

MIDI p.l.c.

Annual Report and Consolidated Financial Statements
31 December 2004

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2004.

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. At 31 December 2004, the company had entered into one hundred and ninety-five promise of sale agreements with respect to the sale of apartments in Tigne South Development.

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
Charles Polidano – appointed 1 June 2004
John Mary Gatt – resigned 1 June 2004

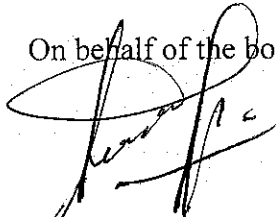
All the directors shall retire from office at the Annual General Meeting of the company in accordance with Article 85 of the company's Articles of Association and those eligible can be re-elected or re-appointed.

Directors' report - continued

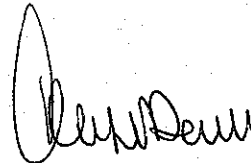
Auditors

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

10 June 2005

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.

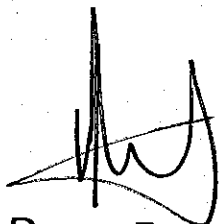
Report of the auditors

To the Members of MIDI p.l.c.

We have audited the financial statements on pages 5 to 21. 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 2004 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 

167 Merchants Street
Valletta
Malta

10 June 2005

This report has been signed by

(Partner) for and on behalf of
PricewaterhouseCoopers

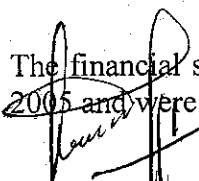
Profit and loss accounts

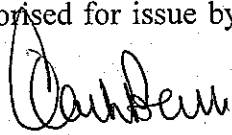
	Notes	Group		Company	
		2004 Lm	2003 Lm	2004 Lm	2003 Lm
Operating income	1	87,210	78,730	86,000	77,144
Administrative expenses		(71,684)	(56,775)	(70,934)	(56,775)
Operating profit	2	15,526	21,955	15,066	20,369
Interest receivable		984	5,998	984	5,998
Profit on ordinary activities before tax		16,510	27,953	16,050	26,367
Tax on profit on ordinary activities	4	(6,762)	(10,887)	(5,617)	(8,209)
Profit for the financial year		9,748	17,066	10,433	18,158

Balance sheets

	Notes	Group		Company	
		2004 Lm	2003 Lm	2004 Lm	2003 Lm
ASSETS					
Fixed assets					
Property, plant and equipment	5	130,909	145,793	87,923	93,059
Investments	6	-	-	5,960	3,980
		130,909	145,793	93,883	97,039
Current assets					
Stock – Development project	7	45,824,623	34,704,687	45,824,623	34,704,687
Debtors	8	989,928	910,610	1,228,184	972,087
Cash at bank and in hand	13	11,389,652	4,624,945	11,366,897	4,621,677
		58,204,203	40,240,242	58,419,704	40,298,451
Total assets		58,335,112	40,386,035	58,513,587	40,395,490
EQUITY AND LIABILITIES					
Capital and reserves					
Called up issued share capital	11	6,401,600	6,044,000	6,401,600	6,044,000
Profit and loss account		95,102	85,354	97,542	87,109
Total shareholders' funds		6,496,702	6,129,354	6,499,142	6,131,109
Creditors: amounts falling due after more than one year					
Other creditors	10	23,143,151	20,435,954	23,143,151	20,435,954
Borrowings	9	8,448,212	7,605,282	8,448,212	7,605,282
		31,591,363	28,041,236	31,591,363	28,041,236
Creditors: amounts falling due within one year					
Other creditors	10	11,773,486	4,586,177	11,950,666	4,596,555
Borrowings	9	8,472,308	1,620,033	8,472,308	1,620,033
Current taxation		1,253	9,235	108	6,557
		20,247,047	6,215,445	20,423,082	6,223,145
Total creditors		51,838,410	34,256,681	52,014,445	34,264,381
Total equity and liabilities		58,335,112	40,386,035	58,513,587	40,395,490

The financial statements on pages 5 to 21 were authorised for issue by the board on 10 June 2005 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 2003		5,719,180	68,288	5,787,468
Increase in paid up share capital	11	324,820	-	324,820
Profit for the financial year		-	17,066	17,066
Balance at 31 December 2003		6,044,000	85,354	6,129,354
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

Company		Share capital Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2003		5,719,180	68,951	5,788,131
Increase in paid up share capital	11	324,820	-	324,820
Profit for the financial year		-	18,158	18,158
Balance at 31 December 2003		6,044,000	87,109	6,131,109
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

Cash flow statements

	Notes	Group		Company	
		2004 Lm	2003 Lm	2004 Lm	2003 Lm
Operating activities					
Investment in development project		(9,331,660)	(5,330,362)	(9,357,754)	(5,352,537)
Working capital movement related thereto	12	1,828,695	1,057,510	1,818,718	1,038,346
Cash outflow on development project		(7,502,965)	(4,272,852)	(7,539,036)	(4,314,191)
Cash inflow from promise of sale agreements		6,940,267	4,492,656	6,940,267	4,492,656
Operating profit		15,526	21,955	15,066	20,369
Interest received		984	5,998	984	5,998
Tax paid		(21,565)	(3,588)	(18,887)	(3,588)
Net cash (used in)/from operating activities		(567,753)	244,169	(601,606)	201,244
Investing activities					
Acquisition of property, plant and equipment		(28,713)	(114,051)	(11,453)	(64,745)
Disposal of property, plant and equipment		914	4,257	-	-
Acquisition of shares in a group undertaking		-	-	(1,980)	-
Net cash used in investing activities		(27,799)	(109,794)	(13,433)	(64,745)
Financing activities					
Payments to Government re acquisition of land		(310,000)	(748,000)	(310,000)	(748,000)
Bank borrowings during the year		7,338,194	4,913,823	7,338,194	4,913,823
Movement in other creditors		(25,535)	(361,459)	(25,535)	(361,459)
Cash inflow from paid up share capital		357,600	324,820	357,600	324,820
Net cash generated from financing activities		7,360,259	4,129,184	7,360,259	4,129,184
Movement in cash and cash equivalents		6,764,707	4,263,559	6,745,220	4,265,683
Cash and cash equivalents at beginning of year		4,624,945	361,386	4,621,677	355,994
Cash and cash equivalents at end of year	13	11,389,652	4,624,945	11,366,897	4,621,677

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 and comply with the Companies Act, 1995. The consolidated financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumption that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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 intercompany transactions between group companies have been eliminated. There are no minority interests within the group.

c. Revenue recognition

Revenues earned by the company and group comprise berthing fees and interest income and are 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.

Accounting policies - continued**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 or fair value 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.

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 as follows:

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

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.

Accounting policies - continued**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 taxation

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. 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 continued during the preceding and current financial year. During the year, the company earned berthing fees on existing facilities at Manoel Island and interest income on bank balances.

2. Operating profit

Operating profit is stated after charging:

	Group		Company	
	2004 Lm	2003 Lm	2004 Lm	2003 Lm
Audit fees	3,350	2,400	1,600	1,600
Staff costs (Note 3)	34,700	32,336	34,700	32,336

3. Staff costs

	Group		Company	
	2004 Lm	2003 Lm	2004 Lm	2003 Lm
Wages and salaries	709,918	459,770	626,030	459,770
Social security costs	43,268	29,088	38,638	29,088
	753,186	488,858	664,668	488,858
Amounts included in stock – Development project (Note 7)	718,486	456,492	629,968	456,492
Amounts expensed	34,700	32,336	34,700	32,336
	753,186	488,828	664,668	488,828

Average number of persons employed during the year:

	Group		Company	
	2004	2003	2004	2003
Technical and administration	65	50	57	50

4. Tax on profit on ordinary activities

	Group		Company	
	2004 Lm	2003 Lm	2004 Lm	2003 Lm
Current tax expense	6,762	10,887	5,617	8,209

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

	Group		Company	
	2004 Lm	2003 Lm	2004 Lm	2003 Lm
Profit on ordinary activities before tax	16,510	27,953	16,050	26,367
Tax on ordinary profit at 35%	5,779	9,784	5,617	9,228
Tax effect of:				
Investment income subject to tax at 15%	-	(1,019)	-	(1,019)
Temporary differences not recognised on grounds of materiality	983	2,122	-	-
	6,762	10,887	5,617	8,209

5. Property, plant and equipment

Group	Buildings	Office equipment, furniture & fittings	Motor vehicles	Total
	Lm	Lm	Lm	Lm
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
At 31 December 2003				
Cost	64,745	205,323	-	270,068
Accumulated depreciation	-	(124,275)	-	(124,275)
Net book amount	64,745	81,048	-	145,793

5. Property, plant and equipment - continued

Company	Buildings Lm	Office equipment, furniture & fittings Lm	Motor vehicles Lm	Total Lm
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
At 31 December 2003				
Cost	64,745	118,939	-	183,684
Accumulated depreciation	-	(90,625)	-	(90,625)
Net book amount	64,745	28,314	-	93,059

6. Financial assets

	Shares in group undertakings	
	2004 Lm	2003 Lm
At 1 January	3,980	3,980
Additions	1,980	-
At 31 December	5,960	3,980

Group undertakings at 31 December 2004 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%

Tigne Point Mall Limited was incorporated on 1 December 2004. The consolidated financial statements incorporate the results of this group undertaking for the period 1 December 2004 to 31 December 2004.

7. 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 2004 and 2003 comprised:

	Group and Company 2004 Lm	2003 Lm
Purchase cost of land (see note below)	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	11,435,362	6,067,686
- Additions for the year	9,374,343	5,367,676
- At 31 December	20,809,705	11,435,362
Borrowing costs attributable to the project:		
- At 1 January	4,991,680	3,477,237
- Imputed interest	1,388,582	1,326,754
- Bank interest	357,011	187,689
- At 31 December	6,737,273	4,991,680
	45,824,623	34,704,687

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 in respect of the preference share conversion option (see also Note 10).

8. Debtors

	Group		Company	
	2004 Lm	2003 Lm	2004 Lm	2003 Lm
Trade debtors	652	1,611	-	-
Other debtors	69,007	90,797	35,005	58,734
Recoverable expenses incurred on behalf of contractors	420,558	484,790	420,558	484,790
Amounts owed by group undertakings	-	-	516,665	274,785
Prepayments	132,461	119,019	98,273	75,615
Accrued income	157,683	78,163	157,683	78,163
Indirect taxation	209,567	136,230	-	-
	989,928	910,610	1,228,184	972,087

9. Borrowings

	Group and company	
	2004 Lm	2003 Lm
Short term – falling due within one year		
Bank loans	8,472,308	1,620,033
Long term		
Interest-bearing bank loans		
- Between 1 and 2 years	8,448,212	1,363,301
- Between 2 and 5 years	-	6,241,981
	8,448,212	7,605,282
Total borrowings	16,920,520	9,225,315

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 10). Borrowings are subject to a floating rate of interest which as at 31 December 2004 amount to 6% (2003: 6.4%).

10. Trade and other creditors

	Group		Company	
	2004 Lm	2003 Lm	2004 Lm	2003 Lm
Amounts falling due within one year				
Trade creditors	27,924	14,559	-	-
Payments received on account (see also Note 9)	6,010,570	-	6,010,570	-
Due to Government re purchase of land	1,523,975	2,248,429	1,523,975	2,248,429
Other creditors	2,913,362	1,400,734	3,872,956	1,983,688
Other taxes and social security	-	-	3,527	3,807
Accruals and deferred income	1,297,655	922,455	539,638	360,631
	11,773,486	4,586,177	11,950,666	4,596,555
Amounts falling due after more than one year				
Due to Government re purchase of land (see also Note 7)	17,626,789	15,823,754	17,626,789	15,823,754
Other creditors (see also Note 9)	76,607	102,142	76,607	102,142
Payments received on account	5,439,755	4,510,058	5,439,755	4,510,058
	23,143,151	20,435,954	23,143,151	20,435,954

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 and which, as stated below, includes the amount of Lm20 million that is subject to the option of conversion to participating preference shares.

Various costs incurred in respect of (a) and (b) above up to 31 December 2004 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. During the preceding financial year an amount of Lm38,000 was transferred from stock development project and deducted from the amount due to Government in respect of the restoration of the Tigne Point Chapel.

The contract of acquisition of the land provided for an option, exercisable by Government within an established time frame in accordance with the terms of the contract, to convert Lm20 million of the later cash components of the consideration into participating cumulative preference shares for the amount of Lm10 million, having a term of 12 years. These preference shares would carry a pre-tax dividend rate of 7.75% payable from year 5 of issue and would also be entitled to a 10% participation in the remaining net profits of the company.

10. Trade and other creditors - continued

The maturity of the group's and company's liability towards Government, assuming that the conversion option is not exercised, is as follows:

	2004 Lm	2003 Lm
Due between 1 and 2 years	1,572,000	1,512,300
Due between 2 and 5 years	9,864,850	5,894,932
Due after more than 5 years	21,451,174	25,066,339
	32,888,024	32,473,571
Less: imputed interest component	(15,261,235)	(16,649,817)
	17,626,789	15,823,754

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

11. Called up issued share capital

	2004 Lm	2003 Lm
Authorised		
14,000,000 (2003: 14,000,000) Ordinary shares of Lm1 each	14,000,000	14,000,000
10,000,000 (2003: 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 48% paid up (2003: 45% paid up)	5,721,600	5,364,000
680,000 Ordinary shares of Lm1 each, 100% paid up	680,000	680,000
	6,401,600	6,044,000

In terms of the capital structure outlined above, the company's shareholders have commitments towards the company amounting to Lm6,178,723 (2003: Lm6,536,323), 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. Other working capital movements

	Group		Company	
	2004 Lm	2003 Lm	2004 Lm	2003 Lm
Debtors	(72,498)	(531,598)	(249,277)	(495,509)
Creditors	1,901,193	1,589,108	2,067,995	1,533,855
Other working capital movements	1,828,695	1,057,510	1,818,718	1,038,346

13. Cash and cash equivalents

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

	Group		Company	
	2004 Lm	2003 Lm	2004 Lm	2003 Lm
Cash at bank and in hand	11,389,652	4,624,945	11,366,897	4,621,677

At 31 December 2004 the company and group had bank deposits amounting to Lm11,308,910 (2003: Lm4,492,656) 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.

14. 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 2004 and 2003 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 10) by reference to the original discount rate applied upon completion of the deed (see Note 7) 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. On this basis, the fair value at 31 December 2004 of the amount due to Government with respect to the purchase of land amounted to Lm21,479,234 (2003: Lm19,738,055).

15. Related party transactions

Due to common shareholders the directors consider the following companies and groups to be related parties:

Alf. Mizzi & Sons Group
Bank of Valletta Group
Gatt Investments
Gasani Group
Fortress Development
Middle Sea Valletta Life Insurance Group
Mizzi Organisation
Polidano Group
Vassallo Builders Group
Pater Holdings Group
Pininfarina

The group has incurred site clearance, excavation and construction works expenditure with related parties amounting to Lm 5.6 million (2003: Lm 2.4 million). Balances outstanding at year end with respect to these works amounted to Lm 0.7 million (2003: Lm 0.6 million) and are disclosed within trade and other creditors in Note 10.

The group has net outstanding borrowings with a related party amounting to Lm 2.7 million (2003: Lm 2.4 million). The net interest charged on these borrowings during 2004 amounted to Lm234,113 (2003: Lm202,958).

During 2003, the group entered into Preliminary Sales Agreements for a total value of Lm13.68 million in respect of the sale of apartments to related parties. Deposits received in respect of these Agreements amounted to Lm2.4 million (2003: Lm1.4 million) and are included within payments received on account in Note 10.

The transactions disclosed above were carried at commercial rates in the normal course of business and are subject to the scrutiny of the Board of Directors.

16. 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.

16. Commitments - continued

At 31 December 2004 the company had entered into one hundred and ninety-five 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 31 March 2005 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 2004, Lm11,308,910 (2003: Lm4,492,656) was received by the company.

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

17. Contingencies

At 31 December, the company had contingencies for which no provision has been made in the financial statements as follows:

	Company	
	2004 Lm	2003 Lm
Uncalled share capital in group undertakings	23,840	15,920

18. Statutory information

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

Detailed accounts

	Pages
Detailed profit and loss account	23
Administrative expenses	24

Detailed profit and loss account

	2004 Lm	2003 Lm
Berthing fees	86,000	77,144
Administrative expenses (page 24)	(70,934)	(56,775)
Operating profit	15,066	20,369
Interest receivable	984	5,998
Profit before tax	16,050	26,367

Administrative expenses

	2004	2003
	Lm	Lm
Administration charge	5,000	5,000
Audit fee	1,600	1,600
Legal and professional fees	15,000	3,782
Salaries	34,700	32,366
General expenses	14,634	14,027
	<hr/>	<hr/>
	70,934	56,775