

MIDI p.l.c.

Annual Report and Consolidated Financial Statements
31 December 2003

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activity

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

Review of the business

During the course of the year, the company launched a further four residential blocks within the Tigné South Development. Market response was once again positive so much that a further 52 Promise of Sale Agreements were concluded for a value of Lm 13.74 million. In all, during the year in question and the preceding year Promise of Sale Agreements for a total of 191 apartments were signed for a total sales value of Lm 45.22 million. The total number of apartments launched to date amounts to 200.

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 – appointed 28 July 2003
John Mary Gatt – appointed 28 July 2003
Michael Soler – appointed 28 July 2003, resigned 31 October 2003
Dr. Alec A. Mizzi – resigned 28 July 2003, reappointed 31 October 2003
Charles Polidano – resigned 28 July 2003
Ghiassudin Sidiqi – resigned 28 July 2003

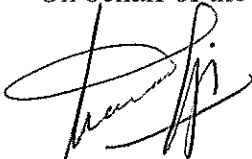
All the directors shall retire from office at the Annual General Meeting of the company in accordance with Article 85 of the company's Articles of Association and those eligible can be re-elected or re-appointed.

Directors' report - continued

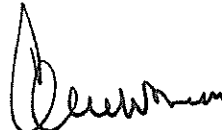
Auditors

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
Qui-si-sana Road
Tigne', Sliema
Malta

27 April 2004

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.

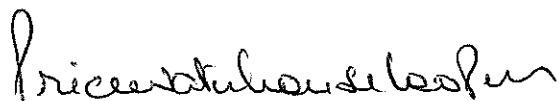
Report of the auditors

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 2003 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

27 April 2004

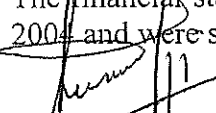
Profit and loss accounts

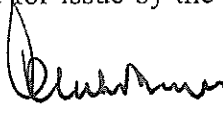
	Notes	Group		Company	
		2003 Lm	2002 Lm	2003 Lm	2002 Lm
Operating income	1	78,730	38,146	77,144	38,146
Administrative expenses		(56,775)	(28,785)	(56,775)	(28,785)
Operating profit	2	21,955	9,361	20,369	9,361
Interest receivable		5,998	10,473	5,998	10,473
Profit on ordinary activities before tax		27,953	19,834	26,367	19,834
Tax on profit on ordinary activities	4	(10,887)	(4,847)	(8,209)	(4,847)
Profit for the financial year		17,066	14,987	18,158	14,987

Balance sheets

	Notes	Group		Company	
		2003 Lm	2002 Lm	2003 Lm	2002 Lm
ASSETS					
Fixed assets					
Property, plant and equipment	5	145,793	73,312	93,059	43,452
Investments	6	-	-	3,980	3,980
		145,793	73,312	97,039	47,432
Current assets					
Stock – Development project	7	34,704,687	27,822,568	34,704,687	27,822,568
Debtors	8	910,610	579,012	972,087	476,578
Cash at bank and in hand	13	4,624,945	361,386	4,621,677	355,994
		40,240,242	28,762,966	40,298,451	28,655,140
Total assets		40,386,035	28,836,278	40,395,490	28,702,572
EQUITY AND LIABILITIES					
Capital and reserves					
Called up issued share capital	11	6,044,000	5,719,180	6,044,000	5,719,180
Profit and loss account		85,354	68,288	87,109	68,951
Total shareholders' funds		6,129,354	5,787,468	6,131,109	5,788,131
Creditors: amounts falling due after more than one year					
Other creditors	10	20,435,954	17,264,431	20,435,954	17,264,431
Borrowings	9	7,605,282	3,503,326	7,605,282	3,503,326
		28,041,236	20,767,757	28,041,236	20,767,757
Creditors: amounts falling due within one year					
Other creditors	10	4,586,177	1,658,640	4,596,555	1,524,271
Borrowings	9	1,620,033	620,477	1,620,033	620,477
Current taxation		9,235	1,936	6,557	1,936
		6,215,445	2,281,053	6,223,145	2,146,684
Total creditors		34,256,681	23,048,810	34,264,381	22,914,441
Total equity and liabilities		40,386,035	28,836,278	40,395,490	28,702,572

The financial statements on pages 5 to 21 were authorised for issue by the board on 27 April 2004 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 2002		4,756,692	53,301	4,809,993
Increase in paid up share capital	11	962,488	-	962,488
Profit for the financial year		-	14,987	14,987
Balance at 31 December 2002		5,719,180	68,288	5,787,468
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

Company		Share capital Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2002		4,756,692	53,964	4,810,656
Increase in paid up share capital	11	962,488	-	962,488
Profit for the financial year		-	14,987	14,987
Balance at 31 December 2002		5,719,180	68,951	5,788,131
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

Cash flow statements

	Notes	Group		Company	
		2003 Lm	2002 Lm	2003 Lm	2002 Lm
Operating activities					
Investment in development project		(5,330,362)	(2,113,279)	(5,352,537)	(2,125,225)
Working capital movement related thereto	12	1,057,510	344,143	1,038,346	311,023
Cash outflow on development project		(4,272,852)	(1,769,136)	(4,314,191)	(1,814,202)
Cash inflow from promise of sale agreements		4,492,656	93,280	4,492,656	93,280
Operating profit		21,955	9,361	20,369	9,361
Interest received		10,473	10,473	5,998	10,473
Tax paid		(3,588)	(2,916)	(3,588)	(2,916)
Net cash from operating activities		244,169	(1,658,938)	201,244	(1,704,004)
Investing activities					
Acquisition of property, plant and equipment		(114,051)	(41,806)	(64,745)	-
Disposal of property, plant and equipment		4,257	-	-	-
Acquisition of shares in a group undertaking		-	-	-	(1,980)
Net cash used in investing activities		(109,794)	(41,806)	(64,745)	(1,980)
Financing activities					
Payments to government payments in re acquisition of land		(748,000)	(1,394,000)	(748,000)	(1,394,000)
Bank borrowings during the year		4,913,823	2,046,283	4,913,823	2,046,283
Movement in other creditors		(361,459)	205,248	(361,459)	205,248
Cash inflow from paid up share capital		324,820	962,488	324,820	962,488
Net cash generated from financing activities		4,129,184	1,820,019	4,129,184	1,820,019
Movement in cash and cash equivalents		4,263,559	119,275	4,265,683	114,035
Cash and cash equivalents at beginning of year		361,386	242,111	355,994	241,959
Cash and cash equivalents at end of year	13	4,624,945	361,386	4,621,677	355,994

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.

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

Tangible assets, comprising office equipment, furniture and fittings, are 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:

	%
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.

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.

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 2003. 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:

	Group		Company	
	2003 Lm	2002 Lm	2003 Lm	2002 Lm
Audit fees	2,400	2,300	1,600	1,500
Staff costs (Note 3)	32,336	13,500	32,336	13,500

3. Staff costs

	Group		Company	
	2003 Lm	2002 Lm	2003 Lm	2002 Lm
Wages and salaries	459,770	345,635	459,770	345,635
Social security costs	29,088	19,690	29,088	19,690
	488,858	365,325	488,858	365,325
Amounts included in stock – Development project (Note 7)	456,492	351,825	456,492	351,825
Amounts expensed	32,336	13,500	32,336	13,500
	488,828	365,325	488,828	365,325

Average number of persons employed during the year:

	Group		Company	
	2003	2002	2003	2002
Technical and administration	50	37	50	37

4. Tax on profit on ordinary activities

	Group		Company	
	2003 Lm	2002 Lm	2003 Lm	2002 Lm
Current tax expense	10,887	4,847	8,209	4,847

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	
	2003 Lm	2002 Lm	2003 Lm	2002 Lm
Profit on ordinary activities before tax	27,290	19,834	26,367	19,834
Tax on ordinary profit at 35%	9,552	6,942	9,228	6,942
Investment income subject to tax at 15%	(1,019)	(2,095)	(1,019)	(2,095)
Temporary differences not recognised on grounds of materiality	2,354	-	-	-
	10,887	4,847	8,209	4,847

5. Property, plant and equipment

Group	Office equipment, furniture & fittings Lm	Buildings Lm	Total Lm
Year ended 31 December 2003			
Opening net book amount	73,312	-	73,312
Additions	44,578	64,745	109,323
Disposals	-	-	-
Depreciation charged to stock development project	(36,842)	-	(36,842)
Closing net book amount	81,048	64,745	145,793
At 31 December 2003			
Cost	205,323	64,745	270,068
Accumulated depreciation	(124,275)	-	(124,275)
Net book amount	81,048	64,745	145,793
At 31 December 2002			
Cost	160,745	-	160,745
Accumulated depreciation	(87,433)	-	(87,433)
Net book amount	73,312	-	73,312

5. Property, plant and equipment - continued

Company	Office equipment, furniture & fittings Lm	Buildings Lm	Total Lm
Year ended 31 December 2003			
Opening net book amount	43,452	-	43,452
Additions	-	64,745	64,745
Depreciation charge	(15,138)	-	(15,138)
Closing net book amount	28,314	64,745	93,059
At 31 December 2003			
Cost	118,939	64,745	183,684
Accumulated depreciation	(90,625)	-	(90,625)
Net book amount	28,314	64,745	93,059
At 31 December 2002			
Cost	118,939	-	118,939
Accumulated depreciation	(75,487)	-	(75,487)
Net book amount	43,452	-	43,452

6. Financial assets

Company	Shares in group undertakings	
	2003 Lm	2002 Lm
At 1 January	3,980	2,000
Additions	-	1,980
At 31 December	3,980	3,980

Group undertakings at 31 December 2003 are shown below:

Group undertaking	Registered office	Class of shares held	Percentage of shares held
Tigne' Contracting Limited	Qui-si-sana Road, Tigne', Sliema	Ordinary shares	100%
Tigne' Point Marketing Limited	Qui-si-sana Road, Tigne', Sliema	Ordinary shares	99%

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 2002. This development is intended in the main for resale purposes.

Costs incurred on the project up to 31 December comprised:

	Group and company	
	2003	2002
	Lm	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	6,067,686	3,916,702
- Additions for the year	5,367,676	2,150,984
- At 31 December	11,435,362	6,067,686
Borrowing costs attributable to the project:		
- At 1 January	3,477,237	2,091,832
- Imputed interest	1,326,754	1,306,778
- Bank interest	187,689	78,627
- At 31 December	4,991,680	3,477,237
	34,704,687	27,822,568

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 contract also provided for an option, exercisable by Government, to convert Lm20 million of the later cash components of the consideration into participating preference shares for the amount of Lm10 million, redeemable at an earlier date. The effective interest rate applicable to the option conversion is 7.75%, and this rate was applied in discounting to present value the future cash outflows comprising the purchase consideration.

8. Debtors

	Group		Company	
	2003 Lm	2002 Lm	2003 Lm	2002 Lm
Trade debtors	1,611	652	-	-
Other debtors	90,797	49,673	58,734	11,195
Recoverable expenses incurred on behalf of contractors	484,790	382,002	484,790	382,002
Amounts due from shareholders	-	8,736	-	8,736
Amounts owed by group undertakings	-	-	274,785	28,438
Prepayments	119,019	47,635	75,615	44,650
Accrued income	78,163	1,557	78,163	1,557
Other taxes and social security	136,230	88,757	-	-
	910,610	579,012	972,087	476,578

9. Borrowings

	Group and company	
	2003 Lm	2002 Lm
Short term – falling due within one year		
Bank loans	1,620,033	620,477
Long term		
Interest-bearing bank loans		
- Between 1 and 2 years	1,363,301	688,145
- Between 2 and 5 years	6,241,981	2,815,181
	7,605,282	3,503,326
Total borrowings	9,225,315	4,123,803

The bank borrowings are secured by general and special hypothecs and a special privilege over all the company's property. Borrowings are subject to a floating rate of interest which averaged 6.4% in 2003 (2002: 7.0%).

10. Trade and other creditors

	Group		Company	
	2003 Lm	2002 Lm	2003 Lm	2002 Lm
Amounts falling due within one year				
Trade creditors	14,559	8,285	-	-
Due to Government re purchase of land	2,248,429	710,000	2,248,429	710,000
Other creditors	1,400,734	293,695	1,983,688	621,532
Other taxes and social security	-	841	3,807	841
Accruals and deferred income	922,455	645,819	360,631	191,898
	4,586,177	1,658,640	4,596,555	1,524,271
Amounts falling due after more than one year				
Due to Government re purchase of land (see also Note 7)	15,823,754	16,783,428	15,823,754	16,783,428
Other creditors	4,612,200	481,003	4,612,200	481,003
	20,435,954	17,264,431	20,435,954	17,264,431

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 in Note 7, 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 2003 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 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.

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:

	2003 Lm	2002 Lm
Due between 1 and 2 years	1,512,300	2,286,429
Due between 2 and 5 years	5,894,932	7,337,590
Due after more than 5 years	25,066,339	25,135,981
	32,473,571	34,760,000
Less: imputed interest component	(16,649,817)	(17,976,572)
	15,823,754	16,783,428

The maturity of other creditors is between 2 and 5 years.

11. Called up issued share capital

	2003 Lm	2002 Lm
Authorised		
14,000,000 (2002: 14,000,000) Ordinary shares of Lm1 each	14,000,000	14,000,000
10,000,000 (2002: 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 45% paid up (2002: 42.28% paid up)	5,364,000	5,039,180
680,000 Ordinary shares of Lm1 each, 100% paid up	680,000	680,000
	6,044,000	5,719,180

In terms of the capital structure outlined above, the company's shareholders have obligations towards the company amounting to Lm5,822,178 (2002: Lm6,534,979), representing the unpaid amount on their shares. These obligations are secured by first class bank guarantees in the company's favour.

12. Other working capital movements

	Group		Company	
	2003 Lm	2002 Lm	2003 Lm	2002 Lm
Debtors	(531,598)	(146,419)	(495,509)	(98,871)
Creditors	1,589,108	490,562	1,533,855	409,894
	1,057,510	344,143	1,038,346	311,023

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	
	2003 Lm	2002 Lm	2003 Lm	2002 Lm
Cash at bank and in hand	4,624,945	361,386	4,621,677	355,994

At 31 December 2003 the company and group had bank deposits amounting to Lm4,492,656 (2002: Lm93,280) representing advance deposits on sale of property, which are deposited in escrow accounts and which can only be used, to reduce bank borrowings. These amounts are included within cash and cash equivalents. The principal non-cash transaction was the transfer of fixed assets to a group company.

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 2003 and 2002 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 yield 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 2003 of the amount due to Government with respect to the purchase of land amounted to Lm17,824,009 (2002: Lm17,657,688).

15. Related party transactions

Due to common shareholders the directors consider the following group of companies to be related parties:

Alf. Mizzi & Sons Group,
Bank of Valletta Group,
Gatt Investments Group
Gasam Group,
Fortress Development Group
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 2.4 million (2002: Lm 0.6 million). Balances outstanding at year end with respect to these works amounted to Lm 0.6 million (2002: Lm 0.1 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 2.4 million (2002: Lm 1.9 million). Interest charged on these borrowings during 2003 amounted to Lm202,958 (2002: Lm78,626).

During the year, the group has entered into a number of Preliminary Sales Agreements for the sale of apartments to related parties for a total value of Lm13.68 million (2002: 3.27 million). Balance outstanding at year end with respect to deposits on these Agreements amounted to Lm1.4 million (2002: Lm0.3 million) and are included within other creditors in Note 10.

The transactions disclosed above were carried out in the normal course of business on arm's length basis 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 Lm120 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 2003 the company had entered into one hundred and ninety 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 30 June 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 Lm45 million of which as at 31 December 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 Lm988,590 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	
	2003	2002
	Lm	Lm
Uncalled share capital in a group undertaking	15,920	15,920

18. Statutory information

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

19. Comparative information

Prior year comparatives have been changed to conform with current year presentation.

Detailed accounts

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Detailed profit and loss account	23
Administrative expenses	24

Detailed profit and loss account

	2003 Lm	2002 Lm
Berthing fees	77,144	38,146
Administrative expenses (page 24)	(56,775)	(28,785)
Operating profit	20,369	9,361
Interest receivable	5,998	10,473
Profit before tax	26,367	19,834

Administrative expenses

	2003 Lm	2002 Lm
Administration charge	5,000	5,000
Audit fee	1,600	1,500
Legal and professional fees	3,782	7,785
Salaries	32,366	13,500
General expenses	14,027	1,000
	<hr/>	<hr/>
	56,775	28,785