



**MIDI p.l.c.**  
**Condensed Consolidated Interim Financial Information**  
**30 June 2020**

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

This Interim Directors' Report is published in terms of the Malta Financial Services Authority Listing Rules Chapter 5 and the Prevention of Financial Markets Abuse Act, 2005. The consolidated interim financial information included in this report has been extracted from MIDI p.l.c.'s ("MIDI" or "Company") unaudited consolidated financial information for the six months ended 30 June 2020 prepared in accordance with IAS 34 'Interim Financial Reporting'. In terms of Listing Rule 5.75.5, this interim report has not been audited or reviewed by the Group's independent auditors.

### **Principal activity**

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

### **Material events & transactions**

In preparing this Report, the Directors have taken regard of the material events and transactions for the period ended June 2020 ("the Relevant Period"), and their impact on the condensed set of financial statements, together with the prospects for the remaining six months ending 31 December 2020.

The Relevant Period has been characterized by the ongoing COVID-19 pandemic and the negative consequential effects it has had on both the local as well as global economies. This has partially impacted MIDI Group's financial results for the six months ending 30 June 2020. During the Relevant Period, the MIDI Group has registered a loss after tax of €1.1 million compared to a profit after tax of €3.0 million registered for the same period last year.

As anticipated, no revenue has been generated from property sales (2019: €8.0 million). This is mainly due to the fact, that the Company has a very limited number of properties for sale following the successful delivery of the Q2 apartments over the past two years. In addition, demand for these remaining apartments has been subdued due to the ongoing pandemic.

Revenue for the six months amounted to €1.1 million (2019: €9.6 million) which was solely generated by the property and rental management sector of the Group resulting in an overall operating loss of €723k (2019: profit of €4.3 million). Revenues from this sector are lower than what has been budgeted and lower than that recorded for the same period in 2019 (a negative variance of €300k) as a consequence of the Company granting rent concessions to the tenants of its commercial properties and to its car park operator by way of support during the COVID-19 pandemic.

Total assets have decreased marginally from €234.6 million as at 31 December 2019 to €234.1 million, while the Group's Net Asset Value also decreased from €104.0 million to €102.9 million, resulting in a Net Asset Value per share of €0.48 (€0.49 as at 31 December 2019).

The Group's results for the Relevant Period also include the consolidation of the financial results of its subsidiary Solutions & Infrastructure Services Limited ("SIS") as well as the Group's 50% share of the financial results of Mid Knight Holdings Limited ("MKH"), a joint venture company which owns and operates "The Centre" office block located at Tigné Point. The Group's share of MKH's profit for the Relevant Period amounted to €991k (2019: €805k).

The Company's primary focus during 2020 has continued to be 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 partially 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

**Interim Directors' Report pursuant to Listing Rule 5.75.2 - continued**

of the EPRT will delay the commencement of the development; however the Company remains committed to the project and is working to ensure that the updated EIA is concluded, with a view to resubmitting the the Outline Development Application to the Planning Authority during the last quarter of 2020.

On 16 April 2020, a full development permit was granted by the Planning Authority for the development of the residential block at Tigné Point, which will 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 subject to an appeal which was lodged by the Fort Cambridge Residents Association. Notwithstanding this, the Group is continuing with both the design and procurement processes of the development, in order to be in a position to commence works immediately, should the appeal be decided in MIDI's favour.

The outlook for the second half of the year remains a challenging one given the uncertainties within both the local and global economies in view of the COVID-19 pandemic. The Company is envisaging a similar financial performance to the one registered in the first half of 2020 given that demand for its limited number of properties is expected to remain subdued as well as it expects to continue supporting the tenants of its commercial properties in the form of rent concessions for the short term. Nevertheless, the Company is confident that it 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.

With regards to sale of properties the Company has recently entered into a promise of sale agreement for the sale of one the remaining Q2 units for €3.9 million and this together with the resultant profitability will be accounted for in the financial year of 2021 when this sale is expected to be finalized.

**Related party transactions**

MIDI p.l.c. and its subsidiaries enter into related party transactions in the ordinary course of their activities. Related party transactions are reviewed and approved by the Audit Committee on a regular basis. All related party transactions pertaining to the six-month period ended 30 June 2020 have been disclosed in Note 6 to the Condensed Consolidated Interim Financial Information.

On behalf of the Board



Alec A. Mizzi  
Chairman



Joseph A. Gasan  
Director

25 August 2020

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

**Condensed consolidated statement of financial position**

|                                     | As at<br>30 June<br>2020<br>(unaudited)<br>€ | As at<br>31 December<br>2019<br>(audited)<br>€ |
|-------------------------------------|--|--|
| <b>ASSETS</b>                       |  |  |
| <b>Non-current assets</b>           |  |  |
| Property, plant and equipment       | 2,510,969                                    | 2,618,952                                      |
| Right-of-use assets                 | 13,052,773                                   | 13,134,811                                     |
| Investment property                 | 37,077,612                                   | 37,077,612                                     |
| Investments in joint ventures       | 30,834,710                                   | 29,843,398                                     |
| Financial investments               | 516,960                                      | 532,380  |
| Deferred tax assets                 | 438,023                                      | 606,951  |
| Total non-current assets            | <b>84,431,047</b>                            | 83,814,104                                     |
| <b>Current assets</b>               |  |  |
| Inventories - Development project   | 128,684,454                                  | 125,423,114                                    |
| Other current assets                | 20,999,341                                   | 25,379,345                                     |
| Total current assets                | <b>149,683,795</b>                           | 150,802,459                                    |
| <b>Total assets</b>                 | <b>234,114,842</b>                           | 234,616,563                                    |
| <b>EQUITY</b>                       |  |  |
| <b>Capital and reserves</b>         | <b>102,899,534</b>                           | 103,965,733                                    |
| <b>LIABILITIES</b>                  |  |  |
| <b>Non-current liabilities</b>      |  |  |
| Trade and other payables            | 9,417,483                                    | 14,578,965                                     |
| Borrowings                          | 59,448,290                                   | 49,394,683                                     |
| Lease liabilities                   | 12,835,172                                   | 12,989,743                                     |
| Deferred tax liabilities            | 3,506,718                                    | 3,506,718                                      |
| Total non-current liabilities       | <b>85,207,663</b>                            | 80,470,109                                     |
| <b>Current liabilities</b>          |  |  |
| Trade and other payables            | 44,627,490                                   | 39,456,127                                     |
| Borrowings                          | -  | 9,999,971                                      |
| Lease liabilities                   | 1,308,992                                    | 654,496  |
| Current tax liabilities             | 71,163                                       | 70,127   |
| Total current liabilities           | <b>46,007,645</b>                            | 50,180,721                                     |
| Total liabilities                   | <b>131,215,308</b>                           | 130,650,830                                    |
| <b>Total equity and liabilities</b> | <b>234,114,842</b>                           | 234,616,563                                    |

The condensed consolidated interim financial information on pages 3 to 14 was authorised for issue by the board of directors on 25 August 2020 and was signed on its behalf by:



Alec A. Mizzi  
Chairman



Joseph A. Gasan  
Director

**Condensed consolidated income statement**

|   | <b>Six months ended 30 June</b> |                    |
|---|---------------------------------|--------------------|
|   | <b>2020</b>                     | <b>2019</b>        |
|   | <b>(unaudited)</b>              | <b>(unaudited)</b> |
|   | €                               | €                  |
| <b>Revenue</b>  | <b>1,068,815</b>                | 9,617,777          |
| <b>Gross profit</b>   | <b>542,261</b>                  | 6,001,018          |
| <b>Operating (loss)/profit</b>  | <b>(722,939)</b>                | 4,311,546          |
| Share of profit of investment accounted for using the equity method of accounting | <b>991,312</b>                  | 804,848            |
| Net finance costs   | <b>(1,149,390)</b>              | (900,591)          |
| <b>(Loss)/profit before tax</b>   | <b>(881,017)</b>                | 4,215,803          |
| Tax expense   | <b>(169,761)</b>                | (1,254,162)        |
| <b>(Loss)/profit for the period</b>   | <b>(1,050,778)</b>              | 2,961,641          |
| Earnings per share  | <b>(0.005)</b>                  | 0.014              |

**Condensed consolidated statement of comprehensive income**

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2020</b>                     | <b>2019</b>        |
|  | <b>(unaudited)</b>              | <b>(unaudited)</b> |
|  | €                               | €                  |
| <b>(Loss)/profit for the period</b>  | <b>(1,050,778)</b>              | 2,961,641          |
| <b>Other comprehensive income:</b>   |                                 |                    |
| <i>Items that may be subsequently reclassified to profit or loss</i>                                     |                                 |                    |
| Changes in fair value of financial investments measured at fair value through other comprehensive income | <b>(15,421)</b>                 | 18,152             |
| <b>Total comprehensive income for the period</b>   | <b>(1,066,199)</b>              | 2,979,793          |

### Condensed consolidated statement of changes in equity

|  | Share<br>capital<br>€ | Share<br>premium<br>€ | Property<br>revaluation<br>reserve<br>€ | Investment<br>fair value<br>reserve<br>€ | Retained<br>earnings<br>€ | Total<br>€         |
|--|-----------------------|-----------------------|---|--|---------------------------|--------------------|
| Balance at 1 January 2020  | 42,831,984            | 15,878,784            | 1,211,132                               | 100,340                                  | 43,943,493                | 103,965,733        |
| <b>Comprehensive income</b>  |                       |                       |   |  |                           |                    |
| Loss for the period  | -                     | -                     | -                                       | -  | (1,050,778)               | (1,050,778)        |
| <b>Other comprehensive income</b>  |                       |                       |   |  |                           |                    |
| <i>Items that may be subsequently reclassified to profit or loss</i>                               |                       |                       |   |  |                           |                    |
| Fair valuation of financial investments measured at fair value through other comprehensive income: |                       |                       |   |  |                           |                    |
| Net changes in fair value arising during the year, before tax                                      | -                     | -                     | -                                       | (15,421)                                 | -                         | (15,421)           |
| Total other comprehensive income   | -                     | -                     | -                                       | (15,421)                                 | -                         | (15,421)           |
| <b>Total comprehensive income</b>  | -                     | -                     | -                                       | (15,421)                                 | (1,050,778)               | (1,066,199)        |
| <b>Balance at 30 June 2020</b>   | <b>42,831,984</b>     | <b>15,878,784</b>     | <b>1,211,132</b>                        | <b>84,919</b>                            | <b>42,892,715</b>         | <b>102,899,534</b> |
| Balance at 1 January 2019  | 42,831,984            | 15,878,784            | 1,211,132                               | 75,834                                   | 37,442,392                | 97,440,126         |
| <b>Comprehensive income</b>  |                       |                       |   |  |                           |                    |
| Profit for the period  | -                     | -                     | -                                       | -  | 2,961,641                 | 2,961,641          |
| <b>Other comprehensive income:</b>   |                       |                       |   |  |                           |                    |
| <i>Items that may be subsequently reclassified to profit or loss</i>                               |                       |                       |   |  |                           |                    |
| Fair valuation of financial investments measured at fair value through other comprehensive income: |                       |                       |   |  |                           |                    |
| Net changes in fair value arising during the year, before tax                                      | -                     | -                     | -                                       | 18,152                                   | -                         | 18,152             |
| Total other comprehensive income   | -                     | -                     | -                                       | 18,152                                   | -                         | 18,152             |
| <b>Total comprehensive income</b>  | -                     | -                     | -                                       | 18,152                                   | 2,961,641                 | 2,979,793          |
| <b>Transactions with owners</b>  |                       |                       |   |  |                           |                    |
| Dividends paid to shareholders   | -                     | -                     | -                                       | -  | (1,713,279)               | (1,713,279)        |
| Total transactions with owners   | -                     | -                     | -                                       | -  | (1,713,279)               | (1,713,279)        |
| <b>Balance at 30 June 2019</b>   | <b>42,831,984</b>     | <b>15,878,784</b>     | <b>1,211,132</b>                        | <b>93,986</b>                            | <b>38,690,754</b>         | <b>98,706,640</b>  |

**Condensed consolidated statement of cash flows**

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2020</b>                     | <b>2019</b>        |
|  | <b>(unaudited)</b>              | <b>(unaudited)</b> |
|  | <b>€</b>                        | <b>€</b>           |
| Net cash used in operating activities                  | <b>(2,306,644)</b>              | (3,167,285)        |
| Net cash generated from/(used in) financing activities | <b>10,700</b>                   | (1,711,279)        |
| Net movement in cash and cash equivalents              | <b>(2,295,944)</b>              | (4,878,564)        |
| Cash and cash equivalents at beginning of period       | <b>21,763,512</b>               | 13,275,477         |
| Cash and cash equivalents at end of period             | <b>19,467,568</b>               | 8,396,913          |



## Notes to the condensed consolidated interim financial information

### 1. General information

MIDI p.l.c. is a public limited liability company with its principal activity being the development of the Manoel Island and Tigné Point Project.

During the interim period under review, the Company's primary focus has continued to be 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 Company 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.

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, which will 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 subject of an appeal which was lodged by the Fort Cambridge Residents Association. Notwithstanding this, the Group is continuing with both the design and procurement processes of the development, in order to be in a position to commence works immediately, should the appeal be decided in MIDI's favour.

### 2. Basis of preparation

The condensed consolidated interim financial information includes the Financial Statements of MIDI p.l.c., its subsidiaries and the share of results of its joint venture. The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the EU.

#### *Accounting policies*

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those financial statements.

#### *Standards, interpretations and amendments to published standards effective in 2020*

In 2020, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies impacting the Group's financial performance and position.

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

**2. Basis of preparation - continued**

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2020. The Group has not early adopted any of these amendments.

*Assessment of going concern assumption*

MIDI p.l.c. has registered a consolidated loss for the period amounting to €1,050,778 (2019: profit €2,961,641) during the period ended 30 June 2020. The Group's total assets exceeded its total liabilities by €102,899,534 (2019: €103,965,733) as at 30 June 2020.

MIDI Group continued to review its funding strategy in the context of the timing of the different development stages of the final 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 Tigné Point and Manoel Island project to leverage the underlying cash flow streams.

In view of the developments pertaining to the COVID-19 pandemic that have occurred during the Relevant Period, the Group's operations during 2020 and the registered financial results have been partially impacted, with adverse impacts on the group profitability and cash flows. The Group is closely monitoring its cash flow projections and having assessed such projections taking into consideration a number of pessimistic scenarios, 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.

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

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

**3. Segment information**

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

- a) development and sale of property, which comprises primarily the construction and sale of residential units within Tigné Point and Manoel Island project; and
- b) property rental and management, which involves the leasing and management of the 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 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 six-month periods ended 30 June 2020 and 2019 is as follows:

|   | Development and sale of property |           | Property and rental management |           | Group            |           |
|---|----------------------------------|-----------|--------------------------------|-----------|------------------|-----------|
|   | 2020                             | 2019      | 2020                           | 2019      | 2020             | 2019      |
|   | €                                | €         | €                              | €         | €                | €         |
| Segment revenue                           | -                                | 8,049,548 | <b>1,068,815</b>               | 1,568,229 | <b>1,068,815</b> | 9,617,777 |
| Segment results - operating (loss)/profit | <b>(1,232,995)</b>               | 3,222,131 | <b>510,056</b>                 | 1,089,415 | <b>(722,939)</b> | 4,311,546 |

**4. Earnings per share**

Earnings per share is calculated by dividing the results attributable to equity holders of the Company by the weighted average number of ordinary shares of MIDI p.l.c. in issue. During both six month periods ended 30 June 2020 and 2019, the weighted average number of shares in issue amounted to 214,159,922.

**5. Trade and other payables**

The current portion of trade and other payables includes amounts due to Government in relation to the purchase of land which have been 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 €11,646,866 is expected during the next 12 months ending 30 June 2021 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.

**Notes to the condensed consolidated interim financial information – continued****6. 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.

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

*i) Purchase of goods and services*

During the six-month period ended 30 June 2020, the Group purchased services from related parties for the amount of €309,087 (period ended 30 June 2019: €26,328).

At the end of the interim period under review, the Group had outstanding contractual commitments with related parties for project development for the amount of €1,937,998 (31 December 2019: Nil).

*ii) Operating lease arrangements*

The rental income earned from lease arrangements with related parties during the six-month period ended 30 June 2020 amounted to €31,496 (period ended 30 June 2019: €71,640).

*iii) Sale of Services*

Income from sale of services to related parties during the six-month period ended 30 June 2020 amounted to €127,561 (period ended 30 June 2019: €273,238).

*iv) Bank loans*

As at 30 June 2020 the Group has banking facilities of €9,999,971 (31 December 2019: €9,999,971) sanctioned by related parties. The interest charged on loans from related parties during the six-month period ended 30 June 2020 amounted to €51,529 (period ended 30 June 2019: €111,224).

*v) Loans with joint ventures*

Loans receivable from Mid Knight Holdings Limited, a joint venture entity with Benny Holdings, were settled during October 2019. Following the full repayment of these loans, no interest income was recorded during the six-month period ended 30 June 2020 (period ended 30 June 2019: €240,532).

*vi) Deposits with banks*

Outstanding bank deposits placed with related parties as at 30 June 2020 amounted to €13,197,828 (31 December 2019: €13,197,918). The interest income earned on deposits with related parties during the six-month period ended 30 June 2020 amounted to €12,639 (period ended 30 June 2019: €21,971).

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

**6. Related party transactions - continued**

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

|   | <b>Face value of<br/>bonds held at</b> |                     | <b>Interest payable during<br/>the six months ended</b> |                 |
|---|--|---------------------|---|-----------------|
|   | <b>30 June<br/>2020</b>                | 31 December<br>2019 | <b>30 June<br/>2020</b>                                 | 30 June<br>2019 |
|   | €                                      | €                   | €   | €               |
| Other related parties   | <b>261,500</b>                         | 261,500             | <b>5,216</b>  | 5,187           |
| Held by related parties as nominees<br>in the ordinary course of their business | <b>2,686,900</b>                       | 2,505,200           | <b>53,591</b>   | 46,957          |

The transactions, undertaken with related parties, disclosed above were carried on commercial terms in the normal course of business and are subject to scrutiny by the Audit Committee.

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

|   | <b>As at<br/>30 June<br/>2020</b> | As at<br>31 December<br>2019 |
|---|-----------------------------------|------------------------------|
|   | €                                 | €                            |
| Amounts owed to related parties                                     | <b>361,231</b>                    | 335,044                      |
| Amounts owed to joint venture                                       | <b>430</b>                        | -                            |
| Outstanding deposits effected under<br>operating lease arrangements | <b>35,000</b>                     | 35,000                       |
| Amounts owed by related parties                                     | <b>294,345</b>                    | 599,585                      |
| Amounts owed by joint venture                                       | <b>62,893</b>                     | 1,439,633                    |

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

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

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.

## Notes to the condensed consolidated interim financial information – *continued*

### 7. Fair values of financial instruments

At 30 June 2020 and 31 December 2019 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 Directors have assessed the fair value of the amount due to Government in relation to purchase of land with a carrying amount of €45.7 million as at 30 June 2020 (31 December 2019: €45.0 million) by reference to the original discount rate applied upon completion of the deed adjusted by changes recorded since then at the end of the reporting period in the yields to maturity of long term Malta Government securities with tenor similar to the repayment terms of the liability towards the Government. On this basis, the fair value at 30 June 2020 of the amount due to Government with respect to the purchase of land amounted to €45.7 million (31 December 2019: €45.0 million). The current market interest rates utilised for fair value estimation are considered observable and accordingly these fair value estimates have been categorised as Level 2.

The carrying amount of the 4% Secured Euro Bonds 2026 as at 30 June 2020 was €49.45 million (31 December 2019: €49.39 million). The quoted market price for the euro bond as at 30 June 2020 was 101.20 (31 December 2019: 102.50), which in the opinion of the Directors fairly represented the fair value of these financial liabilities. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

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

### 8. Impact of the COVID-19 pandemic

Shortly after the onset of the COVID-19 pandemic in 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.

On 9 April 2020, the Company has further communicated to the market (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 was 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 implications emanating from the pandemic has partially impacted the Company's operations during 2020 and consequently have had a negative impact on the financial results for the six months ending 30 June 2020. The pandemic has resulted in subdued demand for the residential units the Group held as inventories at 30 June 2020 and on the Group's rental operations. In relation to rental operations, the Company has offered rent concessions to all the tenants of its commercial properties during the Relevant Period to support their operations during this difficult time. These rental concessions are substantially still in force as at today and the Company is envisaging that such concessions will remain in place in the short term. Such concessions have impacted rental revenues which are not on the same level as those recorded for the same period in 2019 (2020: €1.1 million vs 2019: €1.6 million). In light of the current economic uncertainties, the Company is envisaging a subdued financial performance in the second half of 2020 consistent with the performance registered in the first half of 2020.

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

**8. Impact of the COVID-19 pandemic - continued**

The Company's Management has compiled financial projections for the period ending 31 December 2021, comprising historical financial information up to the date of approval, by the Directors, of these condensed 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 31 December 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 30 June 2020. 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 have not recommended to pay a dividend 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 this ongoing event. No impairment indicators have been registered 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 Condensed Consolidated Interim Financial Information as appropriate as at the date of approval, by the Directors. 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.

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

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

We hereby confirm that to the best of our knowledge:

- The condensed consolidated interim financial information gives a true and fair view of the financial position of the Group as at 30 June 2020, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34, 'Interim Financial Reporting').
- The interim directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Alec A. Mizzi  
Chairman



Joseph A. Gasan  
Director

25 August 2020