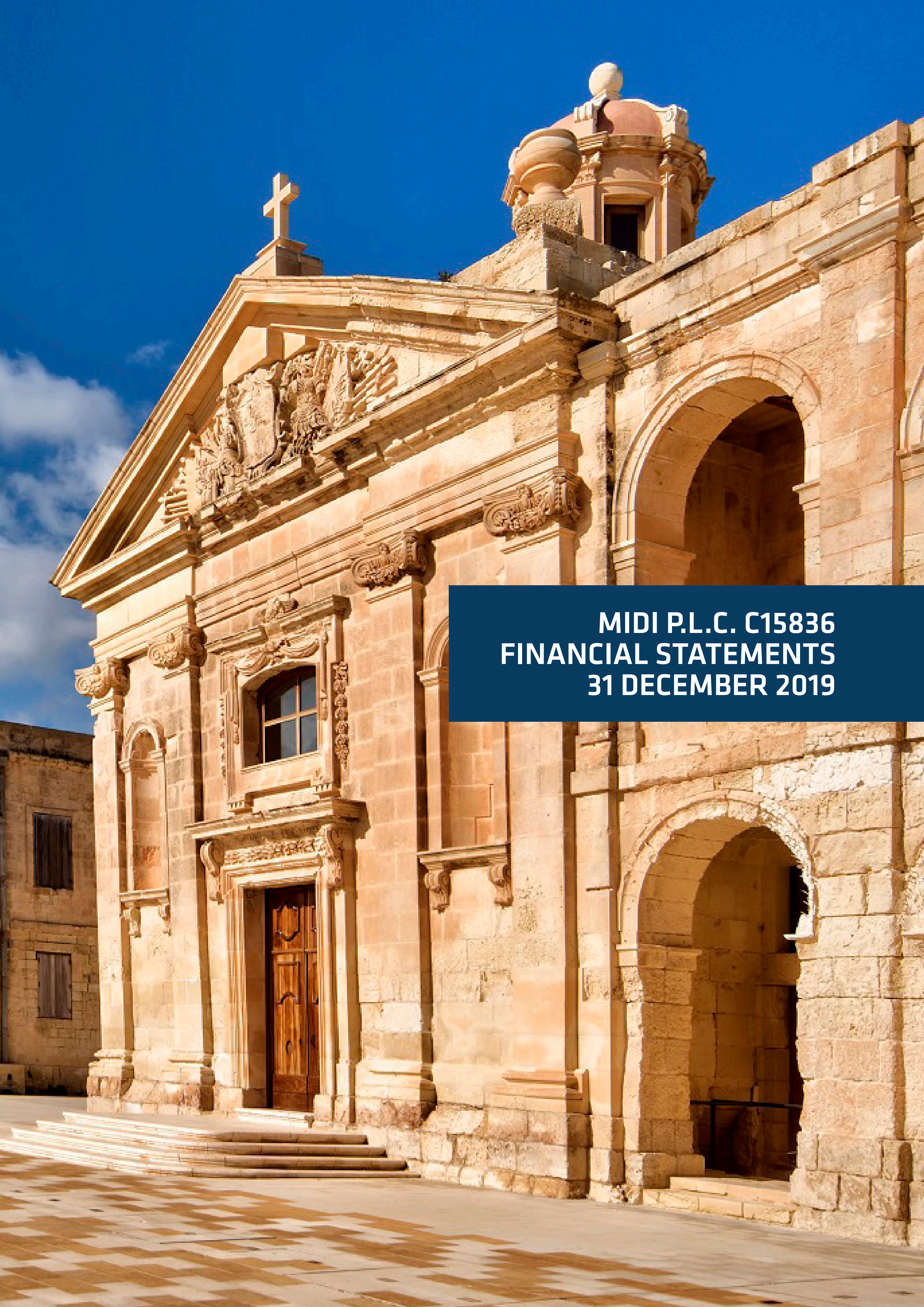
We were first appointed as auditors of the Parent Company for the financial year ended 31 December 1998. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 22 years. The Parent Company became listed on a regulated market on 23 January 2009.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Fabio Axisa
Partner

23 April 2020


MIDI
MANOEL ISLAND & TIGNÉ POINT DEVELOPMENT



MIDI P.L.C. C15836
FINANCIAL STATEMENTS
31 DECEMBER 2019

STATEMENTS OF FINANCIAL POSITION

		AS AT 31 DECEMBER			
		GROUP		COMPANY	
	Notes	2019	2018	2019	2018
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	5	**2,618,952**	2,965,215	**762,600**	771,577
Right-of-use assets	6	**13,134,811**	-	**13,134,811**	-
Investment property	7	**37,077,612**	37,077,612	**37,077,612**	37,077,612
Investments in subsidiaries	8	**-**	-	**11,709,316**	11,709,316
Investments in joint venture	9	**29,843,398**	29,592,618	**-**	-
Financial investments	10	**532,380**	507,874	**532,380**	507,874
Loans receivable from joint venture	11	**-**	9,701,000	**-**	-
Deferred tax assets	20	**606,951**	1,273,545	**606,951**	1,273,545
Total non-current assets		**83,814,104**	81,117,864	**63,823,670**	51,339,924
Current assets					
Inventories - Development project	12	**125,423,114**	123,626,897	**125,564,492**	123,693,212
Trade and other receivables	13	**3,416,524**	2,358,409	**5,800,913**	6,510,436
Current tax assets		**61,590**	63,519	**61,590**	63,519
Cash and cash equivalents	14	**21,901,231**	13,496,284	**20,181,732**	12,975,636
Total current assets		**150,802,459**	139,545,109	**151,608,727**	143,242,803
Total assets		**234,616,563**	220,662,973	**215,432,397**	194,582,727

STATEMENTS OF FINANCIAL POSITION
CONTINUED

		AS AT 31 DECEMBER			
		GROUP		COMPANY	
	Notes	2019	2018	2019	2018
		€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	**42,831,984**	42,831,984	**42,831,984**	42,831,984
Share premium	15	**15,878,784**	15,878,784	**15,878,784**	15,878,784
Property revaluation reserve	16	**1,211,132**	1,211,132	**-**	-
Investment fair value reserve	17	**100,340**	75,834	**100,340**	75,834
Retained earnings		**43,943,493**	37,442,392	**14,718,132**	9,483,243
Total equity		**103,965,733**	97,440,126	**73,529,240**	68,269,845
Non-current liabilities					
Trade and other payables	18	**14,578,965**	18,756,138	**14,578,965**	18,756,138
Borrowings	19	**49,394,683**	49,302,736	**49,394,683**	49,302,736
Lease liabilities	6	**12,989,743**	-	**12,989,743**	-
Deferred tax liabilities	20	**3,506,718**	3,506,718	**3,506,718**	3,506,718
Total non-current liabilities		**80,470,109**	71,565,592	**80,470,109**	71,565,592
Current liabilities					
Trade and other payables	18	**39,456,127**	41,588,796	**50,778,581**	44,747,319
Borrowings	19	**9,999,971**	9,999,971	**9,999,971**	9,999,971
Lease liabilities	6	**654,496**	-	**654,496**	-
Current tax liabilities		**70,127**	68,488	**-**	-
Total current liabilities		**50,180,721**	51,657,255	**61,433,048**	54,747,290
Total liabilities		**130,650,830**	123,222,847	**141,903,157**	126,312,882
Total equity and liabilities		**234,616,563**	220,662,973	**215,432,397**	194,582,727

The notes on pages 68 to 118 are an integral part of these Financial Statements.

The Financial Statements on pages 58 to 118 were authorised for issue by the Board on 23 April 2020 and were signed on its behalf by:

Alec A. Mizzi
Chairman

Joseph A. Gasan
Director

INCOME STATEMENTS

		AS AT 31 DECEMBER			
		GROUP		COMPANY	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Revenue	21	**27,724,273**	52,469,028	**26,860,005**	51,488,377
Cost of sales	22	**(13,135,143)**	(29,931,681)	**(12,118,007)**	(28,722,114)
Gross profit		**14,589,130**	22,537,347	**14,741,998**	22,766,263
Other operating income	27	**133,621**	173,997	**78,486**	200,887
Administrative expenses	22	**(3,040,986)**	(4,259,530)	**(2,781,203)**	(7,725,084)
Operating profit		**11,681,765**	18,451,814	**12,039,281**	15,242,066
Finance income	25	**427,328**	512,947	**427,328**	512,947
Finance costs	26	**(2,501,197)**	(2,454,958)	**(2,499,145)**	(2,450,884)
Share of profit of investment accounted for using the equity method of accounting	9	**1,625,780**	1,348,806	**-**	-
Profit before tax		**11,233,676**	17,858,609	**9,967,464**	13,304,129
Tax expense	28	**(3,019,296)**	(6,224,069)	**(3,019,296)**	(5,112,983)
Profit for the year		**8,214,380**	11,634,540	**6,948,168**	8,191,146
Earnings per share	29	**0.038**	0.054		

The notes on pages 68 to 118 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

		AS AT 31 DECEMBER			
		GROUP		COMPANY	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Profit for the year		**8,214,380**	11,634,540	**6,948,168**	8,191,146
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss					
Revaluation surplus arising during the year in respect of property plant and equipment, net of deferred tax	5	-	1,110,700	-	1,110,700
Items that may be subsequently reclassified to profit or loss					
Gains/(losses) from changes in fair value of financial investments measured at fair value through other comprehensive income	17	**24,506**	(6,032)	**24,506**	(6,032)
Total other comprehensive income		**24,506**	1,104,668	**24,506**	1,104,668
Total comprehensive income for the year		**8,238,886**	12,739,208	**6,972,674**	9,295,814

The notes on pages 68 to 118 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

GROUP

	NOTES	SHARE CAPITAL €	SHARE PREMIUM €	PROPERTY REVALUATION RESERVE €	INVESTMENT FAIR VALUE RESERVE €	RETAINED EARNINGS €	TOTAL €
Balance at 1 January 2018		42,831,984	15,878,784	2,012,507	81,866	25,815,645	86,620,786
Comprehensive income							
Profit for the year		-	-	-	-	11,634,540	11,634,540
Other comprehensive income							
Items that will not be subsequently reclassified to profit or loss							
Surplus arising on revaluation of property plant and equipment, net of deferred tax	5	-	-	1,110,700	-	-	1,110,700
Release of revaluation surplus upon disposal of property, plant and equipment, net of deferred tax	5	-	-	(1,478,278)	-	1,478,278	-
Adjustment to deferred tax liability upon reclassification of property, plant and equipment to investment property	5	-	-	(420,749)	-	-	(420,749)
Items that may be subsequently reclassified to profit or loss							
Fair valuation of financial investments measured at fair value through other comprehensive income:							
Net changes in fair value arising during the year, before tax	17	-	-	-	(6,032)	-	(6,032)
Total other comprehensive income		-	-	(788,327)	(6,032)	1,478,278	683,919
Total comprehensive income		-	-	(788,327)	(6,032)	13,112,818	12,318,459
Other movements							
Other movements, net of tax	16	-	-	(13,048)	-	13,048	-
Total other movements		-	-	(13,048)	-	13,048	-
Transactions with owners							
Dividends paid to shareholders	30	-	-	-	-	(1,499,119)	(1,499,119)
Total transactions with owners		-	-	-	-	(1,499,119)	(1,499,119)
Balance at 31 December 2018		**42,831,984**	**15,878,784**	**1,211,132**	**75,834**	**37,442,392**	**97,440,126**

STATEMENT OF CHANGES IN EQUITY
CONTINUED

GROUP

	NOTES	SHARE CAPITAL €	SHARE PREMIUM €	PROPERTY REVALUATION RESERVE €	INVESTMENT FAIR VALUE RESERVE €	RETAINED EARNINGS €	TOTAL €
Balance at 1 January 2019		42,831,984	15,878,784	1,211,132	75,834	37,442,392	97,440,126
Comprehensive income							
Profit for the year		-	-	-	-	8,214,380	8,214,380
Other comprehensive income							
Items that may be subsequently reclassified to profit or loss Fair valuation of financial investments measured at fair value through other comprehensive income: Net changes in fair value arising during the year, before tax	17	-	-	-	24,506	-	24,506
Total other comprehensive income		-	-	-	24,506	-	24,506
Total comprehensive income		-	-	-	24,506	8,214,380	8,238,886
Transactions with owners							
Dividends paid to shareholders	30	-	-	-	-	(1,713,279)	(1,713,279)
Total transactions with owners		-	-	-	-	(1,713,279)	(1,713,279)
Balance at 31 December 2019		**42,831,984**	**15,878,784**	**1,211,132**	**100,340**	**43,943,493**	**103,965,733**

STATEMENT OF CHANGES IN EQUITY
CONTINUED

COMPANY

	NOTES	SHARE CAPITAL €	SHARE PREMIUM €	PROPERTY REVALUATION RESERVE €	INVESTMENT FAIR VALUE RESERVE €	RETAINED EARNINGS €	TOTAL €
Balance at 1 January 2018		42,831,984	15,878,784	-	81,866	2,101,265	60,893,899
Comprehensive income							
Profit for the year		-	-	-	-	8,191,146	8,191,146
Other comprehensive income							
Items that will not be subsequently reclassified to profit or loss							
Surplus arising on revaluation of property, plant and equipment, net of deferred tax	5	-	-	1,110,700	-	-	1,110,700
Release of revaluation surplus upon disposal of property, plant and equipment	5	-	-	(1,110,700)	-	1,110,700	-
Adjustment to deferred tax liability upon reclassification of property, plant and equipment to investment property	5	-	-	-	-	(420,749)	(420,749)
Items that may be subsequently reclassified to profit or loss							
Fair valuation of financial investments measured at fair value through other comprehensive income:							
Net changes in fair value arising during the year, before tax	17	-	-	-	(6,032)	-	(6,032)
Total other comprehensive income		-	-	-	(6,032)	689,951	683,919
Total comprehensive income		-	-	-	(6,032)	8,881,097	8,875,065
Transactions with owners							
Dividends paid to shareholders	30	-	-	-	-	(1,499,119)	(1,499,119)
Total transactions with owners		-	-	-	-	(1,499,119)	(1,499,119)
Balance at 31 December 2018		**42,831,984**	**15,878,784**	**-**	**75,834**	**9,483,243**	**68,269,845**

STATEMENT OF CHANGES IN EQUITY
CONTINUED

COMPANY

	NOTES	SHARE CAPITAL €	SHARE PREMIUM €	INVESTMENT FAIR VALUE RESERVE €	RETAINED EARNINGS €	TOTAL €
Balance at 1 January 2019		42,831,984	15,878,784	75,834	9,483,243	68,269,845
Comprehensive income						
Profit for the year		-	-	-	6,948,168	6,948,168
Other comprehensive income						
Items that may be subsequently reclassified to profit or loss						
Fair valuation of financial investments measured at fair value through other comprehensive income:						
Net changes in fair value arising during the year, before tax	17	-	-	24,506	-	24,506
Total other comprehensive income		-	-	24,506	-	24,506
Total comprehensive income		-	-	24,506	6,948,168	6,972,674
Transactions with owners						
Dividends paid to shareholders	30	-	-	-	(1,713,279)	(1,713,279)
Total transactions with owners		-	-	-	(1,713,279)	(1,713,279)
Balance at 31 December 2019		**42,831,984**	**15,878,784**	**100,340**	**14,718,132**	**73,529,240**

The notes on pages 68 to 118 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

		YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from operations	31	**5,452,165**	14,196,342	**13,904,513**	13,932,973
Net interest paid		**(1,981,921)**	(1,850,065)	**(1,979,870)**	(1,845,991)
Net income tax paid		**(2,352,703)**	(5,019,102)	**(2,350,773)**	(5,019,102)
Net cash generated from operating activities		**1,117,541**	7,327,175	**9,573,870**	7,067,880
Cash flows from investing activities					
Purchase of property, plant and equipment	5	**(45,820)**	(140,767)	**-**	-
Proceeds from disposal of property, plant and equipment	5	**-**	4,600,000	**-**	4,600,000
Net cash (used in)/generated from investing activities		**(45,820)**	4,459,233	**-**	4,600,000
Cash flows from financing activities					
Proceeds from bank borrowings		**-**	1,777,435	**-**	1,777,435
Repayments of bank and other borrowings		**-**	(8,703,334)	**-**	(8,703,334)
Proceeds from loans receivable from joint venture	11	**9,701,000**	-	**-**	-
Release of funds held in trust		**83,088**	29,949	**83,088**	29,949
Principal elements of lease payments	6	**(654,495)**	-	**(654,495)**	-
Dividends paid		**(1,713,279)**	(1,499,119)	**(1,713,279)**	(1,499,119)
Net cash generated from/(used in) financing activities		**7,416,314**	(8,395,069)	**(2,284,686)**	(8,395,069)
Net movement in cash and cash equivalents		**8,488,035**	3,391,339	**7,289,184**	3,272,811
Cash and cash equivalents at beginning of year		**13,275,477**	9,884,138	**12,754,829**	9,482,018
Cash and cash equivalents at end of year	14	**21,763,512**	13,275,477	**20,044,013**	12,754,829

The notes on pages 68 to 118 are an integral part of these financial statements.

NOTES TO THE 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 (Cap. 386). They have been prepared under the historical cost convention as modified by the fair valuations of the land and buildings class of property, plant and equipment, investment property, specific 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 profit before tax amounting to €11,233,676 during the financial year ended 31 December 2019 (2018: profit of €17,858,609). The Group's total assets exceeded its total liabilities by €103,965,733 as at 31 December 2019 (2018: €97,440,126). The Group has been reviewing its financing arrangements to ensure that it is in a position to meet its operational and cash flow commitments in business as usual circumstances throughout the twelve-month period subsequent to 31 December 2019.

In view of the developments pertaining to the COVID-19 pandemic that occurred after the end of the reporting period (refer to Note 35), the Group's operations during 2020 and the financial results expected to be registered during the financial year ending 31 December 2020 may be significantly impacted, with adverse impacts on the Group profitability and cash flows. Under the cash flow projections compiled by management, utilising a pessimistic scenario, the Group is expected to have sufficient liquidity and financial resources to meet its obligations and expected cash outflows also taking into account arrangements with bankers in respect of existing bank facilities. These projections indicate that the Group is in a position to have sufficient liquidity and financial resources to meet all its ongoing operations and forecasted cash outflows as they fall due, taking into account the Company's arrangements with bankers in respect of existing banking facilities.

MIDI Group continued to review its funding strategy in the context of the timing of the different development stages of the remaining Tigné Point phases and of the 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.

The review highlighted above has not given rise to potential indications of impairment of the carrying amount of inventories attributable to the remaining Tigné Point phases and to the Manoel Island project. No heightened risk factors have been identified in respect of the latter in view of the judgemental nature of the review process.

On 16 April 2020 a full development permit was granted by the Planning Authority for the development of the final phase of the Tigné Point development. This includes the development of the Q3 residential block which will comprise 63 apartments and 4 levels of car parking and the embellishment of the Garden Battery and adjoining areas. The Company has commenced the process associated with preparing the respective tender documents for this development and the target is to commence development works early in 2021.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.1 BASIS OF PREPARATION • CONTINUED

1.1.1 ASSESSMENT OF GOING CONCERN ASSUMPTION • CONTINUED

The Company's focus has continued to be on the Manoel Island development as it works towards finalising the design of the first phase of the project which has been entrusted to the internationally renowned architectural firm Foster+Partners. The Outline Development Permit was approved by the Planning Authority on 7 March 2019. This approval relates to the amendments of the Outline Development Permit originally issued in 1999 and provides for a gross developable area of 127,178 square metres. This permit is currently the subject of an appeal.

A first works contract relating to site enabling works has been awarded and works are currently underway. As part of the design process of Phase 1 of the project, the Company has also submitted a number of full development applications to the Planning Authority. The Company has also started the process of identifying a principal contractor to undertake the works associated with Phase 1 of the project.

On 2 December 2019, the Company announced, via company announcement MDI141, that its discussions with Tumas Group Company Limited in connection with the possibility of establishing a joint venture with respect to the development of Manoel Island had ceased by mutual agreement. Nevertheless, the Company remains fully committed to the project and once the required planning permits are issued, it will go ahead with the development works. The Group is currently assessing a number of alternative financing options to commence the development of the Manoel Island project. The Directors are confident that, notwithstanding the events that occurred subsequent to the end of the reporting period, they will secure the required funding for the realiation of the project which in turn will have a positive material effect on the Group's cashflows and underlying value.

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.

Based on the outcome of the cash flow projections as referred to above, the Directors and Senior Management consider the going concern assumption in the preparation of the Company's Consolidated Financial Statements as appropriate as at the date of authorisation for issue of the 2019 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 2019

In 2019, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU, primarily the adoption of IFRS 16, 'Leases', has impacted the Group as set out below. The adoption of other standards, interpretations and amendments did not result in substantial changes to the Group's accounting policies impacting the Group's financial performance and position.

IFRS 16 'Leases'

IFRS 16, 'Leases', establishes the principles for the recognition, measurement, presentation and disclosure of leases. The new model removes the distinction between operating and finance leases for lessees, and requires the lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; the only exceptions are short-term leases and leases of low-value assets, for which entities may apply an exemption from the general requirement. Unless the lessee applies one of these exemptions, IFRS 16 also influences the income statement as a result of the replacement of operating lease rental expenditure by an interest cost on the lease liability and, unless an alternative measurement model is applied to subsequently measure the right-of-use asset, by amortisation of the right-of-use asset. The accounting under the new model remains substantially the same for lessors; with the exception of the definition of lease and subleases and the accounting for sale and leaseback transactions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.1 BASIS OF PREPARATION • CONTINUED

1.1.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019 • CONTINUED

IFRS 16 'LEASES' • CONTINUED

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to ground rent payable to the Government of Malta under the terms of the emphyteutical deed attributable to land at Manoel Island and Tigné Point, acquired from the Government for the purposes of the development project by virtue of a 99 year emphyteutical grant entered into on 15 June 2000 (Note 12), which ground rent is deemed to be within scope of IFRS 16. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease arrangement as of 1 January 2019. The discount rate applied to the lease liabilities on 1 January 2019 was 7.75%, which is the rate emanating from the deed for the acquisition of the land on title of temporary emphyteusis, entered into with the Government.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Measurement of lease liabilities

	GROUP AND COMPANY 2019 €
Operating lease commitments in respect of ground rent as at 31 December 2018	96,865,329
Impact of discounting using the Group's incremental borrowing rate as at 1 January 2019	(83,566,445)
Lease liabilities recognised as at 1 January 2019	**13,298,884**
Of which are:	
Current lease liabilities	654,496
Non-current lease liabilities	12,644,388
	13,298,884

Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liability.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.1 BASIS OF PREPARATION • CONTINUED

1.1.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019 • CONTINUED

IFRS 16 'LEASES' • CONTINUED

Adjustment recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by €13,298,884
- lease liabilities – increase by €13,298,884

Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

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 Company's accounting periods beginning after 1 January 2019. The Group has not early adopted any of these amendments.

1.2 CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.2 CONSOLIDATION • CONTINUED

Subsidiaries • continued

The results of the subsidiaries are reflected in the Company's separate Financial Statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.3 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1.4 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is initially recorded at historical cost. Land and buildings, 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.

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.4 PROPERTY, PLANT AND EQUIPMENT • CONTINUED

	%
Buildings	1
Plant and integral assets:	
Electrical and plumbing installations	3-8
Machinery and operational equipment	2-15
Plant and equipment	5-25
Other integral assets	2
Office equipment, furniture, fittings and other assets	10-33.33
Motor vehicles	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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.5 INVESTMENT PROPERTY • CONTINUED

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.

1.6 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 Group's Financial Statements. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.7 INVESTMENT IN JOINT VENTURE • CONTINUED

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 Group's 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

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories prescribed by IFRS 9 into which the Group can classify its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and adjusted for any credit loss allowance. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.8 FINANCIAL ASSETS • CONTINUED

(iii) Measurement • continued

Debt instruments • continued

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group has classified its debt instruments in the FVOCI category.

Equity instruments

The Group subsequently measures all equity investments at fair value. The Group's management has elected to present fair value gains and losses on equity investments in OCI and therefore there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. IFRS 9 requires the measurement of credit loss allowances on financial instruments using the expected credit loss ("ECL") impairment model utilising a forward-looking approach that emphasises shifts in the credit risk attached to a financial instrument, and consequently the probability of future credit losses, even if no loss events have yet occurred. IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. The key driver of the measurement of ECLs therefore relates to the level of credit risk for each exposure and, as a result, an assessment of the change in credit risk over the expected life of an asset is a core element in determining the staging criteria under IFRS 9. The three stages under IFRS 9 are as follows:

Stage 1 - Financial instruments that have not had a significant increase in credit risk (SICR) since initial recognition, or that have "low credit risk" at the reporting date are classified in Stage 1. 12-month ECLs are recorded to measure the expected losses that result from default events that are possible within 12 months after the reporting date;

Stage 2 - Financial instruments that have experienced a SICR since initial recognition are classified in Stage 2. Lifetime ECLs are recorded to measure the expected losses that result from all possible default events over the expected life of the financial instrument; and

Stage 3 - Financial instruments that demonstrate objective evidence of impairment, and which are considered to be in default or credit-impaired, are classified in Stage 3, also requiring the measurement of lifetime ECLs.

The Group has two types of financial assets that are subject to the expected credit loss model:

- debt securities carried at FVOCI; and
- trade and other receivables.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment losses are insignificant.

Debt investments

All of the entity's debt investments at FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.8 FINANCIAL ASSETS • CONTINUED

(iv) Impairment • continued

Trade and other receivables

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles and historical credit losses of the Group. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

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

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

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

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

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

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

1.10 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 1.8.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.11 CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Accordingly, cash and cash equivalents comprise cash in hand, deposits held at call with banks and term placements with banks having an original term of three months or less.

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 measured at amortised cost which are not at fair value through profit or loss. 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.

1.15 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

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.

1.18 REVENUE RECOGNITION

Revenue includes rental income, service charges and property management charges, and sale of redeveloped units.

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Revenue on sale of redeveloped units is recognised when control over the unit has been transferred to the customer, which is considered to be at a point in time, when the customer has taken possession of the unit.

Revenue from service and property management charges is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Some property management contracts may include multiple elements of service, which are provided to tenants. The Group assesses whether the individual elements of service in contract are separate performance obligations. Where the contracts include multiple performance obligations, and/or lease and non-lease components, the transaction price will be allocated to each performance obligation (lease and non-lease component) based on the stand-alone selling prices. Where these selling prices are not directly observable, they are estimated based on an expected cost plus margin. In the case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services, this consideration may include discounts, trade allowances, rebates and amounts collected on behalf of third parties. For arrangements that include deferred payment terms that exceed twelve months, the Group adjusts the transaction price for the financing component, with the impact recognised as interest income using the effective interest rate method over the period of the financing.

A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group deploys no hedging strategies that achieve hedge accounting in terms of IAS 39.

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.

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
- he 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.20 LEASES

1.20.1 GROUP IS THE LESSEE

Accounting policy applied with effect from 1 January 2019

IFRS 16 requires an entity to assess whether a contract is, or contains, a lease at the inception date. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and a corresponding liability at the commencement date, being the date at which the leased asset is available for use by the Group.
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group using residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for lessees, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, term and security.

Lease payments are allocated between principal and finance cost. The finance cost is computed so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance costs are recognised in profit or loss over the lease period, unless they are capitalised as part of the carrying amount of inventories if the right-of-use assets are attributable to inventories.

Right-of-use assets are initially measured at 'cost' which, where applicable, comprises the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses, except as highlighted below. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation is recognised in profit or loss unless it is capitalised as part of the carrying amount of inventories if the right-of-use assets are attributable to inventories. Since the Group applies the fair value model to its investment property, it also applies that fair value model to right-of-use assets that meet the definition of investment property.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES • CONTINUED

1.20 LEASES • CONTINUED

1.20.1 GROUP IS THE LESSEE • CONTINUED

Accounting policy applied up to 31 December 2018

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

1.20.2 GROUP IS THE LESSOR

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

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. The Group did not make use of derivative financial instruments during the year.

(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'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 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 borrowing 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, deposits with bank and receivables, which constitute the Group's financial assets, and which are subject to the expected credit loss model. The Group's significant exposures to credit risk as at the end of the reporting periods are analysed as follows:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Financial assets measured at amortised cost:				
Loans receivable from joint venture (Note 11)	**-**	9,701,000	**-**	-
Trade and other receivables (Note 13)	**3,426,071**	1,854,862	**5,810,460**	5,577,244
Cash and cash equivalents (Note 14)	**21,901,231**	13,496,284	**20,181,732**	12,975,636
	25,327,302	25,052,146	**25,992,192**	18,552,880

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.

The Group's receivables mainly comprise receivables in respect of rental operations and the provision of HVAC related services. 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. With respect to HVAC related services, customers are invoiced on a bi-monthly basis. 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 expected loss rates are based on the payment profiles of sales over the historical period available to the Group. Management considers also any adjustment to the historical loss rates to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The closing loss allowances for trade and other receivables as at 31 December 2019 was insignificant.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss was also insignificant.

The Company's receivables include significant amounts due from subsidiaries arising from transactions with these entities. The Company monitors intra-group credit exposures at individual entity level and ensures timely performance in the context of overall group liquidity management.

2. FINANCIAL RISK MANAGEMENT • CONTINUED

2.1 FINANCIAL RISK FACTORS • CONTINUED

(b) Credit risk • Continued

During the financial year ended of 31 December 2018, the Directors of the parent Company reviewed the balance due from SIS - its subsidiary, in the context of the operations and prospects of the same company and resolved to recognise a provision of €4.9 million which represented the total net amount owed by this subsidiary to the Company.

As at the end of the financial reporting period, the Group had no significant past due or credit impaired financial assets.

(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, lease liabilities and borrowings (refer to Notes 6, 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 works 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.

During the current year, the Group has been reviewing its financing arrangements to ensure that it is in a position to meet its operational and cash flow commitments in business as usual circumstances. Liquidity risk in business as usual circumstances 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 programme.

In view of the developments pertaining to the COVID-19 pandemic that occurred after the end of the reporting period (refer to Note 35), the Group's operations during 2020 and the financial results expected to be registered during the financial year ending 31 December 2020 are significantly impacted, with material adverse impacts on the Group profitability and cash flows. Under the cash flow projections compiled by management, utilising a pessimistic scenario, the Group is expected to have sufficient liquidity and financial resources to meet its obligations and expected cash outflows also taking into account arrangements with bankers in respect of existing bank facilities. In the circumstances, the Company will not be paying dividends throughout 2020 in respect of the 2019 financial results, to preserve the Group's liquid resources to enable it to manage the liquidity demands over the coming months.

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.

As disclosed in the Note 1.1, assessment of going concern assumption, the Group is assessing a number of alternative financing options in respect of the development of the Manoel Island project. The Directors are still confident that, notwithstanding developments subsequent to the end of the reporting period, they will secure the required funding for the realisation of the project which in turn will have a positive material effect on the Group's cashflows and underlying value.

2. FINANCIAL RISK MANAGEMENT • CONTINUED

2.1 FINANCIAL RISK FACTORS • CONTINUED

(c) Liquidity risk • Continued

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 18).

GROUP AND COMPANY

	LESS THAN ONE YEAR €	BETWEEN 1 AND 2 YEARS €	BETWEEN 2 AND 5 YEARS €	OVER 5 YEARS €	TOTAL €
At 31 December 2019					
Bank borrowings	**10,099,971**	**-**	**-**	**-**	**10,099,971**
4% Secured Euro Bonds 2026	**2,000,000**	**2,000,000**	**4,000,000**	**55,139,726**	**63,139,726**
Due to Government in relation to purchase of land	**30,608,691**	**5,823,433**	**11,646,867**	**-**	**48,078,991**
Lease liabilities	**1,022,136**	**2,125,882**	**4,591,070**	**74,827,508**	**82,566,596**
Other non-current liabilities	**22,126**	**24,814**	**111,618**	**40,250**	**198,808**
At 31 December 2018					
Bank borrowings	10,216,220	-	-	-	10,216,220
4% Secured Euro Bonds 2026	2,000,000	2,000,000	4,000,000	57,139,726	65,139,726
Due to Government in relation to purchase of land	30,608,691	5,823,433	15,862,542	-	52,294,666
Other non-current liabilities	26,620	21,752	120,660	41,300	210,332

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. In view of the prevailing circumstances, subsequent to the end of the reporting period the Company will not be paying any dividends in respect of the 2019 financial results (refer to Note 30).

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

2. FINANCIAL RISK MANAGEMENT • CONTINUED

2.2 CAPITAL RISK MANAGEMENT • CONTINUED

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Total borrowings (Note 19)	**59,394,654**	59,302,707	**59,394,654**	59,302,707
Less:				
- cash and cash equivalents (Note 14)	**(21,901,231)**	(13,496,284)	**(20,181,732)**	(12,975,636)
- financial investments (Note 10)	**(332,380)**	(307,874)	**(332,380)**	(307,874)
Net debt	**37,161,043**	45,498,549	**38,880,542**	46,019,197
Total equity	**103,659,495**	97,440,126	**73,223,002**	68,269,845
Total capital	**140,820,538**	142,938,675	**112,103,544**	114,289,042
Gearing ratio	**26.4%**	31.8%	**34.7%**	40.3%

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 remaining phases of Tigné Point and the overall Manoel Island project to sustain its long-term prospects. 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. The Company has invested significant resources in order to establish a unique vision for Manoel Island project. It has engaged international consultancy firms, such as the renowned international architectural firm Foster+Partners, in order to achieve this aim and maximise the value of this project. The Company continues to assess proposals from interested third parties as it seeks to conclude the necessary funding required for this project. It is anticipated that the outcome of any transaction concluded will have a positive effect on the Group's total equity.

2.3 FAIR VALUES OF FINANCIAL INSTRUMENTS

At 31 December 2019 and 2018 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 18) as at the end of the reporting period is not materially different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2 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 12) 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

2. FINANCIAL RISK MANAGEMENT • CONTINUED

2.3 FAIR VALUES OF FINANCIAL INSTRUMENTS • CONTINUED

repayment terms of the liability towards the Government. On this basis, the fair value at 31 December 2019 of the amount due to Government with respect to the purchase of land amounted to €45.0 million (2018: €49.1 million). The current market interest rates utilised for fair value estimation are considered observable and accordingly these fair value estimates have been categorised as Level 2.

Information on the fair value of the bonds issued to the public is disclosed in Note 19 to the Financial Statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

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.

As referred to in Note 7 to the Financial Statements, the Group's and Company's land and buildings category of its investment property are fair valued on the basis of valuation techniques. The Group's inventory – development project (Note 12), is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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 by the end of 2019, most of the Tigné Point phases have been completed. On 16 April 2020 a full development permit was granted by the Planning Authority for the development of the final phase of the Tigné Point development. This includes the development of the Q3 residential block which will comprise 63 apartments and 4 levels of car parking and the embellishment of the Garden Battery and adjoining areas.

During the financial year ended 31 December 2019, the Company delivered most of the remaining Q2 apartments to their respective owners by year end leaving a very limited number of apartments available for sale. 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 involves the leasing and management of retail space at Pjazza Tigné and the catering units situated at the Foreshore as well as car park operations. In addition, through one of the Group entities, SIS, services pertaining to HVAC and building technology service are offered and are included in this segment.

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 2019 and 2018, before changes in fair value of investment property, is as follows:

4. ACTIVITIES OF THE GROUP – SEGMENT INFORMATION • CONTINUED

	DEVELOPMENT AND SALE OF PROPERTY		PROPERTY RENTAL AND MANAGEMENT		GROUP	
	2019	2018	**2019**	2018	**2019**	2018
	€	€	**€**	€	**€**	€
Segment revenue	**24,286,453**	48,581,060	**3,437,820**	3,887,968	**27,724,273**	52,469,028
Segment results - operating profit before gains from changes in fair value of investment property	**9,659,783**	17,799,511	**2,021,982**	652,303	**11,681,765**	18,451,814

5. PROPERTY, PLANT AND EQUIPMENT

GROUP

	LAND AND BUILDINGS €	PLANT AND INTEGRAL ASSETS €	OFFICE EQUIPMENT, FURNITURE AND FITTINGS €	TOTAL €
At 1 January 2018				
Cost or valuation	17,726,572	7,801,356	2,264,709	27,792,637
Accumulated depreciation and impairment losses	(525,570)	(4,218,557)	(1,678,788)	(6,422,915)
Net book amount	**17,201,002**	**3,582,799**	**585,921**	**21,369,722**
Year ended 31 December 2018				
Opening net book amount	17,201,002	3,582,799	585,921	21,369,722
Additions	-	61,908	78,859	140,767
Revaluation surplus arising during the year	1,708,769	-	-	1,708,769
Reclassification to investment property (Note 7)	(13,339,087)	-	-	(13,339,087)
Disposals	(4,719,672)	-	(328,686)	(5,048,358)
Impairment charge	-	(1,420,000)	-	(1,420,000)
Depreciation charge	(189,474)	(299,969)	(143,652)	(633,095)
Depreciation released on disposals	107,537	-	78,960	186,497
Closing net book amount	**769,075**	**1,924,738**	**271,402**	**2,965,215**

5. PROPERTY, PLANT AND EQUIPMENT • CONTINUED

	LAND AND BUILDINGS €	PLANT AND INTEGRAL ASSETS €	OFFICE EQUIPMENT, FURNITURE AND FITTINGS €	TOTAL €
At 31 December 2018				
Cost or valuation	1,376,582	7,863,264	2,014,882	11,254,728
Accumulated depreciation and impairment losses	(607,507)	(5,938,526)	(1,743,480)	(8,289,513)
Net book amount	**769,075**	**1,924,738**	**271,402**	**2,965,215**
Year ended 31 December 2019				
Opening net book amount	769,075	1,924,738	271,402	2,965,215
Additions	-	11,200	34,620	45,820
Depreciation charge	(8,878)	(197,678)	(185,527)	(392,083)
Closing net book amount	**760,197**	**1,738,260**	**120,495**	**2,618,952**
At 31 December 2019				
Cost or valuation	1,376,582	7,874,464	2,049,502	11,300,548
Accumulated depreciation and impairment losses	(616,385)	(6,136,204)	(1,929,007)	(8,681,596)
Net book amount	**760,197**	**1,738,260**	**120,495**	**2,618,952**

During 2018, the directors of Solutions & Infrastructure Services Limited, a fully owned subsidiary of the Group, resolved to account for an impairment charge of €1.4 million on the company's HVAC plant, to reflect its current value in use as of 31 December 2018. This charge is reflected in the consolidated Financial Statements. The value in use is estimated on the basis of average annual net operating cash inflows of €340,000 and a discount rate of 8%.

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

	2019 €	2018 €
Cost	**1,376,582**	1,376,582
Accumulated depreciation	**(616,385)**	(607,507)
Net book amount	**760,197**	769,075

The Directors have assessed the fair values of these assets at 31 December 2019 and 2018, which fair values were deemed to fairly approximate the carrying amounts. No adjustments to carrying amounts have been recognised in respect of the property since initial recognition, taking cognisance of the nature and existing use of the property.

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

5. PROPERTY, PLANT AND EQUIPMENT • CONTINUED

COMPANY

	LAND AND BUILDINGS €	OFFICE EQUIPMENT, FURNITURE AND FITTINGS €	TOTAL €
At 1 January 2018			
Cost	17,726,572	682,032	18,408,604
Accumulated depreciation	(525,570)	(364,314)	(889,884)
Net book amount	**17,201,002**	**317,718**	**17,518,720**
Year ended 31 December 2018			
Opening net book amount	17,201,002	317,718	17,518,720
Revaluation surplus arising during the year	1,708,769	-	1,708,769
Reclassification to investment property (Note 7)	(13,339,087)	-	(13,339,087)
Disposals	(4,719,672)	(328,686)	(5,048,358)
Depreciation charge	(189,474)	(65,490)	(254,964)
Depreciation released upon disposal	107,537	78,960	186,497
Closing net book amount	**769,075**	**2,502**	**771,577**
At 31 December 2018			
Cost	1,376,582	353,346	1,729,928
Accumulated depreciation	(607,507)	(350,844)	(958,351)
Net book amount	**769,075**	**2,502**	**771,577**
Year ended 31 December 2019			
Opening net book amount	769,075	2,502	771,577
Depreciation charge	(8,877)	(100)	(8,977)
Closing net book amount	**760,198**	**2,402**	**762,600**
At 31 December 2019			
Cost	1,376,582	353,346	1,729,928
Accumulated depreciation	(616,384)	(350,944)	(967,328)
Net book amount	**760,198**	**2,402**	**762,600**

During November 2018 the Group entered into an agreement with a third-party operator to manage and operate its car park operation. By virtue of this agreement, the property is no longer occupied by the same Group and the substance of the arrangement in place will be essentially yielding to the Group rental income flows taking into account the fact that the Group no longer manages and operates the car park. Accordingly, subsequent to this transaction, the asset in question has been reclassified to Investment property (Note 7).

5. PROPERTY, PLANT AND EQUIPMENT • CONTINUED

Moreover, in November 2018, the Group sold a total of 132 car park spaces to Tigné Mall p.l.c. for a consideration of €4.6 million. The carrying value of the car spaces sold, which are considered to constitute a separate and distinct operational unit within the car park complex, was revalued by the Group to reflect the respective fair value emanating from the transaction. The revaluation surplus arising has been accounted in other comprehensive income and subsequently transferred to retained earnings in the Statement of Changes in Equity upon disposal.

6. LEASES

As explained in Note 1.1.2 IFRS 16, 'Leases', establishes the principles for the recognition, measurement, presentation and disclosure of leases. The new model removes the distinction between operating and finance leases for lessees, and requires the lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; the only exceptions are short-term leases and leases of low-value assets, for which entities may apply an exemption from the general requirement. Unless the lessee applies one of these exemptions, IFRS 16 also influences the income statement as a result of the replacement of operating lease rental expenditure by an interest cost on the lease liability and, unless an alternative measurement model is applied to subsequently measure the right-of-use asset, by amortisation of the right-of-use asset. The accounting under the new model remains substantially the same for lessors; with the exception of the definition of lease and subleases and the accounting for sale and leaseback transactions.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to ground rent payable to the Government of Malta under the terms of the emphyteutical deed attributable to land at Manoel Island and Tigné Point, acquired from the Government for the purposes of the development project by virtue of a 99 year emphyteutical grant entered into on 15 June 2000 (Note 12), which ground rent is deemed to be within scope of IFRS 16. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease arrangement as of 1 January 2019. The discount rate applied to the lease liabilities on 1 January 2019 was 7.75%, which is the rate emanating from the deed for the acquisition of the land on title of temporary emphyteusis, entered into with the Government.

The impact upon adoption of IFRS 16 is disclosed in Note 1.1.2.

Ground rent payable in respect of portions of property which are classified as investment property gives rise to right-of-use assets attributable to investment property, which meet the definition of investment property. Ground rent payable in respect of portions of property which are categorised as inventories gives rise to right-of-use assets attributable to inventories.

	GROUP AND COMPANY	
	31 December 2019	1 January 2019
	€	€
Right-of-use assets attributable to:		
Investment property	**1,260,609**	1,260,609
Inventories – development project	**11,874,202**	12,038,275
	13,134,811	13,298,884
Lease liabilities		
Current	**654,496**	654,496
Non-current	**12,989,743**	12,644,388
	13,644,239	13,298,884

6. LEASES • CONTINUED

The movement in the carrying amount of the lease liabilities is analysed in the following table:

	GROUP AND COMPANY
	2019
	€
As at 1 January 2019	**13,298,884**
Payments effected	**(654,496)**
Interest charge	**999,851**
As at 31 December 2019	**13,644,239**

There were no additions to the right-of-use assets during the financial year ended 31 December 2019. The fair value of the right-of-use assets attributable to investment property as at 31 December 2019 is fairly close to the carrying amount of the assets.

The Income Statements reflect the following amounts relating to leases:

	GROUP AND COMPANY
	2019
	€
Interest expense included in finance costs – investment property	**94,777**

Had IFRS 16 not been adopted, lease expenses amounting to €62,040 would have been reflected in profit or loss during the year ended 31 December 2019, in respect of ground rent payable attributable to investment property.

As explained in Note 1.1.2, ground rent payable by the Group in respect of which right-of-use assets and lease liabilities have been recognised, cover land and property which is classified as Investment Property or Inventories – Development project. Since entering into the deed with the Government of Malta in 2000, the Group has capitalised the ground rent attributable to inventories within the carrying amount of these assets. Subsequent to the adoption of IFRS 16 – Leases, the Group reflects the depreciation charge on the right-of-use assets arising on property elements categorised as inventories and the finance costs on the related lease liabilities within the carrying amount of inventories through capitalisation of such amounts. As disclosed within Note 12, the depreciation charge on the right-of-use assets attributable to inventories, which is capitalised within inventories, amounted to €148,520 for the year ended 31 December 2019 and the interest expense on the related lease liabilities, capitalised within inventories too, amounted to €905,073.

Had IFRS 16 not been adopted, during the year ended 31 December 2019 lease payments amounting to €592,455 would have been capitalised within inventories, in respect of ground rent payable attributable to inventories.

The total cash payments for leases in 2019 was €654,496.

7. INVESTMENT PROPERTY

	GROUP AND COMPANY	
	2019	2018
	€	€
At 1 January		
Cost	**32,226,473**	16,876,951
Fair value gains	**4,851,139**	4,851,139
Carrying amount	**37,077,612**	21,728,090
Year ended 31 December		
Opening carrying amount	**37,077,612**	21,728,090
Reclassification from property, plant and equipment (Note 5)	**-**	13,339,087
Additions	-	2,010,435
Closing carrying amount	**37,077,612**	37,077,612
At 31 December		
Cost	**32,226,473**	32,226,473
Fair value gains	**4,851,139**	4,851,139
Carrying amount	**37,077,612**	37,077,612

Rental income from investment property is disclosed in Note 4, presented as segment revenue attributable to the property rental and management segment.

As previously explained, during November 2018 the Group entered into an agreement with a third-party operator to manage the Group's car park operation. By virtue of this agreement, the property is no longer occupied and operated by the same Group. Accordingly, subsequent to this transaction, the asset in question has been reclassified from Property, plant and equipment (Note 5) to Investment property.

Fair valuation of property

The Group's investment properties are held for long-term rental yields or for capital appreciation purposes and include property which is being developed for future use as investment property. The Group utilises comparable sales values and discounted cash flow projections as valuation methods to determine the fair value of investment property at 31 December.

The Company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- quoted prices (unadjusted) in active markets for identical assets (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

All the recurring property fair value measurements at 31 December 2019 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2019.

7. INVESTMENT PROPERTY • CONTINUED

Fair valuation of property • continued

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above. The movement reflects additions and reclassifications for the years ended 31 December 2019 and 2018.

Valuation processes

The Company's property is valued by the Directors after seeking professional advice from independent professionally qualified valuers who hold a recognised relevant professional qualification and have the necessary experience in the location and segments of the property being valued. When external valuations are carried out in accordance with this policy, the valuer reports directly to the Board of Directors and discussions on the valuation technique and its results, including an evaluation of the inputs to the valuation, are held at Board level. A new valuation is commissioned to an external valuer, whenever, in the opinion of the Board of Directors, new circumstances which may suggest that a material change in value in the underlying property has occurred arise.

At the end of every reporting period, when an external valuation is not carried out, the Directors also assess whether any significant changes in actual circumstances and developments have been experienced since the last external valuation. An adjustment to the carrying amount of the property is only reflected if it has been determined that there has been significant change.

Moreover, on an annual basis, management updates internally developed valuation models which are based on the discounted cash flow and comparable sales value approaches, for the purpose of ascertaining whether the carrying amount of the key components within the Group's property portfolio are significantly different from estimated fair values.

Valuation techniques

The latest external valuation commissioned by the Board is dated 28 March 2016, and was carried out as at 31 December 2015 on the basis of open market value and existing use of the respective properties. The valuation has been carried out by Edgar Caruana Montaldo, an independent architect and civil engineer, with reference to the Valuation Standards for Accredited Valuers 2012 by Kamra tal-Periti. In view of a limited number of similar sales in the local market, the valuations have been performed using unobservable inputs.

The valuation of the public car parking has been performed using the sales comparison approach. The significant input to this approach is a sales price per car space related to transactions in comparable properties located in proximity to the Company's property.

The fair value of the other investment properties was determined on the basis of a sales price per square metre as at 31 December 2015, by reference to the sales value of comparable properties within close proximity. This value was adjusted taking into consideration the permits and ancillary facilities in the close proximity of the property and existing commitments.

7. INVESTMENT PROPERTY • CONTINUED

Valuation techniques • Continued

The information on the significant unobservable inputs (Level 3) as at 31 December 2019 is included below.

DESCRIPTION BY CLASS OF PROPERTY	FAIR VALUE AS AT 31 DECEMBER 2019 €	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUT
Public car park	13,339,088	sales comparison approach	price per car space of €25,000
Property used for retail and other commercial business	16,046,256	sales price per square metre	average price per square metre of €5,000
Other property	7,692,268	sales price per square metre	average price per square metre of €2,000

The higher the sales price per car space/sales price per square metre, the higher the resultant fair valuation.

As at 31 December 2019 the Board considered the fair value valuation of the Group's property, after also taking cognisance of the outcome of the internal valuation models prepared by management, as described above, and determined that the assumptions, comprising key unobservable inputs, underlying the latest valuation of the property were still applicable. Accordingly, no adjustment to the carrying amount of the property was deemed necessary.

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

8. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2019	2018
	€	€
Year ended 31 December		
Opening and closing carrying amount	**11,709,316**	11,709,316
At 31 December		
Opening and closing carrying amount	**11,709,316**	11,709,316

8. INVESTMENTS IN SUBSIDIARIES • CONTINUED

The subsidiaries at 31 December, 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	
			2019	2018
Tigné Contracting Limited	North Shore Manoel Island, Gzira, Malta	Ordinary shares	**100%**	100%
Tigné Point Marketing Limited	North Shore Manoel Island, Gzira, Malta	Ordinary shares	**99%**	99%
T14 Investments Limited	North Shore Manoel Island, Gzira, Malta	Ordinary shares	**100%**	100%
Solutions & Infrastructure Services Limited ("SIS")	North Shore Manoel Island, Gzira, Malta	Ordinary shares	**100%**	100%

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

At 31 December 2018, the Directors of the parent Company reviewed the balance due from SIS, in the context of the operations and prospects of the same company and resolved to recognise a provision for the amount of €4.9 million to fully write off the balance due (Note 13). There was no movement in provision during the year ended 31 December 2019.

9. INVESTMENTS IN JOINT VENTURES

	GROUP	
	2019	2018
	€	€
Year ended 31 December		
Opening carrying amount	**29,592,618**	28,243,812
Share of profit for the year	**1,625,780**	1,348,806
Dividend receivable	**(1,375,000)**	-
Closing carrying amount	**29,843,398**	29,592,618
At 31 December		
Cost	**2,000,000**	2,000,000
Share of profit and reserves	**27,843,398**	27,592,618
Carrying amount	**29,843,398**	29,592,618

During the financial year ended 31 December 2019 Mid Knight Holdings Limited, the jointly-controlled entity, declared a dividend out of which an amount of €1,375,000 is payable to MIDI p.l.c..

9. INVESTMENTS IN JOINT VENTURES • CONTINUED

The Group's shares in the joint venture represent:

JOINTLY-CONTROLLED ENTITY	REGISTERED OFFICE	CLASS OF SHARES HELD	PERCENTAGE OF SHARES HELD	
			2019	2018
Mid Knight Holdings Limited	North Shore Manoel Island, Gzira, Malta	Ordinary shares	**50%**	50%

During 2014, the Group entered into a joint venture through T14 Investments Limited (a fully-owned subsidiary of MIDI p.l.c.) in Mid Knight Holdings Limited (the joint venture) with Benny Holdings Limited. Mid Knight Operations Limited is a fully-owned subsidiary of Mid Knight Holdings Limited. The principal business objective of Mid Knight Holdings Limited, which is not listed, was the development, management and administration of a business centre on the T14 site located at Tigné Point.

During 2017, the board of Mid Knight Holdings Limited commissioned an independent architect and civil engineer, Lawrence Montebello, to prepare an open market valuation of the company's main asset, 'The Centre', an office block at Tigné Point in Sliema, which is managed by the jointly-controlled entity and is currently fully tenanted by third parties.

The valuation is based on the definition of the market value of a property, by the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual, and that of the European Council Directive.

The value of the property has been established by using a comparative approach. The current selling prices and rental values of similar commercial properties in similar localities have been compared.

During 2019, the jointly-controlled entity effected a payment of €1,950,000, which represents the extinguishment of the company's liability to make area within the office block available to one of the shareholders, potentially for lease purposes, which liability emanates from the shareholders' agreement. This area within the office block was however never available and is unlikely to be available in the foreseeable future. The office block is treated as investment property under the requirements of IAS 40 within the financial statements of the joint venture, utilising the fair value model which implies that the property is fair valued on a regular basis with fair value changes recognised in profit or loss. The said payment is being accounted as an addition to the carrying value of the investment property.

Following the transaction noted above, the market value of 'The Centre' has been estimated at €97,700,000. No further adjustment to the carrying amount of the property as at 31 December 2019 was deemed necessary as taking cognisance of the 2019 transaction, the key assumptions underlying the valuation of the property as of the date of valuation were deemed consistent with those applicable at 31 December 2019.

The share of results accounted for in the consolidated Financial Statements on the basis of the equity method of accounting, represents the share of results of Mid Knight Holdings Limited. For 2019 this reflects the Group's share of profits of the joint venture, principally arising from its rental operations.

As at 31 December 2019, the Directors reviewed the estimated recoverable amount of the investment and determined that no impairment charges were deemed necessary.

9. INVESTMENTS IN JOINT VENTURES • CONTINUED

The Group's share of results of Mid Knight Holdings Limited for financial years ended 31 December 2019 and 31 December 2018 and its share of the assets and liabilities, based on the information available to the Company, are shown as follows:

	ASSETS €	LIABILITIES €	REVENUES €	PROFIT €
Year ended 31 December 2018				
Mid Knight Holdings Limited	50,408,461	20,815,844	2,515,510	1,348,806
Year ended 31 December 2019				
Mid Knight Holdings Limited	**53,503,933**	**23,660,536**	**2,760,597**	**1,625,780**

10. FINANCIAL INVESTMENTS

	GROUP AND COMPANY	
	2019 **€**	2018 €
Year ended 31 December		
Opening carrying amount	**507,874**	513,906
Gains/(losses) from changes in fair value	**24,506**	(6,032)
Closing carrying amount	**532,380**	507,874
At 31 December		
Cost	**432,040**	432,040
Fair value gains (Note 17)	**100,340**	75,834
Carrying amount	**532,380**	507,874

The Group's financial investments which are measured at fair value through other comprehensive income, consist of equity investments and debt securities.

a) Equity investments amounting to €200,000 (2018: €200,000) represent an interest in an unlisted local private company, Manoel Island Yacht Yard Limited. This equity investment is not held for trading and the Group has irrevocably elected at initial recognition to recognise such investment in the category of financial assets measured at fair value through other comprehensive income. 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.

b) Debt securities have a cost amounting to €232,040 (2018: €232,040), and comprise Malta Government securities, which are listed on the Malta Stock Exchange, are subject to fixed rates of interest ranging from 4.5% to 5.2% and having maturity dates between 2028 and 2031.

10. FINANCIAL INVESTMENTS • CONTINUED

These investments have been classified at fair value through other comprehensive income, in view of the fact that the assets are held to collect contractual cash flows and to sell such assets. The measurement basis of such assets remained unchanged.

The fair value of the debt securities at the end of the reporting period, amounting to €332,380 (2018: €307,874), is based on the market value of the instruments as quoted on the Malta Stock Exchange. Accordingly the fair value of these financial assets, based on quoted prices in an active market, is categorised as Level 1 within the fair value measurement hierarchy required by IFRS 7.

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

The expected credit loss on the debt securities is considered to be insignificant.

11. LOANS RECEIVABLE FROM JOINT VENTURE

	GROUP	
	2019	2018
	€	€
Non-current		
Year ended 31 December		
Opening carrying amount	**9,701,000**	9,701,000
Repayments	**(9,701,000)**	-
Closing carrying amount	**-**	9,701,000

Non-current advances at Group level as at 31 December 2018 comprised amounts receivable from the jointly-controlled entity. These consisted of an amount of €6,001,000 with an original maturity in 2027 and an amount of €3,700,000 which had a planned maturity date in 2029. These loans were unsecured and were subject to a fixed interest rate of 5%. During October 2019, Mid Knight Holdings Limited has settled in full the loans due to the Group.

12. 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. Development works during the year ended 31 December 2019, reflected within the table below, were mainly focused on the Manoel Island phase of the project. In terms of the emphyteutical grant, the entire development shall be substantially completed by 31 March 2023.

During the year ended 31 December 2019, 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.

In March 2019, the Planning Authority approved the revised Masterplan and revised Outline Development Permit for the restoration and redevelopment of Manoel Island. This permit is currently subject to an appeal lodged by an NGO. A first works contract relating to site enabling works has been awarded and works are currently underway. As part of the design process of Phase 1 of the project, the Company has also submitted a number of full development applications to the Planning Authority.

The Company has also started the process of identifying a main contractor to undertake the works associated with Phase 1 of the project. On 2 December 2019, the Company announced, that its discussions with Tumas Group Company Limited in connection with the possibility of establishing a joint venture with respect to the development of Manoel Island had ceased by mutual agreement.

12. INVENTORIES – DEVELOPMENT PROJECT • CONTINUED

Nevertheless, the Company remains fully committed to the project and once the required planning permits are issued, it will go ahead with the development works.

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 2019 and 2018 comprised:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Purchase cost of land (see note below):				
- At 1 January	**20,451,104**	22,135,075	**20,451,104**	22,135,075
- Transferred to cost of sales	**(831,933)**	(1,683,971)	**(831,933)**	(1,683,971)
- At 31 December	**19,619,171**	20,451,104	**19,619,171**	20,451,104
Cost of design works and other studies, demolition, excavation, construction and restoration works and other expenses incurred:				
- At 1 January	**57,973,533**	73,056,007	**58,039,848**	73,034,566
- Additions for the year	**10,773,243**	9,698,444	**10,773,243**	9,570,984
- Depreciation of right-of-use assets (Note 6)	**148,520**	-	**148,520**	-
- Transferred to cost of sales	**(9,383,129)**	(23,108,256)	**(9,308,066)**	(22,893,040)
- Transferred to investment property	**-**	(1,672,662)	**-**	(1,672,662)
- At 31 December	**59,512,167**	57,973,533	**59,653,545**	58,039,848
Borrowing costs attributable to the project:				
- At 1 January	**45,202,260**	45,534,736	**45,202,260**	45,534,736
- Imputed interest (see note below)	**753,500**	1,833,266	**753,500**	1,833,266
- Interest on lease liabilities (Note 6)	**905,073**	-	**905,073**	-
- Transferred to cost of sales	**(569,057)**	(1,827,969)	**(569,057)**	(1,827,969)
- Transferred to investment property	**-**	(337,773)	**-**	(337,773)
- At 31 December	**46,291,776**	45,202,260	**46,291,776**	45,202,260
	125,423,114	123,626,897	**125,564,492**	123,693,212

An amount of €2 million was reclassified to investment property during the financial year ending 31 December 2018, representing the carrying amount of specific assets, in view of existence of operating lease arrangements in place with respect to such assets. No reclassifications were effected during 2019.

12. INVENTORIES – DEVELOPMENT PROJECT • CONTINUED

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).

As explained in Note 6, ground rent payable by the Group in respect of which right-of-use assets and lease liabilities have been recognised, cover land and property which is classified as Investment Property or Inventories – Development project. Since entering into the deed with the Government of Malta in 2000, the Group has capitalised the ground rent attributable to inventories within the carrying amount of these assets. Subsequent to the adoption of IFRS 16 – Leases, the Group reflects the depreciation charge on the right-of-use assets arising on property elements categorised as inventories and the finance costs on the related lease liabilities within the carrying amount of inventories through capitalisation of such amounts. The depreciation charge on the right-of-use assets attributable to inventories, which is capitalised within inventories, amounted to €148,520 for the year ended 31 December 2019 and the interest expense on the related lease liabilities, capitalised within inventories too, amounted to €905,073.

Had IFRS 16 not been adopted, during the year ended 31 December 2019 lease payments amounting to €592,455 would have been capitalised within inventories, in respect of ground rent payable attributable to inventories.

During 2018 the Group capitalised payments of ground rent amounting to €616,196, which amount is included under ‘additions’ in the table above.

13. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current				
Receivables in respect of rental operations	**585,423**	605,399	**585,423**	605,399
Amounts owed by subsidiaries	**-**	-	**4,133,377**	4,135,784
Amounts owed by joint venture	**1,439,633**	11,497	**2,479**	-
Amounts owed by other related parties	**30,272**	133,633	**28,133**	31,290
Amounts due from contractors	**950,512**	722,308	**346,328**	612,929
Indirect taxation	**-**	30,321	**-**	30,321
Prepayments and other receivables	**410,684**	855,251	**705,173**	1,094,713
	3,416,524	2,358,409	**5,800,913**	6,510,436

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

Receivables in respect of rental operations include an amount of €60,313 (2018: €56,473) which is due from related parties.

As already explained in Note 8, as of 31 December 2018, the Directors of the parent Company reviewed the balance due from SIS - its subsidiary, in the context of the operations and prospects of the same company and resolved to recognise a provision of €4.9 million through which the balance receivable was fully written off.

14. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash at bank and in hand	**21,901,231**	13,496,284	**20,181,732**	12,975,636
Cash and cash equivalents held under trust arrangement earmarked for repayment of the matured bonds	**(137,719)**	(220,807)	**(137,719)**	(220,807)
Cash and cash equivalents	**21,763,512**	13,275,477	**20,044,013**	12,754,829

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 repayment of the matured bonds (see Note 19). The balance represents funds earmarked for the eventual repayment of the 7% EURO bonds 2016-2018 and 7% GBP bonds 2016-2018 which were unsettled by the Company on 15 December 2016 but to date remain unredeemed due to *causa mortis* and court orders.

15. SHARE CAPITAL

	COMPANY	
	2019	2018
	€	€
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.

16. PROPERTY REVALUATION RESERVE

	GROUP	
	2019	2018
	€	€
Revaluation of land and buildings		
At 1 January	**1,211,132**	2,012,507
Revaluation surplus arising during the year in respect of property, plant and equipment, net of deferred taxation	-	1,110,700
Adjustment to deferred taxation upon reclassification of property, plant and equipment to investment property	-	(420,749)
Release of revaluation surplus upon sale of property, plant and equipment, net of tax	-	(1,478,278)
Reclassification to retained earnings, net of tax	-	(13,048)
At 31 December	**1,211,132**	1,211,132

The property revaluation reserve is non-distributable.

17. INVESTMENT FAIR VALUE RESERVE

	GROUP AND COMPANY	
	2019	2018
	€	€
At 1 January	**75,834**	81,866
Gains/(losses) from changes in fair value of financial assets	**24,506**	(6,032)
At 31 December	**100,340**	75,834

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

The reserve is non-distributable.

18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current				
Payments received on account	**9,000**	2,009,147	**9,000**	2,009,147
Due to Government in relation to purchase of land (Note 12)	**30,608,691**	30,608,691	**30,608,691**	30,608,691
Amounts owed to subsidiaries	**-**	-	**15,271,961**	7,087,040
Amounts owed to other related parties	**335,044**	331,059	**13,456**	6,039
Amounts owed to joint venture	**-**	-	**-**	8,107
Indirect taxation	**781,449**	437,677	**238,385**	-
Other payables	**1,928,185**	3,130,217	**939,701**	1,560,420
Accruals and deferred income	**5,793,758**	5,072,005	**3,697,387**	3,467,875
	39,456,127	41,588,796	**50,778,581**	44,747,319

	GROUP AND COMPANY	
	2019	2018
	€	€
Non-current		
Due to Government in relation to purchase of land (Note 12)	**14,371,205**	18,539,599
Other payables	**207,760**	216,539
	14,578,965	18,756,138

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

Payments received on account represent deposits and amounts received from prospective purchasers on account of the purchase price of residential property pursuant to the signing of a promise of sale agreement, together with other intermediate payments pending the completion of the residential property and ensuing signing of the final deed of sale pertaining thereto. The Company offers prospective purchasers (or their bankers) a special hypothec on the relative residential property (with a carrying amount of €9,000 (2018: €2,009,147) covering the equivalent amount of payments received on account) as security for any part out of such payments received on account, which are deemed to be refundable in terms of the relative promise of sale agreement. The Company's bankers have undertaken to postpone their hypothecary and privileged rights in favour of the aforementioned security provided to prospective purchasers (or their bankers).

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 €5,823,433 is expected during the financial year ending 31 December 2020 (2019: €5,823,433) in line with the contracted repayment schedule.

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.

18. TRADE AND OTHER PAYABLES • CONTINUED

Various costs incurred in respect of (a) and (b) above up to 31 December 2019 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 Company has also carried out substantial works pertaining to (a) and (b) and which have already been deducted from amounts due to Government.

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).

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

	2019 €	2018 €
Between 1 and 2 years	**5,823,433**	5,823,433
Between 2 and 5 years	**11,646,867**	17,470,300
	17,470,300	23,293,733
Less: imputed interest component	**(3,099,095)**	(4,754,134)
	14,371,205	18,539,599

Non-current other payables at 31 December mainly 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 34.

19. BORROWINGS

	GROUP AND COMPANY	
	2019	2018
	€	€
Current		
Bank loans	**9,999,971**	9,999,971
Non-current		
500,000 4% Secured Euro Bonds 2026	**49,394,683**	49,302,736
Total borrowings	**59,394,654**	59,302,707

On 28 June 2016, the Company issued €50,000,000 4% Secured Euro Bonds redeemable in 2026, which bonds were oversubscribed and admitted to listing on 3 August 2016 ("New Bond Issue"). The New Bond Issue's payment and interest are secured by a number of the Company's immovable properties as well as the Company's investment in Mid Knight Holdings Limited via its subsidiary T14 Investments Limited.

The quoted market price for the 4% Secured Euro Bonds 2026 as at 31 December 2019 was €102.50 (31 December 2018: €103.60).

19. BORROWINGS • CONTINUED

The bonds are measured at the amount of net proceeds adjusted for the amortisation of directly attributable and incremental transaction 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	
	2019	2018
	€	€
Face value of bonds		
500,000 4% Secured Euro Bonds 2026	**50,000,000**	50,000,000
Gross amount of bond issue costs	**(1,709,201)**	(1,709,201)
Amortisation up to end of current year	**1,103,884**	1,011,937
Unamortised bond issue costs	**(605,317)**	(697,264)
Amortised cost and closing carrying amount of bonds	**49,394,683**	49,302,736

Company bank borrowings as at 31 December 2019 for an amount of €9,999,971 (2018: €9,999,971) 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 rank after prior charges in favour of Government.

Bank borrowings are subject to floating rates of interest. The weighted average effective interest rates applied to borrowings as at the end of the reporting period were as follows:

	GROUP AND COMPANY	
	2019	2018
Bank loans	**2.8%**	3.1%

Maturity of total borrowings as at 31 December:

	GROUP AND COMPANY	
	2019	2018
	€	€
Within one year	**9,999,971**	9,999,971
Over five years	**49,394,683**	49,302,736
	59,394,654	59,302,707

20. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2018: 35%), with the exception of deferred taxation on fair value gains attributable to investment property, which are

20. DEFERRED TAXATION • CONTINUED

computed on the basis of a tax rate of 10% (2018: 10%) on the basis applicable to property disposals. The movement on the deferred income tax account is analysed as follows:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
At beginning of year	**2,233,173**	178,590	**2,233,173**	1,289,676
Charged/(credited) to profit or loss (Note 28):				
- depreciation on property, plant and equipment	**385**	(1,188)	**385**	(1,188)
- unutilised tax losses	**666,209**	1,832,958	**666,209**	721,862
- realisation upon disposal of property	**-**	(795,995)	**-**	(795,995)
Tax relating to components of other comprehensive income:				
- revaluation of property	**-**	598,059	**-**	598,069
- adjustment upon reclassification of car park to investment property	**-**	420,749	**-**	-
Charged to retained earnings:				
- adjustment attributable to reclassification of property	**-**	-	**-**	420,749
At end of year	**2,899,767**	2,233,173	**2,899,767**	2,233,173

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

- temporary differences arising between the tax base and carrying amount of property, plant and equipment attributable to depreciation;
- fair value gains arising on investment property; 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).

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
- temporary differences arising on property, plant and equipment	**(424)**	(809)	**(424)**	(809)
- unutilised tax losses	**(606,527)**	(1,272,736)	**(606,527)**	(1,272,736)
- fair valuation of property	**3,506,718**	3,506,718	**3,506,718**	3,506,718
Net amount	**2,899,767**	2,233,173	**2,899,767**	2,233,173

20. DEFERRED TAXATION • CONTINUED

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Deferred tax assets	**(606,951)**	(1,273,545)	**(606,951)**	(1,273,545)
Deferred tax liabilities	**3,506,718**	3,506,718	**3,506,718**	3,506,718
	2,899,767	2,233,173	**2,899,767**	2,233,173

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 includes income from property rental and management of certain areas within the project (Note 4).

22. EXPENSES BY NATURE

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cost of sales transferred from Inventories – Development project and related items	**10,951,595**	26,620,196	**10,876,532**	26,404,980
Commissions payable	**807,253**	1,336,681	**807,253**	1,336,681
Impairment of receivables due from subsidiary (Note 13)	**-**	-	**-**	4,942,062
Impairment of property, plant and equipment (Note 5)	**-**	1,420,000	**-**	-
Depreciation of property, plant and equipment (Note 5)	**392,083**	633,095	**8,977**	254,964
Employee benefit expense (Note 23)	**1,222,219**	1,556,298	**935,896**	1,251,783
Operating lease rentals payable:				
- vehicles	**32,228**	36,065	**26,476**	31,387
Directors' emoluments (Note 24)	**74,023**	68,411	**74,023**	68,411
Other expenses	**2,696,728**	2,520,465	**2,170,053**	2,156,930
Total cost of sales and administrative expenses	**16,176,129**	34,191,211	**14,899,210**	36,447,198

22. EXPENSES BY NATURE • CONTINUED

AUDITOR'S FEES

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2019 and 2018 relate to the following:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Annual statutory audit	**44,100**	42,500	**23,600**	22,500
Tax advisory and compliance services	**10,500**	1,830	**9,500**	900
Other assurance services	**18,000**	15,770	**18,000**	16,500
	72,600	60,100	**51,100**	39,900

23. EMPLOYEE BENEFIT EXPENSE

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Wages and salaries	**1,710,599**	1,968,092	**1,552,463**	1,735,805
Social security costs	**74,206**	97,980	**64,187**	80,657
	1,784,805	2,066,072	**1,616,650**	1,816,462
Amounts reflected in Inventories - Development project	**480,961**	429,086	**480,961**	429,086
Amounts recharged to subsidiaries	**-**	-	**118,168**	54,905
Amounts expensed in profit or loss	**1,222,219**	1,556,298	**935,896**	1,251,783
Amounts recharged to third parties	**37,792**	15,790	**37,792**	15,790
Amounts recharged to joint venture	**43,833**	64,898	**43,833**	64,898
	1,784,805	2,066,072	**1,616,650**	1,816,462

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

	GROUP		COMPANY	
	2019	2018	**2019**	2018
Technical and administration	**37**	46	**32**	39

24. DIRECTORS' EMOLUMENTS

	GROUP AND COMPANY	
	2019	2018
	€	€
Directors' fees	**74,023**	68,411

25. FINANCE INCOME

	GROUP AND COMPANY	
	2019	2018
	€	€
Interest income from:		
- bank deposits	**14,990**	15,339
- debt securities as investments	**11,008**	10,942
- amounts owed from joint venture	**401,330**	485,050
- other	**-**	1,616
	427,328	512,947

26. FINANCE COSTS

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Interest and related expense recognised in profit or loss on:				
- Bank loans and overdrafts	**281,553**	314,384	**281,553**	314,384
- Bonds issued to the general public				
- coupon interest payable	**1,997,932**	2,002,068	**1,997,932**	2,002,068
- amortisation of difference between net proceeds and redemption value	**91,947**	106,947	**91,947**	106,947
- Interest on lease liabilities	**94,777**	-	**94,777**	-
- Bank and other charges	**34,988**	31,559	**32,936**	27,485
	2,501,197	2,454,958	**2,499,145**	2,450,884

Finance costs capitalised are disclosed in Note 12 to these Financial Statements.

27. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Dividend income	**-**	50,000	**-**	50,000
Rental and other income	**28,339**	108,675	**28,339**	108,675
Management fees receivable	**4,936**	4,519	**4,936**	4,519
Other income	**100,346**	10,803	**45,211**	37,693
	133,621	173,997	**78,486**	200,887

28. TAX EXPENSE

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current taxation:				
Current tax expense	**2,352,702**	5,188,304	**2,352,702**	5,188,304
Deferred taxation (Note 20):				
Current year charge/credit	**666,594**	1,035,765	**666,594**	(75,321)
Tax expense	**3,019,296**	6,224,069	**3,019,296**	5,112,983

28. 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	
	2019	2018	**2019**	2018
	€	€	**€**	€
Profit before taxation	**11,233,676**	17,858,609	**9,967,464**	13,304,129
Tax at 35%	**3,931,787**	6,250,513	**3,488,612**	4,656,445
Tax effect of:				
- maintenance allowance claimed on rented property	**(62,901)**	(65,739)	**(62,901)**	(65,739)
- expenses not deductible for tax purposes	**233,323**	1,673,884	**107,475**	1,684,784
- application of different rates of tax on sale of property	**(407,116)**	(826,526)	**(407,116)**	(826,526)
- difference between realisation of deferred tax liability on disposal of property and applicable current taxes	**-**	(335,981)	**-**	(335,981)
- other items	**(106,774)**	-	**(106,774)**	-
- share of profit of joint venture	**(569,023)**	(472,082)	**-**	-
Tax expense in accounts	**3,019,296**	6,224,069	**3,019,296**	5,112,983

29. 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	
	2019	2018
	€	€
Profit attributable to equity holders of the Company	**8,214,380**	11,634,540
Weighted average number of ordinary shares in issue	**214,159,922**	214,159,922
Earnings per share	**0.038**	0.054

The Company has no instruments or arrangements which give rise to dilutive potential ordinary shares, and accordingly diluted earnings per share is equivalent to basic earnings per share.

30. DIVIDENDS

	COMPANY	
	2019	2018
	€	€
Net dividends paid on ordinary shares	**1,713,279**	1,499,119
Dividends per share	**0.008**	0.007

The Board of Directors is not recommending a dividend payment in respect of the year ended 31 December 2019 in view of the events and circumstances after the end of the reporting period (refer to Note 35), to preserve the Group's cash resources enabling it to manage liquidity demands over the coming months. A dividend of €0.008 per share, amounting in total to €1,713,279 was paid in respect to the year ended 31 December 2018 as reflected above.

31. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Operating profit	**11,681,765**	18,451,814	**12,039,281**	15,242,066
Adjustments for:				
Impairment of receivables due from subsidiaries (Note 13)	**-**	-	**-**	4,942,062
Impairment of property, plant and equipment	**-**	1,420,000	**-**	-
Depreciation of property, plant and equipment (Note 5)	**392,083**	633,095	**8,977**	254,964
Loss on disposal of property, plant and equipment	**-**	261,861	**-**	261,861
Changes in working capital:				
Trade and other receivables	**332,438**	1,120,488	**725,076**	(1,100,290)
Trade and other payables	**(6,306,274)**	(22,779,402)	**1,854,090**	(20,668,420)
Inventories - Development project	**(647,847)**	15,088,486	**(722,911)**	15,000,730
Cash generated from operations	**5,452,165**	14,196,342	**13,904,513**	13,932,973

32. 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 obligations, it is expected that total development investment in excess of circa €75 million will be made subsequent to the end of the financial year under review.

32. COMMITMENTS • CONTINUED

As at 31 December 2019, the Group had outstanding contractual commitments for project development works for the approximate amount of €3.2 million (2018: €1.7 million), which includes the amounts disclosed in Note 34. 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.

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 the Company in relation to rental operations within the project, are as follows:

	GROUP AND COMPANY	
	2019	2018
	€	€
Not later than 1 year	**1,235,057**	1,447,868
Later than 1 year and not later than 5 years	**2,585,071**	2,226,667
Over 5 years	**1,003,873**	1,074,410
	4,824,001	4,748,945

The operating lease agreements entered into by the Company typically run for a significant number of years. These contracts generally provide that the lease payments increase by a predetermined percentage every year, which increases have been reflected in the figures above. A number of these arrangements also provide for contingent rentals based on outlet turnover levels.

Operating lease commitments – where the Group/Company is the lessee

The future minimum lease payments payable under motor vehicle and other non-cancellable operating leases, subject to normal commercial terms and conditions, are as follows:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
Not later than 1 year	**63,669**	69,164	**26,308**	32,989
Later than 1 year and not later than 5 years	**111,050**	174,719	**23,323**	49,631
	174,719	243,883	**49,631**	82,620

With effect from 1 January 2019, the Group and Company have recognised right-of-use assets for leases, except for short-term and low-value leases in accordance with the requirements of IFRS 16 (Note 6). The lease arrangements in place for motor vehicles fall within the definition of short-term leases for the purposes of IFRS 16.

33. CONTINGENCIES

a) 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. The Directors do not believe that this matter has any significant financial impact on the Group.

b) Tigné Contracting Limited (a fully owned subsidiary of the Company) and a contractor have jointly agreed to enter into an arbitration process regarding works carried out by the contractor. An arbitration award was delivered whereby the main counter-claim of Tigné Contracting Limited was accepted and an amount of €610,889 awarded, whilst the rest of the counter-claim was refused. The claim of the contractor was also partially accepted for an amount of €917,305. An appeal has been entered both by the contractor and also by Tigné Contracting Limited. The Directors do not believe that this matter has any significant financial impact on the Group.

c) 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.

d) A court case involving Tigné Point South Residents Association and in connection with the Company's stores contributions payable towards common areas upkeep was decided unfavourably for MIDI. The court ruled that MIDI was to pay its share of contributions to common areas, amounting to €230,000. The Company disputes the amount claimed and has lodged an appeal. The Company believes the outcome of this process will ultimately be immaterial to the Financial Statements.

e) The Company has come into an agreement with Tigné Point South Residents Association on several claims made by the association and has agreed to undertake the necessary investigations and works to resolve water ingress issues that persist in the areas managed by this association. It is currently premature to define the scope and estimated costs of these works but in the opinion of the Directors these will not be significant.

f) At 31 December 2019, the Group has contingent liabilities amounting to €350,000 (2018: €350,000) and €61,000 (2018: nil) in respect of guarantees issued by the bank in the ordinary course of business in favour of the Malta Environment and Planning Authority and The Chairman Environment & Resources Authority, respectively.

g) At 31 December 2019, the Company has contingent liabilities in respect of guarantees given to the bank to secure the banking facilities of its fully-owned subsidiary, SIS, for the amount of €1,723,000 (2018: €1,723,000) and of a related party for the amount of €522,500 (2018: €522,500).

34. RELATED PARTY TRANSACTIONS

All companies forming part of the respective groups of companies of which Alf. Mizzi & Sons Limited, Gasan Enterprises Limited, MAPFRE MSV Life p.l.c., Polidano Brothers Limited, Vassallo Builders Group Limited and Lombard Bank Malta p.l.c. form part, are considered by the Directors to be related parties together with First Gemini p.l.c. and Mr. Mark Andrew Weingard, by virtue of the shareholding that the companies and persons referred to have 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.

As explained in Note 9, the Company has a 50% shareholding in Mid Knight Holdings Limited, a joint venture through T14 Investments Limited (a fully-owned subsidiary).

34. RELATED PARTY TRANSACTIONS • CONTINUED

The following transactions were carried out with related parties:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
i) Sale of goods and services				
Sale of goods and services to related parties	**567,008**	823,205	**273,367**	127,491
ii) Purchase of goods and services				
Purchase of services from subsidiaries	**-**	-	**7,284,731**	16,550,816
Purchase of services from related parties	**510,848**	62,129	**52,853**	55,340

At the end of the reporting period, the Group had outstanding contractual commitments with related parties for project development for the amount of €1,937,998 (2018: nil).

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
iii) Rental income				
Revenue earned during the current financial year from subsidiaries	**-**	-	**71,824**	69,733
Revenue earned during the current financial year from related parties	**144,355**	139,107	**144,355**	139,107
Balances as at 31 December included within other non-current liabilities (Note 18)	**35,000**	35,000	**35,000**	35,000
iv) Bank loans from shareholders				
Balances at 31 December	**9,999,971**	9,999,971	**9,999,971**	9,999,971
Net interest charged during the year	**281,553**	314,384	**281,553**	314,384

The Group and Company have banking facilities for the amount of €9,999,971 (2018: €9,999,971) sanctioned by related parties (terms and conditions are reflected in Note 19). Movements in bank loans are analysed in Note 19 to the Financial Statements.

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	€	€	**€**	€
v) Deposits with banks				
Balances at 31 December	**13,197,918**	6,191,112	**13,197,918**	6,191,112
Interest income earned	**14,803**	14,322	**14,803**	14,322

34. RELATED PARTY TRANSACTIONS • CONTINUED

	GROUP	
	2019	2018
	€	€
vi) Loans receivable from joint venture company		
Balance during the year	**-**	9,701,000
Interest income	**-**	485,050

As explained in Note 11, during the current year Mid Knight Holdings Limited settled the balances with the Group.

Movements in the assets referred to above 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	
	2019	2018	**2019**	2018
	€	€	**€**	€
vii) Bonds held by related parties				
Held by related parties in own name	**261,500**	261,500	**4,528**	4,528
Held by related parties as nominees	**2,505,200**	2,380,500	**43,378**	41,219

The Directors are the Group's key management personnel and transactions with these related parties consist solely of directors' remuneration as disclosed in Note 24.

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 13 and 18 to the Financial Statements. Interest receivable and payable in this respect are disclosed in Notes 25 and 26 respectively.

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.

35. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

In view of the developments relating to the COVID-19 pandemic that occurred after the end of the reporting period, on 25 March 2020 the Company announced (Company Announcement MDI144) that it was closely monitoring the situation and assessing the potential impact of the pandemic on the Group's operations.

For financial reporting purposes, events relating to the COVID-19 pandemic are deemed to be non-adjusting subsequent events, and accordingly the financial results and financial position of the Group reported within these Financial Statements for the year ended 31 December 2019 have not been impacted by these events.

35. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD • CONTINUED

However, these events may have a significant impact on the Company's operations during 2020 and on the financial results for the year ending 31 December 2020. Although assessing accurately the extent and duration of the pandemic, as well as the consequential effects on the Maltese economy, is not possible at this stage, it is likely that the pandemic will have a negative impact throughout 2020 on the sale of the residential units the Group holds as inventories as at 31 December 2019 and on the Group's rental operations. In terms of progress on the Company's ongoing projects, the Manoel Island Masterplan appeal process has been halted as the sittings of the Environment and Planning Review Tribunal have been cancelled until further notice, due to the pandemic outbreak. This will inevitably result in a delay in the commencement of the development works at Manoel Island.

On 9 April 2020, the Company announced (Company Announcement MDI145) that based on its analysis, it has sufficient funds to meet its obligations as they fall due including the payment of interest on the 4% MIDI Secured Bonds 2026, which is payable on 27 July 2020. The Company also stated that the Board of Directors and management remain vigilant on developments with a view to taking any measures as may be appropriate from time to time, so as to curb any potential negative impact on the Company's business.

The Company's management has compiled financial projections for the period ending 30 June 2021, comprising historical financial information up to the date of approval, by the Directors, of these Financial Statements and forecast financial information for the residual period, incorporating the projected impact of the events referred to above on the projected financial results, cash flows and financial position of the Company. The forecast financial information reflects the estimated impact of the stressed conditions affecting the economy and marketplace, under a rather pessimistic baseline scenario, which encompasses a severe set of assumptions in respect the forecast business conditions until 30 June 2021.

These assumptions are based on the expected income streams from the Group's rental operations throughout the explicit period of the projections, together with the timing of and estimated proceeds from the sale of the residual residential units held for resale as at 31 December 2019. The Company has assumed that works on the Q3 residential block will be funded by a designated bank facility for this purpose. The projections contemplate expenditure for works on the Manoel Island project up to an established amount, which is expected to occur throughout the explicit period.

Under the cash flow projections, the Company is projected to have sufficient liquidity and financial resources to meet all its ongoing obligations and forecasted cash outflows as they fall due, taking into account the Company's arrangements with bankers in respect of existing bank facilities. In view of the circumstances, management has implemented a number of cost cutting measures and will continue to monitor the situation with a view to taking additional measures if required. Furthermore, the Directors are not recommending to pay dividends in 2020 in respect of the 2019 financial results.

The impact of the expected reduction in rental income streams during the year ending 31 December 2020, under the pessimistic scenario, on the fair valuation of specific elements within investment property is not material on the basis of an analysis carried out by management, reflecting discounted cash flows for the entire term of the emphyteutical grant, taking into account contracted lease arrangements. The estimated sales values of other elements of investment property have not been impacted in a material manner as a result of the events subsequent to the end of the reporting period. No impairment indicators have been registered subsequent to year end in respect of the key inventory elements as these are principally expected to generate sales revenues in a few years' time and an extreme decline in future sales prices would have to be experienced to give rise to possible impairment of the carrying amounts attributable to inventory elements.

Based on the outcome of the cash flow projections as referred to above, the Directors and management consider the going concern assumption in the preparation of the Company's Financial Statements as appropriate as at the date of approval, by the Directors, of the 2019 Financial Statements. The Directors and management also believe that no material uncertainty, that may cast significant doubt about the Company's ability to continue as a going concern, exists as at that date.

36. STATUTORY INFORMATION

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

FIVE YEAR RECORD

GROUP

SUMMARISED RESULTS	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
Revenue	27,724	52,469	4,636	8,674	41,042
Cost of sales	(13,135)	(29,932)	(3,584)	(3,885)	(31,123)
Gross profit	**14,589**	**22,537**	**1,052**	**4,789**	**9,919**
Gains from changes in fair value of investment properties	-	-	-	-	4,851
Administrative expenses	(3,041)	(4,260)	(3,972)	(2,637)	(1,852)
Other income	134	174	134	(521)	205
Operating profit/(loss)	**11,682**	**18,451**	**(2,786)**	**1,631**	**13,123**
Net finance costs	(2,074)	(1,942)	(2,255)	(3,726)	(3,203)
Impairment charge on goodwill	-	-	-	-	(448)
Share of results of joint venture	1,626	1,349	26,281	(18)	(14)
Result before tax	**11,234**	**17,858**	**21,240**	**(2,113)**	**9,458**
Overall result for the year	**8,214**	**11,635**	**20,775**	**(2,516)**	**9,920**

SUMMARISED FINANCIAL POSITION	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
Shareholders' funds	103,966	97,440	86,621	67,359	71,248
Borrowings	59,395	59,303	66,137	60,448	50,074
Total capital employed	163,361	156,743	152,758	127,808	121,322
Non-current assets	83,814	81,118	83,834	56,203	57,832
Current assets	150,802	139,545	154,575	147,577	129,630
Liabilities (excluding borrowings)	(71,256)	(63,870)	(85,652)	(75,972)	(66,140)
Total assets less liabilities (excluding borrowings)	163,360	156,793	152,757	127,808	121,322

NOTES

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MIDI

MANOEL ISLAND & TIGNÉ POINT DEVELOPMENT

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