MIDI p.l.c.

Annual Report and Consolidated Financial Statements 31 December 2005

Company Registration Number : C 15836

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal activity

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

Review of the business

During the course of the year the construction work at Tigne Point continued to register steady progress. Also, during the year, MIDI p.l.c. received deposits for the second and third instalments on the sale of apartments.

The company has also transferred to the Government of Malta completed works established by the original contract of acquisition of the land.

Results and dividends

The consolidated profit and loss account is set out on page 5. The directors do not recommend the payment of a dividend.

Directors

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

Albert Mizzi – Chairman
Bank of Valletta plc
Paul Bonello
Joseph A. Gasan
Mario C. Grech
Francesca Mamo
Maurice F. Mizzi
Nazzareno Vassallo
Arthur Galea Salomone
Dr. Alec A. Mizzi
John Mary Gatt - appointed on 10 June 2005
Charles Polidano - resigned on 10 June 2005

All the directors shall retire from office at the Annual General Meeting of the company in accordance with Article 85 of the company's Articles of Association and those eligible can be re-elected or re-appointed.

Directors' report - continued

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Albert Mizzi
Chairman

Paul Bonello
Director

Registered office
North Shore
Manoel Island
Malta

15 September 2006

Statement of directors' responsibilities

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company and of the group as at the end of each financial period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the financial statements have been drawn up in accordance with International Financial Reporting Standards;
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company or the group will continue in business as a going concern.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group, and to enable them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the auditors

To the Members of MIDI p.l.c.

We have audited the financial statements on pages 5 to 22. As described in the statement of directors' responsibilities on page 3, these financial statements are the responsibility of the company's directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2005 and of the profit, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Maltese Companies Act, 1995.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

15 September 2006

Profit and loss accounts

		Year ended 31 December			
		Group		Company	
	Notes	**2005**	2004	**2005**	2004
		Lm	Lm	**Lm**	Lm
Turnover	3	**-**	-	**899,463**	-
Cost of sales		**-**	-	**(899,463)**	-
Gross profit		**-**	-	**-**	-
Operating income		**97,361**	87,210	**86,000**	86,000
Administrative expenses		**(149,030)**	(71,684)	**(139,029)**	(70,934)
Operating (loss)/profit		**(51,669)**	15,526	**(53,029)**	15,066
Interest receivable		**19,429**	984	**19,429**	984
Other income		**53,606**	-	**53,606**	-
Profit before tax		**21,366**	16,510	**20,006**	16,050
Tax expense	6	**(3,116)**	(6,762)	**(3,116)**	(5,617)
Profit for the year		**18,250**	9,748	**16,890**	10,433

Balance sheets

		As at 31 December			
		Group		Company	
	Notes	**2005**	2004	**2005**	2004
		Lm	Lm	**Lm**	Lm
ASSETS					
Fixed assets					
Property, plant and equipment	7	**1,909,988**	130,909	**82,011**	87,923
Shares in group undertakings	8	**-**	-	**5,960**	5,960
Total fixed assets		**1,909,988**	130,909	**87,971**	93,883
Current assets					
Stock – Development project	9	**52,861,005**	45,824,623	**52,861,005**	45,824,623
Debtors	10	**1,300,047**	989,928	**2,894,100**	1,228,184
Current taxation		**1,796**	-	**1,261**	-
Cash at bank and in hand		**3,583,621**	11,389,652	**3,572,534**	11,366,897
Total current assets		**57,746,469**	58,204,203	**59,328,900**	58,419,704
Total assets		**59,656,457**	58,335,112	**59,416,871**	58,513,587
EQUITY AND LIABILITIES					
Capital and reserves					
Called up issued share capital	11	**8,904,800**	6,401,600	**8,904,800**	6,401,600
Profit and loss account		**113,352**	95,102	**114,432**	97,542
Total equity		**9,018,152**	6,496,702	**9,019,232**	6,499,142
Creditors: amounts falling due after more than one year					
Other creditors	12	**21,350,206**	23,143,151	**21,350,206**	23,143,151
Borrowings	13	**-**	8,448,212	**-**	8,448,212
Total non-current liabilities		**21,350,206**	31,591,363	**21,350,206**	31,591,363
Creditors: amounts falling due within one year					
Other creditors	12	**27,301,664**	11,773,486	**27,060,998**	11,950,666
Borrowings	13	**1,986,435**	8,472,308	**1,986,435**	8,472,308
Current taxation		**-**	1,253	**-**	108
Total current liabilities		**29,288,099**	20,247,047	**29,047,433**	20,423,082
Total liabilities		**50,638,305**	51,838,410	**50,397,639**	52,014,445
Total equity and liabilities		**59,656,457**	58,335,112	**59,416,871**	58,513,587

The financial statements on pages 5 to 22 were authorised for issue by the board on 15 September 2006 and were signed on its behalf by:

Albert Mizzi
Chairman

Paul Bonello
Director

Statements of changes in equity

Group	Note	Share capital Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2004		6,044,000	85,354	6,129,354
Increase in paid up share capital	11	357,600	-	357,600
Profit for the financial year		-	9,748	9,748
Balance at 31 December 2004		**6,401,600**	**95,102**	**6,496,702**
Balance at 1 January 2005		6,401,600	95,102	6,496,702
Increase in paid up share capital	11	2,503,200	-	2,503,200
Profit for the financial year		-	18,250	18,250
Balance at 31 December 2005		**8,904,800**	**113,352**	**9,018,152**

Company	Note	Share capital Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2004		6,044,000	87,109	6,131,109
Increase in paid up share capital	11	357,600	-	357,600
Profit for the financial year		-	10,433	10,433
Balance at 31 December 2004		**6,401,600**	**97,542**	**6,499,142**
Balance at 1 January 2005		6,401,600	97,542	6,499,142
Increase in paid up share capital	11	2,503,200	-	2,503,200
Profit for the financial year		-	16,890	16,890
Balance at 31 December 2005		**8,904,800**	**114,432**	**9,019,232**

Cash flow statements

	Notes	Group 2005 Lm	Group 2004 Lm	Company 2005 Lm	Company 2004 Lm
Operating activities					
Investment in development project		**(8,012,676)**	(9,331,660)	**(6,304,593)**	(9,357,754)
Working capital movement related thereto	14	**713,456**	1,828,695	**(1,060,187)**	1,818,718
Cash outflow on development project		**(7,299,220)**	(7,502,965)	**(7,364,780)**	(7,539,036)
Cash inflow from promise of sale agreements		**12,034,266**	6,940,267	**12,034,266**	6,940,267
Operating (loss)/ profit		**(51,669)**	15,526	**(53,029)**	15,066
Interest received		**19,429**	984	**19,429**	984
Other income		**53,606**	-	**53,606**	-
Tax paid		**(6,165)**	(21,565)	**(4,485)**	(18,887)
Net cash from/(used in)operating activities		**4,750,247**	(567,753)	**4,685,007**	(601,606)
Investing activities					
Acquisition of property, plant and equipment		**(77,070)**	(28,713)	**(162)**	(11,453)
Disposal of property, plant and equipment		**-**	914	**-**	-
Acquisition of shares in a group undertaking		**-**	-	**-**	(1,980)
Net cash used in investing activities		**(77,070)**	(27,799)	**(162)**	(13,433)
Financing activities					
Payments to Government re acquisition of land		**-**	(310,000)	**-**	(310,000)
Bank borrowings during the year		**(15,003,758)**	7,338,194	**(15,003,758)**	7,338,194
Movement in other creditors		**21,350**	(25,535)	**21,350**	(25,535)
Cash inflow from paid up share capital		**2,503,200**	357,600	**2,503,200**	357,600
Net cash (used in)/from financing activities		**(12,479,208)**	7,360,259	**(12,479,208)**	7,360,259
Movement in cash and cash equivalents		**(7,806,031)**	6,764,707	**(7,794,363)**	6,745,220
Cash and cash equivalents at beginning of year		**11,389,652**	4,624,945	**11,366,897**	4,621,677
Cash and cash equivalents at end of year	15	**3,583,621**	11,389,652	**3,572,534**	11,366,897

Year ended 31 December

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

a. Basis of preparation

The consolidated financial statements include the financial statements of MIDI p.l.c. and its subsidiary undertakings. These are prepared in accordance with International Financial Reporting Standards (IFRSs) and with the requirements of the Companies Act, 1995. The consolidated financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs 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 1 – Critical accounting estimates and judgements).

In 2005, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2005. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the group's accounting policies.

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the group's accounting periods beginning on or after 1 January 2006 or later periods. The group has not early adopted these revisions to the requirements of IFRSs and the company's directors are of the opinion that there are no requirements that will have a material impact on the group's financial statements in the period of initial application.

b. Consolidation

Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group and are no longer consolidated from the date of disposal. All transactions between group companies have been eliminated. There are no minority interests within the group.

c. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue earned from the long term contract in which the company is engaged is recognised upon the delivery of the contracted items net of sales taxes and discounts and is included in the financial statements as turnover.

Other operating income consisting of berthing fees and interest is recognised on an accruals basis. Tender fees are recognised as they are received.

d. Borrowings

Borrowings are recognised initially at the cash equivalent value of the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. The difference between proceeds (net of transaction costs) and the redemption value is recognised 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 discrete part of the project for its sale or intended use are completed.

(ii) All other borrowing costs are recognised in the income statement as incurred.

e. Stock – Development project

The main object of the company is the development of a large area of land acquired for the purpose. This development is intended in the main for resale purposes, and is accordingly classified in the financial statements as stock. Any elements of the project which are identified for business operation or long-term investment properties are transferred at their carrying amount to Property, Plant and Equipment or Investment Properties when such identification is made and the cost thereof can reliably be segregated.

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

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

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

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

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

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

f. Property, plant and equipment

All property, plant and equipment is initially recorded at cost less depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial year in which they are incurred.

f. Property, plant and equipment - continued

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful life. Depreciation is charged when assets become available for use as follows:

	%
Buildings	1
Office equipment, furniture and fittings	10 – 33

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

g. Financial assets

Shares in group undertakings are stated at cost less any provisions required for material diminution in value of an apparently permanent nature. Such diminution in value is normally calculated by reference to the net asset worth of the companies as disclosed by their audited or unaudited financial statements.

h. Trade debtors

Trade debtors are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company and the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

i. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

j. Foreign currencies

Transactions in foreign currencies have been converted into Maltese liri at the rates of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated into Maltese liri at the rates of exchange ruling at the balance sheet date.

k. Deferred income tax

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax losses of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

Notes to the financial statements

1. 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 (revised).

2. Activities of the company

The MIDI Consortium was granted a letter of intent by the Government of Malta in December 1992 for the development of the Manoel Island and Tigne' Point project. Project negotiations were successfully concluded and a 99 year emphyteutical grant was entered into with Government on 15 June 2000. Works at Tigne' Point commenced towards the end of 2002 and have continued with steady progress in the current year.

3. Turnover

The company's turnover relates to the design and other ancillary costs incurred in respect of the mall to be built on Tigne Sports which were transferred to Tigne Mall Limited, a group undertaking, that will develop and manage the mall's operation.

4. Expenses by nature

	Group		Company	
	2005	2004	**2005**	2004
	Lm	Lm	**Lm**	Lm
Cost of goods transferred to group undertaking	**-**	-	**899,463**	-
Depreciation	**4,941**	8,959	**-**	-
Staff costs (Note 5)	**68,302**	34,700	**68,302**	34,700
Other expenses	**75,787**	28,025	**70,727**	36,234
Total cost of sales and administrative expenses	**149,030**	71,684	**1,038,492**	70,934

Auditors' remuneration amounted to Lm4,700 (2004: Lm3,650) for the Group and Lm2,300 (2004: Lm1,600) for the company.

5. Staff costs

	Group		Company	
	2005	2004	**2005**	2004
	Lm	Lm	**Lm**	Lm
Wages and salaries	**829,201**	608,571	**829,201**	608,571
Social security costs	**49,653**	38,638	**49,653**	38,638
	878,854	647,209	**878,854**	647,209
Amounts included in stock - Development project (Note 9)	**810,552**	612,509	**742,317**	523,992
Amounts recharged to group undertakings	**-**	-	**68,235**	88,517
Amounts expensed	**68,302**	34,700	**68,302**	34,700
	878,854	647,209	**878,854**	647,209

Average number of persons employed during the year:

	Group		Company	
	2005	2004	**2005**	2004
Technical and administration	**80**	65	**80**	57

6. Tax expense

	Group		Company	
	2005	2004	**2005**	2004
	Lm	Lm	**Lm**	Lm
Tax expense	**3,116**	6,762	**3,116**	5,617

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

	Group		Company	
	2005	2004	**2005**	2004
	Lm	Lm	**Lm**	Lm
Profit before tax	**21,366**	16,510	**20,006**	16,050
Tax on profit at 35%	**7,478**	5,779	**7,002**	5,617
Tax effect of:				
Investment income subject to tax at 15%	**(3,886)**	-	**(3,886)**	-
Temporary differences not recognised on grounds of materiality	**(476)**	983	**-**	-
	3,116	6,762	**3,116**	5,617

7. Property, plant and equipment

Group	Buildings Lm	Assets under construction Lm	Office equipment furniture & fittings Lm	Motor vehicles Lm	Total Lm
At 1 January 2004					
Cost	64,745	-	205,323	-	270,068
Accumulated depreciation	-	-	(124,275)	-	(124,275)
Net book amount	64,745	-	81,048	-	145,793
Year ended 31 December 2004					
Opening net book amount	64,745	-	81,048	-	145,793
Additions	-	-	17,356	11,357	28,713
Disposals	-	-	(1,524)	-	(1,524)
Depreciation charged to stock development project	(647)	-	(39,731)	(2,305)	(42,683)
Depreciation released on disposal	-	-	610	-	610
Closing net book amount	**64,098**	**-**	**57,759**	**9,052**	**130,909**
At 31 December 2004					
Cost	64,745	-	221,155	11,357	297,257
Accumulated depreciation	(647)	-	(163,396)	(2,305)	(166,348)
Net book amount	64,098	-	57,759	9,052	130,909
Year ended 31 December 2005					
Opening net book amount	64,098	-	57,759	9,052	130,909
Additions	-	-	77,070	-	77,070
Additions transferred from stock development (Note 9)	157,067	1,590,817	-	-	1,747,884
Depreciation	-	-	(4,941)	-	(4,941)
Depreciation charged to stock development	(3,788)	-	(34,875)	(2,271)	(40,934)
Closing net book amount	**217,377**	**1,590,817**	**95,013**	**6,781**	**1,909,988**
At 31 December 2005					
Cost	221,812	1,590,817	298,225	11,357	2,122,211
Accumulated depreciation	(4,435)	-	(203,212)	(4,576)	(212,223)
Net book amount	217,377	1,590,817	95,013	6,781	1,909,988

7. Property, plant and equipment – continued

Company	Buildings Lm	Office equipment, furniture & fittings Lm	Motor vehicles Lm	Total Lm
At 1 January 2004				
Cost	64,745	118,939	-	183,684
Accumulated depreciation	-	(90,625)	-	(90,625)
Net book amount	64,745	28,314	-	93,059
Year ended 31 December 2004				
Opening net book amount	64,745	28,314	-	93,059
Additions	-	96	11,357	11,453
Depreciation charge	(647)	(13,637)	(2,305)	(16,589)
Closing net book amount	**64,098**	**14,773**	**9,052**	**87,923**
At 31 December 2004				
Cost	64,745	119,035	11,357	195,137
Accumulated depreciation	(647)	(104,262)	(2,305)	(107,214)
Net book amount	64,098	14,773	9,052	87,923
Year ended 31 December 2005				
Opening net book amount	64,098	14,773	9,052	87,923
Additions	-	162	-	162
Depreciation charge	(647)	(3,156)	(2,271)	(6,074)
Closing net book amount	**63,451**	**11,779**	**6,781**	**82,011**
At 31 December 2005				
Cost	64,745	119,197	11,357	195,299
Accumulated depreciation	(1,294)	(107,418)	(4,576)	(113,288)
Net book amount	63,451	11,779	6,781	82,011

8. Financial assets

	Shares in group undertakings	
	2005 **Lm**	2004 Lm
At 1 January	**5,960**	3,980
Additions	**-**	1,980
At 31 December	**5,960**	5,960

8. **Financial assets** - continued

Group undertakings at 31 December 2004 and 2005 are shown below:

Group undertaking	**Registered office**	**Class of shares held**	**Percentage of shares held**
Tigne' Contracting Limited	North Shore Manoel Island	Ordinary shares	100%
Tigne' Point Marketing Limited	North Shore Manoel Island	Ordinary shares	99%
Tigne' Point Mall Limited	North Shore Manoel Island	Ordinary Shares	99%

9. Stock – Development project

The main object of the company and the group is the development of a large area of land at Manoel Island and Tigne' Point, acquired from the Government of Malta for the purpose by virtue of a 99 year emphyteutical grant entered into on 15 June 2000. This development is intended in the main for resale purposes.

Costs incurred on the project up to 31 December 2005 and 2004 comprised:

	Group		**Company**	
	2005	2004	**2005**	2004
	Lm	Lm	**Lm**	Lm
Purchase cost of land (see note below)	**18,277,645**	18,277,645	**18,277,645**	18,277,645
Cost of design works and other studies, demolition, excavation, construction and restoration works and other expenses incurred:				
- At 1 January	**20,809,705**	11,435,362	**20,809,705**	11,435,362
- Additions for the year	**7,942,081**	9,374,343	**5,904,600**	9,374,343
- Transferred from group undertaking during the year	**-**	-	**1,189,060**	-
- Transfer to Government	**(423,729)**	-	**(423,729)**	-
- Transferred to group undertaking during the year	**-**	-	**(899,463)**	-
- Transferred to fixed assets	**(1,747,884)**	-	**-**	-
- At 31 December	**26,580,173**	20,809,705	**26,580,173**	20,809,705
Borrowing costs attributable to the project:				
- At 1 January	**6,737,273**	4,991,680	**6,737,273**	4,991,680
- Imputed interest	**1,196,241**	1,388,582	**1,196,241**	1,388,582
- Bank interest	**69,673**	357,011	**69,673**	357,011
- At 31 December	**8,003,187**	6,737,273	**8,003,187**	6,737,273
	52,861,005	45,824,623	**52,861,005**	45,824,623

9. Stock – Development project – continued

The contract of acquisition of the land provided for a premium of Lm39.57 million payable over an extended period of time, which was discounted to its present value amount of Lm18.3 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.

During the current year the group has delivered to the Government of Malta the Tigne sports and residential area, for a consideration of Lm423,729, in accordance with the contract of the acquisition of the land. In addition during the current year elements of the project which are intended for business operations were clearly identified and in accordance with the group's accounting policy transferred to property, plant and equipment (Note 7).

10. Debtors

	Group		Company	
	2005	2004	**2005**	2004
	Lm	Lm	**Lm**	Lm
Trade debtors	**652**	652	**-**	-
Other debtors	**116,704**	69,007	**73,164**	35,005
Recoverable expenses incurred on behalf of contractors	**687,958**	420,558	**687,958**	420,558
Amounts owed by group undertakings	**-**	-	**1,884,291**	516,665
Prepayments	**160,607**	132,461	**142,178**	98,273
Advanced payments	**100,000**	-	**-**	-
Accrued income	**35,307**	157,683	**35,307**	157,683
Indirect taxation	**198,819**	209,567	**71,202**	-
	1,300,047	989,928	**2,894,100**	1,228,184

11. Called up issued share capital

	2005	2004
	Lm	Lm
Authorised		
14,000,000 Ordinary shares of Lm1 each	**14,000,000**	14,000,000
10,000,000 Preference shares "A" of Lm1 each	**10,000,000**	10,000,000
	24,000,000	24,000,000
Issued and paid up share capital		
11,920,000 Ordinary shares of Lm1 each 69% paid up (2004: 48% paid up)	**8,224,800**	5,721,600
680,000 Ordinary shares of Lm1 each, 100% paid up	**680,000**	680,000
	8,904,800	6,401,600

In terms of the capital structure outlined above, the company's shareholders have commitments towards the company amounting to Lm3,695,200 (2004: Lm6,178,723), representing the unpaid amount on their shares. These commitments are secured by first class bank guarantees in the favour of the company's bankers with the company retaining the beneficiary status.

12. Trade and other creditors

	Group		Company	
	2005	2004	**2005**	2004
	Lm	Lm	**Lm**	Lm
Amounts falling due within one year				
Trade creditors	**26,835**	27,924	**-**	-
Payments received on account (see also Note 15)	**21,889,148**	6,010,570	**21,889,148**	6,010,570
Due to Government re purchase of land	**150,000**	1,523,975	**150,000**	1,523,975
Other creditors	**3,129,352**	2,172,488	**4,684,827**	3,872,956
Amounts due to related parties	**816,134**	740,874	**35,799**	-
Accruals and deferred income	**1,290,195**	1,297,655	**301,224**	543,165
	27,301,664	11,773,486	**27,060,998**	11,950,666
Amounts falling due after more than one year				
Due to Government re purchase of land (see also Note 9)	**19,656,806**	17,626,789	**19,656,806**	17,626,789
Other creditors	**97,957**	76,607	**97,957**	76,607
Payments received on account (see also Note 15)	**1,595,443**	5,439,755	**1,595,443**	5,439,755
	21,350,206	23,143,151	**21,350,206**	23,143,151

The amount due to Government re purchase of land includes:

(a) an amount, originally contracted at Lm5 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 Lm9 million, which is being satisfied through the construction of all the public infrastructure works required at Manoel Island and Tigne' Point;

(c) the balance which is being settled in cash.

Various costs incurred in respect of (a) and (b) above up to 31 December 2005 are included in stock-development project and will be deducted from the amount due to Government when the completion stages stipulated in the relative lease agreement are attained.

12. **Trade and other creditors** - continued

The maturity of the group's and company's liability towards Government,:

	2005	2004
	Lm	Lm
Due between 1 and 2 years	**3,145,975**	1,572,000
Due between 2 and 5 years	**7,683,257**	9,864,850
Due after more than 5 years	**22,892,568**	21,451,174
	33,721,800	32,888,024
Less: imputed interest component	**(14,064,994)**	(15,261,235)
	19,656,806	17,626,789

The maturity of other creditors and payments received on account is between 2 and 5 years.

13. Borrowings

	Group and company	
	2005	2004
	Lm	Lm
Short term – falling due within one year		
Bank loans	**1,986,435**	8,472,308
Long term		
Interest-bearing bank loans		
- Between 1 and 2 years	**-**	8,448,212
Total borrowings	**1,986,435**	16,920,520

The bank borrowings are secured by general and special hypothecs and a special privilege over all the company's property, ranking after the prior charges given in favour of prospective purchasers in respect of advance deposit paid to the company, and after the privilege standing in favour of Government in respect of the amount outstanding re purchase of land (see also Note 12). Borrowings are subject to a floating rate of interest which as at 31 December 2005 amount to 6.25% (2004: 6.5%).

14. Other working capital movements

	Group		Company	
	2005	2004	**2005**	2004
	Lm	Lm	**Lm**	Lm
Debtors	**(310,119)**	(72,498)	**(1,665,916)**	(249,277)
Creditors	**1,023,575**	1,901,193	**605,729**	2,067,995
Other working capital movements	**713,456**	1,828,695	**(1,060,187)**	1,818,718

15. Cash and cash equivalents

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	Group		Company	
	2005	2004	**2005**	2004
	Lm	Lm	**Lm**	Lm
Cash at bank and in hand	**3,583,621**	11,389,652	**3,572,534**	11,366,897

At 31 December 2005 the company and group had bank deposits amounting to Lm2,057,092 (2004: Lm11,308,910) representing advance deposits on sale of property, which are deposited in escrow accounts and which are pledged to secure bank borrowings. Interest income earned on these deposits is offsetted by the company's bankers against interest costs incurred on the company's bank loans. These amounts are included within cash and cash equivalents.

16. Financial instruments

Credit risk

Financial assets which potentially subject the group and company to concentrations of credit risk consist principally of cash at bank and debtors. The group's and company's cash is placed with quality financial institutions. The group and company have no significant concentration of credit risk.

Fair values

At 31 December 2005 and 2004 the carrying amounts of cash at bank, debtors, creditors and accrued expenses and short-term borrowings approximated their fair values. The fair values of long-term bank borrowings are not materially different from their carrying amounts. The directors have assessed the fair value of the amount due to Government re purchase of land (Note 12) by reference to the original discount rate applied upon completion of the deed (see Note 9) adjusted by changes recorded since then in the yields to maturity at balance sheet date of long term Malta Government securities with tenor similar to the repayment terms of the liability towards Government of Malta. On this basis, the fair value at 31 December 2005 of the amount due to Government with respect to the purchase of land amounted to Lm21,810,394 (2004: Lm21,479,234).

17. Related party transactions

Alf. Mizzi & Sons Group, Bank of Valletta Group, Gatt Investments, Gasan Group, Fortress Development, Middle Sea Valletta Life Insurance Group, Mizzi Organisation, Polidano Group, Vassallo Builders Group, Pater Holdings Group, and Pininfarina Extra srl are considered by the directors to be related parties by virtue of their shareholding in the company.

The following transactions were carried out with related parties:

	Group		Company	
	2005	2004	**2005**	2004
i) Sale of goods and services	**Lm**	Lm	**Lm**	Lm
Transfer of goods to group undertaking	**-**	-	**899,463**	-
ii) Purchase of goods and services				
Purchase of goods from group undertaking	**-**	-	**1,538,897**	-
Purchase of goods from related parties	**4,020,415**	5,571,196	**31,179**	-
Outstanding contractual commitments with related parties for project development	**4,200,000**	2,200,000	**-**	-
iii) Deposits on promise of sale				
Deposits on sale of apartments from related parties	**4,453,046**	2,400,000	**4,453,046**	2,400,000
Value of the sale of apartments to related parties	**10,880,000**	13,680,000	**10,880,000**	13,680,000
iv) Loans from related parties				
Loans from related parties	**-**	2,719,844	**-**	2,719,844
Net interest charged by related parties	**80,838**	234,113	**80,838**	234,113

The transactions, undertaken with related parties, disclosed above were carried at commercial rates in the normal course of business and are subject to the scrutiny of the Board of Directors. The transactions carried out with group undertaking were carried out at cost.

Balances outstanding as at year end with respect to group undertakings and other related parties are disclosed in debtors (Note 10) and trade and other creditors (Note 12).

The group has a contingent liability of Lm514,000 arising in the normal course of business with related parties with respect to works carried out on the development project. The nature of the dispute is mainly on technical aspects of the contract between the two parties. The case is currently being assessed by an independent arbitration board.

18. Commitments

In addition to settling the liabilities associated with the purchase price of the land, the emphyteutical grant entered into with the Government provides for a series of development obligations relating to the contents of the project and the timescales over which it should be completed. As a result of these commitments, it is expected that a total development investment in excess of Lm150 million will be made. The emphyteutical grant specifies a maximum overall period of 25 years, commencing in 2000, for completion of the project.

At 31 December 2005 the company had entered into one hundred and ninety-four Purchase and Promise of Sale Agreements with respect to the construction and sale of apartments in Tigne' South Development. In terms of these Agreements, the company is committed to supply the apartments between 1 August 2006 and 31 December 2006. In the event that the company does not honour this commitment, the company is liable to refund the deposit paid by customers on these Agreements together with interest thereon at a rate of 1% above base rate. These Agreements are expected to generate sales amounting to around Lm46 million of which as at 31 December 2005, Lm23,484,590 (2004: Lm11,308,910) was received by the company.

The Purchase and Promise of Sale Agreements entered into give rise to agents' commission amounting to Lm965,730 (2004: Lm989,910) that becomes due upon signing of the final deeds of sale.

19. Contingencies

At balance sheet date, the Group had a contingent liability of Lm1,780,000 arising in the normal course of business with related parties with respect to works carried out on the development project. The nature of the dispute is mainly on technical aspects of the contract between the two parties.

The Group has not approved the claims in question on the basis of professional advice received. No provision has been made in respect of the said claims on this basis, also bearing in mind that to date the group has no experience on the arbitration processes which could assist in determining its likely incidence of any eventual adverse awards. At this early stage of the project, any additional contract expenses would result in an increment of the carrying amounts both of stock – development project and current liabilities, and would not impact on the profit for the year.

At 31 December, the company had a contingency arising from uncalled share capital in group undertakings, amounting to Lm23,840 (2004: Lm23,840), for which no provision has been made in the financial statements.

20. Statutory information

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

Detailed accounts

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Detailed profit and loss account

	2005 Lm	2004 Lm
Sales	**899,463**	-
Cost of Sales	**(899,463)**	-
Gross profit	**-**	-
Berthing fees	**86,000**	86,000
Administrative expenses (page 25)	**(139,029)**	(70,934)
Operating (loss)/profit	**(53,029)**	15,066
Interest receivable	**19,429**	984
Other income	**53,606**	-
Profit before tax	**20,006**	16,050

Administrative expenses

	2005	2004
	Lm	Lm
Administration charge	**12,500**	5,000
Audit fee	**2,500**	1,600
Legal and professional fees	**15,000**	15,000
Salaries	**68,302**	34,700
General expenses	**20,015**	14,634
Travelling expenses	**3,349**	-
Security expenses	**14,674**	-
Bank charges	**2,689**	-
	139,029	70,934