

MIDI p.l.c.

Annual Report and Consolidated
Financial Statements
31 December 2020

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Directors' report

The Directors present their annual report and the audited Financial Statements for the year ended 31 December 2020.

Principal Activity

The MIDI Group (the "Group") comprises MIDI p.l.c ("MIDI" or the "Company") and three subsidiaries, Tigné Contracting Limited, T14 Investments Limited and Solutions & Infrastructure Services Limited. A fourth subsidiary Tigné Point Marketing Limited has been merged into Tigné Contracting Limited as at 1 January 2020. The Company also holds a 50% share in Mid Knight Holdings Limited.

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

Review of the business

The Group has registered a loss after tax of €2.1 million for the financial year ended 31 December 2020 compared to a profit after tax of €8.2 million registered during the financial year ended 31 December 2019. These financial results had been anticipated given the fact that the Company had a very limited number of properties available for sale during 2020 following the successful delivery of the Q2 apartments spanning over the previous two financial years. As at the beginning of 2020, the Company only had three Q2 apartments in stock and in part due to the subdued economic activity resulting from the COVID-19 pandemic none of these were sold during 2020. In fact, revenues from the development and property sale segment amounted to €213k when compared to revenues generated from the same segment in 2019 which amounted to €24.3 million. Contribution from this segment in 2019 amounted to €10 million whereas in 2020 this amounted to a loss of €2.5 million.

The property rental and management segment has also seen a reduction in revenues and consequently in contribution during 2020. This segment includes the Group's rental operations of its Pjazza retail outlets and foreshore restaurants, car parking operations, operator concession fees earned from the Manoel Island Yacht Marina and all the operating activities undertaken by Solutions & Infrastructure Services Limited ("SIS"). Revenues from this segment amount to €2.6 million (2019: €3.4 million) with the resultant contribution amounting to €1.3 million (2019: €2.0 million). This reduction in revenues and contribution is principally due to the Company granting rent concessions to the tenants of its commercial properties and to its car park operator by way of support during the COVID-19 pandemic.

Total assets have decreased from €234.6 million as at 31 December 2019 to €227.6 million while Net Asset Value has decreased from €104.0 million to €101.8 million as at 31 December 2020. Hence the Net Asset Value per share as at end of 2020 stood at €0.476 compared to €0.485 as at 31 December 2019.

The Group's financial results are positively impacted by the financial results of Mid Knight Holdings Limited ("MKH"), a jointly controlled entity accounted for on the basis of the equity method of accounting. The Group's 50% share of MKH profits for 2020 amounts to €1.9 million compared to €1.6 million recorded in the 2019 financial statements. The profits are wholly generated from the rental operations of 'The Centre', an office block situated at Tigné Point which was developed and is being operated by MKH.

The Company has continued to focus on the Manoel Island project during 2020. The Company had announced on the 18 June 2020 that the Environment & Planning Review Tribunal ("EPRT") had concluded that there was a breach in the Environment Impact Assessment ("EIA") in respect of the revised Outline Development Permit for Manoel Island (PA9407/17) which had been approved by the Planning Authority ("PA") on the 20 March 2019. The EPRT determined that a fresh EIA was to be submitted by the Company to the Environmental and Resources Authority ("ERA"), in order for the PA to reconsider the application.

Directors' report – continued

Review of the business - continued

Over the past twenty-four months, additional site investigations have been carried out by the Company under the supervision of an independent archaeologist approved by the Superintendence of Cultural Heritage. These site investigations revealed that a part of the site, previously earmarked for development, is of archaeological importance. Consequently, this necessitated a revised Masterplan which took into consideration these findings. As announced by the Company on the 18 February 2021 the revised Masterplan was submitted to the PA for its consideration and a fresh EIA was submitted to ERA. The revised Masterplan envisages a reduction in development volumes from the previously approved 127,000sqm to 95,000sqm and an increase in the open spaces which will total 192,000sqm of which 175,000sqm will be public open space.

Although the loss of the development volumes impacts the profitability of the project, this impact is mitigated to some extent by provisions of the Deed of Emphyteusis entered into with the Government of Malta on 15 June 2000 which provide for specific remedies in the event that the development is impacted by archaeological finds.

All works on Manoel Island relating to the Full Development Permit PA7781/18 (for the clearing of the Manoel Island site including the uprooting of trees, demolishing of existing buildings whilst retaining St. George's Chapel and Customs House) have been suspended in terms of a PA decision dated 11 February 2021 and will remain so until a final decision is taken by the PA with respect to the revised Masterplan. Similarly, the Full Development Permits relating to the development of the sports facilities and the upgrade of the yacht marina shall remain non-executable until the determination of the revised Masterplan application.

In addition to the Manoel Island project, the Company has also been working on its final development at Tigné Point known as the Q3 Residential Block. The residential block will consist of 63 apartments and underground car parking. A full development permit was granted by the PA on the 16 April 2020 which also includes the landscaping, paving and embellishment of the Garden Battery and adjoining areas. This permit is now subject to an appeal which was lodged by the Fort Cambridge Residents Association. Notwithstanding this, the Company is continuing with both the design and procurement processes of the development, in order to be in a position to commence works immediately, should the appeal be decided in the Company's favour.

The ongoing COVID-19 pandemic has continued to have a significant negative impact on the Maltese economy. The measures taken from time to time by the health authorities to contain the pandemic have impacted negatively on the Company's 2020 financial results. The more pronounced impact arises on the property rental and management operations as the Company continued to support the tenants of its commercial properties and its car park operator in the form of rent concessions from the onset of the pandemic and throughout the whole of 2020. This has resulted in a decrease of revenue and profitability from this segment. During some time in 2020, the pandemic appeared to be impacting the demand for the Company's properties available for sale, albeit these properties were limited in number. Nonetheless, the Company has now entered into a promise of sale agreement for two of the three remaining Q2 apartments, at the budgeted prices, the delivery of which are earmarked for the first half of 2021.

Directors' report - continued

Review of the business - continued

During the course of the pandemic, the Company has acted prudently and continues to do so by taking all the necessary measures to preserve its cash resources. Throughout 2020, the Company took a number of cost cutting measures to ensure that it retained the necessary financial resources to continue weathering this challenging period and meet all its obligations as they fall due. In the circumstances, the Board of Directors are not recommending to pay a dividend during 2021 in respect of the 2020 financial year. On 11 March 2021, hence subsequent to the reporting period, in view of the new directives issued by the National Health Authorities for non-essential retail operations to contain the spread of the COVID-19 pandemic, retail units were again closed for business. Management anticipates that business will be resuming, in line with the recent announcements on the 26 of April.

The Group's senior management team has compiled financial projections for the year ending 31 December 2021. These comprise historical financial information up to the date of authorisation for issue of these financial statements and forecast financial information for the residual period, incorporating the ongoing impact of the pandemic on the projected financial results, cash flows and financial position of the Group. Under these cash flow projections, which consider the rent concessions being planned for 2021, and the financing arrangements the Company has recently secured, the Group is expected to continue having sufficient liquidity and financial resources to meet its obligations and expected cash outflows.

Information pursuant to Listing Rule 5.64

Structure of Capital

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

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

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

Since there are currently no different classes of ordinary shares in the Company, all Ordinary Shares have the same rights, voting rights and entitlements in connection with any distribution whether of dividends or capital (on a winding up or otherwise). There are no shares in issue that have any preferred or deferred rights.

Every Ordinary Share carries the right to participate in any distribution of dividend declared by the Company *pari passu* with all other Ordinary Shares. Each Ordinary Share shall be entitled to one vote at meetings of Shareholders. Every Ordinary Share carries the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise, *pari passu* with all other Ordinary Shares. The Ordinary Shares are freely transferable and pursuant to admission to the Official List of the Malta Stock Exchange, the shares are transferable in accordance with the rules and regulations of the Malta Stock Exchange as applicable from time to time.

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

Directors' report - continued

Information pursuant to Listing Rule 5.64 – continued

Appointment and Removal of Directors

Article 98 of the Company's Memorandum and Articles of Association states that at each Annual General Meeting of the Company all the Directors shall retire from office. A Director retiring from office shall retain office until the dissolution of such Meeting and a retiring director shall be eligible for re-election or re-appointment.

The Directors of the Company shall be elected as provided in Article 102 of the Company's Memorandum and Articles of Association that is a maximum of eight (8) directors shall be elected at each Annual General Meeting (or at an Extraordinary General Meeting convened for the purpose of electing directors). Voting shall take place on the basis that every member shall have one (1) vote in respect of each ordinary share held by him. A member may use all his votes in favour of one candidate or may split his votes in any manner he chooses amongst any two or more candidates. The Chairman of the Meeting shall declare elected those candidates who obtain the greater number of votes on that basis.

The Directors of the Company may appoint two (2) additional directors to the Board of the Company without the requirement that the appointment of such director or directors be ratified by a members' resolution taken at a General Meeting of the Company. A director so appointed by the Board of the Company shall hold office until the end of the Annual General Meeting following his appointment. The director so appointed may be withdrawn or replaced by the Board at any time.

Powers of Directors

The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts, sue and be sued in representation of the Company. The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Companies Act or by the Articles of Association, required to be exercised by the Company in General Meeting, subject, nevertheless, to the provisions of the Articles of Association and of the Companies Act and to such directions, being not inconsistent with any provisions of the Articles of Association and of the Companies Act, as may be given by the Company in General Meeting: provided that no direction given by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if such direction had not been given. The general powers conferred upon the Directors by Article 87 of the

Articles of Association shall not be deemed to be abridged or restricted by any specific power conferred upon the Directors by any other Article.

Subject to the provisions of the Articles of Association, the Board of Directors may exercise all the powers of the Company to borrow money and to hypothecate or charge its undertaking, property and uncalled capital or any part thereof, and to issue debentures and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party.

Voting Rights in respect of Ordinary Shares

As outlined previously, each ordinary share shall be entitled to one vote. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one (1) vote, and on a poll every member present in person or by proxy shall have one (1) vote for each share of which he is the holder.

On a poll votes may be given personally or by proxy and a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

Directors' report - continued

Information pursuant to Listing Rule 5.64 - continued

Voting Rights in respect of Ordinary Shares - continued

No member shall be entitled, in respect of any share in the capital of the Company held by him, to be present or to vote on any question, either in person or by proxy, at any General Meeting, or upon any poll, or to be reckoned in a quorum, or to exercise any other right or privilege conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such share remains unpaid.

Restrictions on Ordinary Shares

During such time as any part of the call or installment together with interests and expenses remains unpaid, the entitlement of the person from whom the sum is due to the rights and advantages conferred by membership of the Company including the right to receive dividends and the right to attend and vote at meetings of the Company, shall be suspended. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall, upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to Meetings of the Company.

Provided always that the Directors may at any time give notice requiring any such person to elect either be registered himself or to transfer the share, and if the notice is not complied with within ninety (90) days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

Transfer of Ordinary Shares

Subject to the provisions of law and of the Company's Articles of Association, the shares of the Company are freely transferable provided that in no case may a part of a share constitute the object of a transfer.

All transfers of shares in the Company, which are listed on the Malta Stock Exchange, shall be regulated by law and accordingly Articles 34 to 36 of the Company's Articles of Association shall be applicable to such transfers only in so far as the said Articles are not inconsistent therewith.

General Meetings

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year, and not more than fifteen (15) months shall elapse between the date of one Annual General Meeting of the Company and that of the next. Furthermore, Article 182(1) of the Companies Act, sets out a period of seven (7) months from the end of the accounting period, within which period, a public Company is to call a general meeting for the approval of the annual accounts for the applicable accounting period.

All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings. The Directors may, whenever they think fit, convene an Extraordinary General Meeting, and Extraordinary General Meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists as provided by the Act. If at any time there are not in Malta sufficient directors capable of acting to form a quorum, the Directors in Malta capable of acting, or if there are no directors capable and willing so to act, any two (2) members of the Company, may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Directors' report - continued

Information pursuant to Listing Rule 5.64 - continued

General Meetings – continued

A General Meeting of the Company shall be called by not less than twenty-one (21) days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting, the proposed agenda for the Meeting and, in case of special business, the general nature of the business to be considered as well as other information which is specified in Article 56(2) of the Company's Articles of Association.

Subject to such restrictions for the time being, affecting the right to receive notice to the holders of any class of shares, notice of every General Meeting shall be given in any manner hereinbefore authorised to: - (a) every member except those members who have not supplied to the Company an address for the giving of notices to them; and (b) the Auditor for the time being of the Company; and (c) the Directors for the time being of the Company. No other person shall be entitled to receive notices of General Meetings.

A notice calling an Annual General Meeting shall specify the meeting as such and a notice convening a meeting to pass an Extraordinary Resolution as the case may be shall specify the intention to propose the resolution as such and the principal purpose thereof. A notice of General Meeting called to consider extraordinary business shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such extraordinary business.

In every notice calling a meeting, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member and such statement shall comply with the provisions of the Act as to informing members of their right to appoint proxies.

Any member or members holding not less than five per cent (5%) in nominal value of all the shares entitled to vote at the meeting may: (a) request the Company to include items on the agenda of the General Meeting, provided that each item is accompanied by a justification or a draft resolution to be adopted at the Annual General Meeting; and (b) table draft resolutions for items included in the agenda of a general meeting.

The request to put items on the agenda of the General Meeting or the tabling of draft resolutions to be adopted at the General Meeting shall be submitted to the Company (in hard copy or in electronic form to an email address provided by the Company for the purpose) at least forty six (46) days before the date set for the General Meeting to which it relates and shall be authenticated by the person or persons making it. Furthermore, where the right to request items to be put on the agenda of the General Meeting or to table draft resolutions to be adopted at the General Meeting requires a modification of the agenda for the General Meeting that has already been communicated to Shareholders, there shall be made available a revised agenda in the same manner as the previous agenda in advance of the applicable record date or, if no such record date applies, sufficiently in advance of the date of the General Meeting so as to enable other Shareholders to appoint a proxy, or where applicable, to vote by correspondence.

The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Directors' report - continued

Information pursuant to Listing Rule 5.64 - continued

General Meetings – continued

An “Ordinary Resolution” means a resolution taken at a General Meeting of the Company passed by a member or members having the right to attend and vote at such meeting holding in the aggregate more than fifty per cent (50%) in nominal value of the shares represented and entitled to vote at the meeting. An “Extraordinary Resolution” means a resolution taken at a General Meeting of the Company of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principal purpose thereof has been duly given and passed by a number of members having the right to attend and vote at such meeting holding in the aggregate not less than seventy-five per cent (75%) in nominal value of the shares represented and entitled to vote at the meeting and at least fifty-one per cent (51%) in nominal value of all the shares entitled to vote at the meeting. Provided that, if one of the aforesaid majorities is obtained, but not both, another meeting shall be convened within thirty (30) days in accordance with the provisions for the calling of meetings to take a fresh vote on the proposed resolution. At the second meeting the resolution may be passed by a member or members having the right to attend and vote at the meeting holding in the aggregate not less than seventy-five per cent (75%) in nominal value of the shares represented and entitled to vote at the meeting. However, if more than half in nominal value of all the shares having the right to vote at the meeting is represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice.

Changes to the Company's Memorandum and Articles of Association

The Company may by extraordinary resolution approved by the shareholders in general meeting alter or add to its Memorandum and Articles of Association.

Other matters

The Company has nothing to report in relation to the requirements of Listing Rules 5.64.4, 5.64.5, 5.64.7 and 5.64.10, since these do not apply to the Company. Information relating to the requirements of listing rule 5.64.11 is reflected in the Remuneration Report and Statement on pages 27 to 33.

Information pursuant to Listing Rule 5.70.1

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

Directors' interests in Share Capital of the Company as at 22 April 2021

Dr. Alec A. Mizzi and Mr. Alan Mizzi have a beneficial interest in 37,206,701 (2019: 37,206,701) ordinary shares issued by the Company which are held by Alf. Mizzi & Sons Ltd.

In addition, Dr. Alec A. Mizzi and Mr. Alan Mizzi, through Alf. Mizzi & Sons Ltd., have a beneficial interest in 2,012,050 (2019: 2,012,050) ordinary shares in the Company which are held by First Gemini p.l.c..

Mr. Joseph Bonello has a direct interest in 2,405,321 (2019: 2,405,321) ordinary shares in the Company held in his own name.

Mr John Mary *sive* Jimmy Gatt has a beneficial interest in 2,028,146 (2019: 2,028,146) ordinary shares in the Company held by Jimmy Gatt Limited.

Mr. Joseph A. Gasan has a beneficial interest in 23,741,461 (2019: 23,741,461) ordinary shares in the Company held by Gasan Enterprises Limited.

Directors' report - continued

Registered Shareholders with 5% or more of the share capital of the Company

	22 April 2021	31 December	
		2020	2019
Alf. Mizzi & Sons Ltd.	17.37%	17.37%	17.37%
MAPFRE MSV Life p.l.c.	12.55%	12.55%	12.55%
Gasas Enterprises Limited	11.09%	11.09%	11.09%
Mr. Mark Andrew Weingard	8.91%	8.91%	8.91%
Rizzo Farrugia & Co. Ltd.	6.01%	6.05%	5.11%

Results and dividends

The consolidated income statement is set out on page 49. The Board of Directors is not recommending a dividend payment in respect of the year ended 31 December 2020 in view of the implications brought about by the COVID-19 Pandemic (refer to Note 38), to preserve the Group's cash resources enabling it to manage liquidity demands over the coming months.

Directors

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

Alec A. Mizzi - Chairman
 Joseph Bonello
 David G. Curmi
 David Demarco (resigned on 1 October 2020, re-appointed on 5 October 2020)
 Joseph A. Gasan
 John Mary *sive* Jimmy Gatt
 Alan Mizzi
 Mark Portelli (appointed on 5 October 2020)
 Joseph Said
 Mark Andrew Weingard (resigned on 1 October 2020)

All the Directors shall retire from office at the Annual General Meeting of the Company in accordance with articles 98 and 99 of the Company's Articles of Association and those eligible can be re-elected or re-appointed.

Senior Management, Company Secretary and Internal Audit

As at 31 December 2020, the senior management of the Group was composed as follows:

Mark Portelli	Chief Executive Officer
Jesmond Micallef	Chief Financial Officer
Ivan Piccinino	Senior Project Manager
Catherine Formosa	Company Secretary

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

Directors' report – continued

Directors' statement of responsibilities in relation to the Financial Statements

The Directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Parent Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Financial Statements of MIDI p.l.c. for the year ended 31 December 2020 are included in the Annual Report 2020, which is published in hard-copy printed form and made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of Financial Statements may differ from requirements or practice in Malta.

Statement by Directors in terms of Listing Rule 5.68

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group and the Parent Company as at 31 December 2020, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Going concern basis – Listing Rule 5.62

Taking cognisance of the short-term funding arrangements together with the Group's long-term liquidity and capital management programmes, the Directors have a reasonable expectation, at the time of approving the Financial Statements, that the Group and the Parent Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Directors' report - continued

Financial key performance indicators

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

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

	2020	2019
Working capital ratio	2.93	3.01
Debt to asset ratio	0.26	0.25
Debt to equity ratio	1.24	1.26

Non-Financial Key Performance Indicators

Human Resources

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

Corporate Social Responsibility

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

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

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

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

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

Directors' report – continued

Financial risk management

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

Auditors

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



Alec A. Mizzi
Chairman



Joseph A. Gasan
Director

23 April 2021

Company secretary: Catherine Formosa

Registered office:
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Statement of compliance with the Principles of Good Corporate Governance

A. INTRODUCTION

Pursuant to the Malta Financial Services Authority Listing Rules, MIDI p.l.c. (the “Company”) is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance (the “Code”) as well as on the measures adopted to ensure compliance with this same Code. For this reporting period, the Company is adhering to the Code as set out in Appendix 5.1 of Chapter 5 – Continuing Obligations of the said Listing Rules. The Directors are committed to the values of transparency, honesty and integrity in all their actions and strongly believe that such practices are in the best interests of the Company, its Shareholders and other stakeholders. The Directors believe that the Company benefits from having in place more transparent governance structures and from improved relations with the market which enhance market integrity and confidence.

Good corporate governance is the responsibility of the Board of Directors of the Company (the “Board”), and in this regard the Board has carried out a review of the Company’s compliance with the Code during the period under review. Notwithstanding that the Principles of Good Corporate Governance are not mandatory, the Board has ensured their adoption, save as indicated herein within the section entitled Non-Compliance with Code. In the latter section the Board indicates and explains the instances where it has departed from or where it has not applied the Code, as allowed by the Code.

The Board takes such measures as are necessary in order for the Company to comply with the requirements of the Code to the extent that this is considered appropriate and complementary to the size, nature and operations of the Company.

B. COMPLIANCE WITH THE CODE

Principle 1: The Board

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

While the Board provides the necessary leadership in the overall direction of the Company, its key role with respect to the Company’s principal activities is to establish the Company’s strategy and to appoint all members of Senior Management and other key members of management.

All the Directors, individually and collectively, are of the appropriate calibre, and have the necessary skills and experience to contribute effectively to the decision-making process. The Board delegates specific responsibilities to a number of committees, notably the Supervisory Board, the Audit Committee and the Remuneration and Nomination Committee, each of which operates under formal terms of reference approved by the Board. The Project Management Advisory Committee reports to the Supervisory Board.

Principle 2: Chairman and Chief Executive

The positions of the Chairman of the Board and that of the Chief Executive Officer (the “CEO”) are vested in separate individuals. The positions have been defined with specific roles rendering these positions completely separate from one another.

Dr. Alec A. Mizzi serves as Chairman of the Board. The Chairman, who continues to meet the independence criteria (see principle 3 below), is responsible to lead the Board and to set its agenda. The Chairman ensures that the Board’s discussions on any issue put before it go into adequate depth, encourages the involvement of all Directors, and ensures that all the Board’s decisions are supported by adequate and timely information. The Chairman, together with the Supervisory Board, ensures that the CEO develops a strategy that is agreed to by the Board.

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 2: Chairman and Chief Executive - continued

The role of CEO is vested in Mr. Mark Portelli. The Board has delegated specific authority to the CEO to manage specific activities within the Company which include, amongst others:

- Implementation of policies as set by the Board;
- Working towards objectives established by the Board;
- Representing the Company with third parties;
- Putting into effect plans to organise, direct and manage the human resources available to attain the highest possible profitability or results in the interest of the Company's shareholders and all other stakeholders.

The role of the CEO is to plan, co-ordinate and control the daily operations of the Company through the leadership and direction of MIDI's management team. For this purpose, the CEO communicates on a continuous basis with Senior Managers to direct business activities against plans, to decide on emerging matters, to allocate responsibilities of work and to monitor performance.

On the 5 October 2020, the CEO Mr. Mark Portelli was appointed by the Board of Directors as a Director in terms of Article 102(3) of the Articles of Association of the Company which permits the Board to appoint up to a maximum of two additional directors without the requirement that the appointment be ratified by a members' resolution taken at a General Meeting of the Company. In terms of Article 117(3) of the Articles of Association of the Company, if the person appointed to the office of CEO is a director of the Company the said person shall be designated as Managing Director*.

Principle 3: Composition of the Board

The Board is composed of 8 non-executive Directors and 1 executive Director.

The following Directors served on the Board during the period under review:

Chairman

Alec A. Mizzi

Independent non-executive Directors

Joseph Bonello

David G. Curmi

David Demarco (resigned on 1 October 2020, re-appointed on 5 October 2020)

Joseph A. Gasan

John Mary *sive* Jimmy Gatt

Alan Mizzi

Joseph Said

Mark Andrew Weingard (resigned on 1 October 2020)

*Executive Director (Managing Director)**

Mark Portelli (appointed on 5 October 2020)

During the period under review, the Board consisted of eight independent non-executive Directors (including the Chairman) and one executive Director.

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 3: Composition of the Board - continued

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

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

Following an assessment of the criteria above and after having considered whether other situations exist which may possibly impinge on the independence of the current non-executive Directors, the Board considers all current non-executive Directors to be independent. It is the Board's view that despite the fact that Dr. Alec A. Mizzi, Mr. Joseph A. Gasan and Mr. Joseph Said have served on the Board for more than twelve consecutive years, the Directors in question continue to provide valuable contribution and insight to the Board as well as a deep understanding of the Company's operations and market in which it operates and in the carrying out of their role, their ability to exercise objective and unbiased judgement has not been impaired by length of service. Furthermore, Mr. Joseph Said is also the CEO and Executive Director of Lombard Bank Malta p.l.c. ("Lombard") which provides credit facilities to the Company. It is the Board's view that the fact that Mr. Joseph said is a director of a company that has a significant relationship with the Group, this did not impinge on Mr. Said's independence and his ability to take objective and unbiased judgements. In any case, the relationship between Lombard and the Company is conducted on a commercial and arms' length basis and Mr. Joseph Said has informed the Board of Directors that he is not involved in any decisions taken by Lombard in relation to the Company. Likewise, as a director of the Company, Mr. Joseph Said is not involved in any decisions concerning or which have a bearing on the Lombard relationship. Additionally, the Audit Committee of which Mr. Joseph Said is currently the Chairman does not decide or discuss banking arrangements with Lombard or with any other bank and should it for any reason become necessary to do so, Mr. Joseph Said would not participate in any such decision.

In terms of Principle 3.4, each non-executive Director has confirmed in writing to the Board that the Director undertook:

- to maintain in all circumstances his independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
- to clearly express his opposition in the event that he finds that a decision of the Board may harm the Company.

Statement of compliance with the Principles of Good Corporate Governance – continued

B. COMPLIANCE WITH THE CODE - continued

Principle 3: Composition of the Board - continued

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

The Board is composed of a minimum of five (5) and a maximum of ten (10) directors. A maximum of eight (8) directors are elected at each Annual General Meeting (or at an Extraordinary General Meeting convened for the purpose of electing directors) while the Board of Directors may appoint two (2) additional directors to the Board without the requirement that the appointments be ratified by a members' resolution taken at a General Meeting of the Company in terms of Article 102(3). On the 5 October 2020, Mr. David Demarco and Mr. Mark Portelli were appointed as Directors by the Board of Directors in terms of the provisions of Article 102(3).

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

Unless appointed for a shorter period, a director shall hold office from the end of one Annual General Meeting to the end of the next. A retiring director shall be eligible for re-election or re-appointment. The Director appointed by the Board in terms of Article 102(3) shall likewise hold office until the end of the Annual General Meeting following his appointment.

Shareholders are entitled to participate in the election of the directors on the basis that each shareholder shall have one (1) vote in respect of each ordinary share held. A shareholder may use all his votes in favour of one candidate or may split his votes in any manner he chooses amongst two or more candidates. The candidates elected are those candidates who obtain the greater number of votes on that basis.

The Chairman shall be elected by a simple majority from amongst the Directors of the Company.

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate for the requirements of the Company's business. Apart from being clearly equally conducive to good corporate governance, the composition of the Board provides, in the Board's view, the added benefits of control and management of the Company's affairs and an efficient decision-making process. The Board considers that the balance of skills and experience is appropriate for the requirements of the business and that changes to the Board's composition can be managed without undue disruption. The Board is also of the view that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to properly complete their tasks. As from the 5 October 2020, in addition to the eight independent non-executive Directors, the Board's composition includes also one executive Director.

Principle 4: The Responsibilities of the Board

The Board of Directors is charged with the supervision of Board Committees and of management and the general course of affairs of the Company and the business connected with it (including its financial policies and corporate structure). The Board of Directors periodically evaluates the main organisational structure and the operation of the internal risk-management and control systems established as well as agree on any necessary changes or corrective actions regarding such systems.

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 4: The Responsibilities of the Board – continued

In fulfilling its mandate, the Board of Directors assumes responsibility to:

- a) establish corporate governance standards;
- b) review, evaluate and approve, on a regular basis, long-term plans for the Company;
- c) review, evaluate and approve the Company's budgets and forecasts;
- d) review, evaluate and approve major resource allocations and capital investments;
- e) review the financial and operating results of the Company;
- f) ensure appropriate policies and procedures are in place to manage risks and internal control;
- g) review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities and plans for senior management development including succession;
- h) review, evaluate and approve compensation strategy for senior management; and
- i) review periodically the Company's objectives and policies relating to social, health and safety and environmental responsibilities.

The Board supervises compliance with the Listing Rules, including those pertaining to the preparation and publication of the Annual Report and Financial Statements, and approves the Financial Statements for submission to the General Meeting of the Shareholders. The Board retains direct responsibility for approving and monitoring:

- (i) the Business Plan for the Group;
- (ii) the Annual Budget;
- (iii) the Annual Financial Statements;
- (iv) termination of the employment or engagement of a substantial number of employees of the Company simultaneously or within a short period of time;
- (v) termination of employment or engagement of the Chief Executive Officer and other positions of strategic importance at Senior Management level;
- (vi) proposals to increase the issued capital and to materially increase or decrease the Company's funding; and
- (vii) other resolutions which the Board of Directors may determine to be subject to its approval.

Any meeting that a director wishes to initiate may be arranged through the Company Secretary. A director of the Company has access to advice from internal and external sources, which are deemed necessary for carrying out the respective roles and responsibilities and the Company will bear the related expenses. A newly appointed director is given a thorough induction course in the operations, activities and procedures of the Company to be able to carry out the function of a director in an effective manner.

Principle 5: Board Meetings

The Board endeavours to meet on a monthly basis, with additional meetings held as necessary. Board meetings are presided over by the Chairman and all Directors are allowed equal opportunity to voice and express their views on matters relating to the Company and its business.

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

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 5: Board Meetings - continued

A total of twelve (13) Board of Directors meetings were held during 2020 and attendance was as follows:

<i>Board member</i>	<i>Attended</i>
Alec A. Mizzi	13
Joseph Bonello	13
David G. Curmi	11
David Demarco	12 (out of 12)
Joseph A. Gasan	10
John Mary <i>sive</i> Jimmy Gatt	13
Alan Mizzi	13
Mark Portelli (appointed on 5 October 2020)	3 (out of 3)
Joseph Said	13
Mark Andrew Weingard (resigned on 1 October 2020)	5 (out of 9)

Principle 6: Information and Professional Development

The Chief Executive Officer is appointed by the Board of Directors in accordance with the Articles of Association.

The recruitment and selection of Senior Management is the responsibility of the Remuneration and Nomination Committee (as described under Principle 8 below) in consultation with the CEO.

Newly appointed directors are provided with briefings by the Chief Executive Officer and also by other members of Senior Management in respect to the operations of the Group. An information pack is handed to a new director following his appointment which incorporates Memoranda and Articles of Group companies, terms of reference of any relevant committees, any Company policies as well as relevant legislation and rules. The Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are adhered to. Additionally, Directors may seek independent professional advice on any matter at the Company's expense.

The Company ensures the personal development of Directors, management and employees by recommending attendance to seminars, conferences as well as training programmes that are designed to help improve the potential of its staff members whilst boosting the Company's competitiveness. The Company provides the necessary training to the individual Directors on a requirements basis by formally identifying and addressing any such requirements.

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 7: Evaluation of Board's Performance

During March 2021, the Board carried out an evaluation of its own performance together with that of the Committees and the Chairman. The Board delegated the carrying out of the evaluation exercise to the Remuneration Committee. The exercise was conducted through a comprehensive Board Effectiveness Questionnaire, the results of which were analysed by the Remuneration Committee and then discussed by the Board. The review has not resulted in any material changes in the Company's internal organisation or in its governance structures. However, some best practice recommendations which emerged from the analysis of the results will be implemented by the Board.

Principle 8: Committees

The Board has appointed the following Committees:

Audit Committee

The Audit Committee is a committee appointed by the Board and is directly responsible and accountable to the Board. The Audit Committee's primary purpose is to:

- (a) protect the interests of the Company's shareholders; and
- (b) assist the Directors in conducting their role effectively so that the Company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The Board has set formal terms of reference of the Audit Committee that establish its composition, role and function and responsibilities.

The main role and responsibilities of the Audit Committee include:

- (a) to inform the Board of Directors of the outcome of the statutory audit and to explain how the statutory audit contributed to the integrity of the Financial Statements and what the role of the audit committee was in this process;
- (b) to monitor the financial reporting process and to submit recommendations of proposals to ensure its integrity;
- (c) to monitor the effectiveness of the Company's internal quality control and risk managements system and, where applicable, its internal audit regarding the financial reporting without breaching its independence;
- (d) to monitor the audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26 (6) of the Statutory Audit Regulation;
- (e) to review the additional report prepared by the statutory auditors or audit firm submitted to the Audit Committee in terms of Article 11 of the Statutory Audit Regulation. The Audit Committee may disclose the additional report to third parties in order to execute its functions in line with the terms of reference;
- (f) to review and monitor the independence of the statutory auditors or audit firms in accordance with Articles 22, 22a, 22b, 24a and 24b of the Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directive 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC and Article 6 of the Statutory Audit Regulation and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of the Statutory Audit regulation;
- (g) the responsibility for the procedure for the selection of statutory auditors or audit firms;
- (h) to recommend the statutory auditors or the audit firm to be appointed in accordance with Article 16 of the Statutory Audit Regulation;

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 8: Committees – continued

Other responsibilities of the Audit Committee are set out in its Terms of Reference and these include, amongst others, the review, appointment or replacement of the internal auditor and the making of recommendations accordingly to the Board, the development and implementation of a policy on the engagement of the external auditor to supply non-audit services, if and where applicable, the consideration of the respective scope of work and audit plans of the internal auditor, if any, and the external auditors, the coordination of the audit, the review of the adequacy of the Company's internal controls, including computerised information system controls and security, management letters and any related significant findings and recommendations of the external auditors and internal audit together with Management's responses thereto, to enquire with Management about significant risks or exposures and assess the steps Management has taken to minimise such risks to the Company, to consider and review with Management significant internal audit findings during the year and management's responses thereto, to review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies, and any reports arising from examinations or inspections performed by the regulators and review and evaluate any proposed transaction that the Company intends to carry out with a Related Party in accordance with the Listing Rules.

For the year under review, the Audit Committee was composed of three independent non-executive Directors. The Directors that served on the Audit Committee for the year under review were: Mr. Joseph Said (Chairman of the Committee), Mr. David Demarco and Mr. Alan Mizzi.

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

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

When the Audit Committee's monitoring and review activities reveal cause for concern or identify the need for improvement, it shall make recommendations to the Board on the action needed to address the issue or make such improvements.

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

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 8: Committees - continued

Supervisory Board

The Board delegates some of its responsibilities to the Supervisory Board, which is composed of Dr. Alec A. Mizzi (Chairman of the Committee), Mr. David G. Curmi (Director), Mr. Joseph A. Gasan (Director), Mr. Mark Portelli (CEO of the Company and Managing Director), Mr. Jesmond Micallef (CFO of the Company), and Mr. Ivan Piccinino (Senior Project Manager of the Company).

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

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

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

Project Management Advisory Committee

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

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

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

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

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

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 8: Committees - continued

Remuneration and Nomination Committee

In April 2020, the Board reconstituted the Remuneration Committee as a Remuneration and Nomination Committee. The Board was of the view that considering the size of the Company it was more practical to have one Committee as opposed to two separate committees.

As Nomination Committee, the Committee periodically or as may be necessary is to review the structure, size and composition of the Board with a view to making any recommendations to the Board with regard to its composition and any skills, knowledge, diversity and experience suited to the Board. The Committee is responsible for identifying, nominating and proposing to the Board, for its approval, candidates for the position of Director to be appointed by the Board without the requirement that the appointment of such director or directors be ratified by a members' resolution taken at a General Meeting of the Company in terms of Article 102(3) of the Articles of Association of the Company: provided that for the sake of clarity, the decision whether to appoint an additional or additional directors to the Board in terms of the said Article shall always remain with the Board. The Committee is to keep under review the leadership needs of the Company and it is to consider succession planning issues in relation to and the policy for the selection of CEO and other Senior Executives, making any necessary recommendations to the Board. The Committee shall also be responsible for selecting, nominating and proposing to the Board, for its approval, candidates for the position of CEO and other Senior Executives.

The Committee is responsible for the process relating to the annual evaluation of the performance of the Board and that of its committees, including that of the Committee itself, as recommended to be carried out by the Code of Corporate Governance. The Committee shall then report to the Board on the results of the performance evaluation process in order to ascertain the strengths and to address the weaknesses of the Board.

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

Principle 9 & 10: Relations with Shareholders and with the Market, and Institutional Investors

Pursuant to the Company's statutory obligations in terms of the Maltese Companies Act (Cap. 386) and the Listing Rules, the Annual Report and Financial Statements, declaration of dividends, election of directors, and appointment of auditors and authorisation of the directors to set the auditors' fees are proposed and approved at the Company's Annual General Meeting.

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The Board is of the view that during the period under review, the Company communicated effectively with shareholders through periodical Company Announcements and through press releases and other material addressed to the market in general using both the traditional media as well as social media.

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

Statement of compliance with the Principles of Good Corporate Governance – continued

B. COMPLIANCE WITH THE CODE - continued

Principle 9 & 10: Relations with Shareholders and with the Market, and Institutional Investors - continued

The Directors consider that the Board properly serves the legitimate interests of all Shareholders and is accountable to all Shareholders.

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

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

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

Principle 11: Conflicts of Interest

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

During the period under review the CEO acted as a director of Tigné Contracting Limited, Mid Knight Holdings Limited and its subsidiary Mid Knight Operations Limited.

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

The Directors and the CEO, acting as directors of other companies of the Group and other third companies, may be subject to conflicts between the potentially divergent interests of the Company, the Group or such other third companies. The Company is not aware of any private interest or duties unrelated to the Group which may or are likely to place the Directors or the CEO in conflict with any interest in, or duties towards the Company.

Given the current shareholding of MIDI p.l.c., and in line with expectations upon the commencement of the Company, conflicts of interest affecting Board members may arise from time to time with regards to:

1. contracts for goods and services, including the provision of construction services, civil and mechanical and engineering works which have been/may be entered into between MIDI p.l.c., Tigné Contracting Limited, Solutions & Infrastructure Services Limited, Mid Knight Holdings Limited and companies related to Board members;
2. financing and insurance related services which have been/may be provided to MIDI p.l.c. by companies related to Board members;
3. activities, including retail projects, carried on by MIDI p.l.c. which may compete with similar activities carried on, in the close proximity of the MIDI's retail projects by companies related to Board members;
4. purchases of apartments by Directors or by companies related to Board members;
5. rental Agreements by Directors or by companies related to Board members.

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 11: Conflicts of Interest - continued

All contracts for goods and services, including the provision of construction services, civil and mechanical and engineering works, and any other purchases are based upon the principle of competitive bidding. The CEO negotiates with suppliers in order to ensure that the best quality goods and services are procured by MIDI at the least possible price. With regard to construction services, the Supervisory Board is responsible, with assistance from the Project Management Advisory Committee, to supervise the tendering process. In particular, the Supervisory Board is responsible for assisting and directing the CEO in negotiations with contractors, suppliers and service providers and is responsible for the award of tenders not exceeding the value of €2 million. Any tenders exceeding such a value are awarded by the Board.

In terms of Article 90 of the Articles of Association of the Company, a director who is in any way, whether directly or indirectly, interested (even if such direct or indirect interest relates to the Member or Members who appointed him to office) in any contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at a meeting of the Directors. In the case of a proposed contract or arrangement, the declaration of interest to be made by such director shall be made at the meeting of the directors at which the question of entering into the contract or arrangement is first taken into consideration, or if such director was not at the date of that meeting interested in the proposed contract or arrangement, at the next meeting of the Directors held after he became so interested; and in a case where such Director becomes interested in a contract or arrangement after it is made, the said declaration shall be made at the first meeting of the Directors held after such director becomes so interested.

In line with Code Provision 11.1, a director does not participate in a discussion concerning matters in which he has a conflict of interest unless the Board finds no objection to the presence of such director. In addition, in accordance with the said Article 90, a director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has material interest in accordance with the Memorandum and Articles of Association, whether direct or indirect, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

Article 91 of the Articles of Association also states that if any question arises at any meeting as to the materiality of a director's interest or as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, then such question shall be referred to the auditors and their ruling shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

Dealing in Company Securities

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

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

Statement of compliance with the Principles of Good Corporate Governance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 12: Corporate Social Responsibility

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

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

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

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

The Group has also offered various premises which form part of the Group's assets free of charge to non-profit organisations and other third parties to carry out activities and events which benefit philanthropic causes.

Statement of compliance with the Principles of Good Corporate Governance - continued

C. NON-COMPLIANCE WITH THE CODE

Principle 4: Code Provision 4.2.7 Succession policy for the future composition of the Board

The Board notes that pursuant to the Company's Memorandum and Articles of Association of the Company, the appointment of directors to serve on the Board of Directors is a matter which is entirely reserved to the shareholders of the Company (other than in the case of the ninth and tenth directors who may be appointed by the Board or where the need arises to fill a casual vacancy). Accordingly, shareholders are afforded the power to nominate and elect a new board of directors on an annual basis. Thus, the Board does not consider it practical to develop a succession policy for the future composition of the Board since every Director is required to retire from office at the Annual General Meeting. However, as indicated in the statement of compliance, all newly appointed non-executive Directors are given a thorough induction course in the operations, activities and procedures of the Company by Senior Management to be able to carry out the function of a Director in an effective manner.

Principle 9: Code Provision 9.3 Relations with Shareholders and with the Market

There are no procedures disclosed in the Company's Memorandum or Articles as recommended in Code Provision 9.3, to resolve conflicts between minority shareholders and controlling shareholders. It is the Board's view that this Code Provision is not applicable to the Company since the Company has no controlling shareholders.

This notwithstanding, the Company ensures that sufficient contact is maintained with shareholders to understand issues and concerns. The Office of the Company Secretary maintains regular communication with investors and provides individual shareholders with the opportunity to raise matters at any time throughout the year. Shareholders are also given the opportunity to ask questions physically at the AGM (subject to the AGM being held physically) or to submit written questions in advance. Furthermore, as provided by the Companies Act, the Board may call an extraordinary general meeting on the requisition of shareholders holding not less than one-tenth of the paid up share capital of the Company.

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

The Board is ultimately responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable, as opposed to absolute assurance against material misstatement or loss.

The Company operates through the Board of Directors and the Supervisory Board with clear reporting lines and delegation of powers. The Board of Directors has adopted and implemented appropriate policies and procedures to manage risks and internal control. The Supervisory Board plans, executes, controls and monitors business operations in order to achieve the set objectives.

The Directors, with the assistance of Senior Management, are responsible for the identification, evaluation and management of the key risks to which the Company may be exposed. The Company has in place clear and consistent procedures in place for monitoring the system of internal financial controls. The Directors also receive periodic management information giving comprehensive analysis of financial and business performance including variances against the Group's set targets.

This process is applicable specifically in relation to the Company's financial reporting framework.

Statement of compliance with the Principles of Good Corporate Governance -
continued

D. INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE FINANCIAL REPORTING PROCESS - continued

The Audit Committee reviews and assesses the effectiveness of the internal control systems, including financial reporting, and determines whether significant internal control recommendations made by internal and external auditors have been implemented. The Committee plays an important role in initiating discussions with the Board with respect to risk assessment and risk management, reviews contingent liabilities and risks that may be material to the Group.

E. LISTING RULE 5.97.5

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

F. GENERAL MEETINGS

General meetings are called and conducted in accordance with the provisions contained in the Company's Articles of Association and in accordance with any applicable laws or regulations as may be applicable from time to time. As outlined previously, information on General Meetings is located in the Directors' Report.

The report above is a summary of the views of the Board on the Company's compliance with the Code. Generally, the Board is of the opinion that, in the context of the applicability of the various principles of the Code to the Company and in the context of the Company's business operations and save as indicated herein in the section entitled "Non-Compliance" the Company has applied the principles and has been in compliance with the Code throughout the financial year under review. The Board shall keep these principles under review and shall monitor any developments in the Company's business to evaluate the need to introduce new corporate governance structures or mechanisms as and when the need arises.

Approved by the Board on 23 April 2021 and signed on its behalf by:



Alec A. Mizzi
Chairman



Joseph A. Gasan
Director

Remuneration Report and Statement

The Remuneration Report and Statement was drawn up by the Remuneration and Nomination Committee and approved by the Board on the 23 April 2021. It is drawn up in terms of Code Provisions 8.A.3 to 8.A.6 of the Code of Principles of Good Corporate Governance (Appendix 5.1 of the Listing Rules) and in accordance with the Listing Rule 12.26K and the requirements of Appendix 12.1 of the Listing Rules.

Membership and activities of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of Joseph Said (Chairman), David G. Curmi and Joseph Bonello as members, all of whom are independent non-executive directors. Mark Andrew Weingard served as a member of the Remuneration and Nomination Committee up to his retirement from the Board of the Company on the 1 October 2020. Joseph Bonello was appointed member of the Remuneration & Nomination Committee on the 5 October 2020.

In its function as a Remuneration Committee, the Remuneration and Nomination Committee is charged with oversight of the remuneration policies implemented by the Company with respect to its Directors, Senior Management and employees. It assists the Board in meeting its responsibilities regarding the determination, implementation and oversight of Directors, CEO and Senior Executive remuneration arrangements to enable the recruitment, motivation and retention of individuals with right skills and qualities. Its functions as a Nomination Committee are described in the Corporate Governance Statement under Principle 8.

Decisions of the Remuneration and Nomination Committee during the financial year under review were taken by virtue of resolutions approved by all the members.

Directors' Remuneration Policy approved by the Annual General Meeting

A Directors' Remuneration Policy was approved by the shareholders at the Annual General Meeting of the Company held on 1 October 2020. The Resolution relating to the Directors' Remuneration Policy was passed at the said Annual General Meeting as follows: Those in favour 146,350,707 votes, those against 10,000 votes and abstentions 11,000 votes. As this Resolution was passed by the required majority of shareholders and no questions or comments were raised prior to the Annual General Meeting in terms of Legal Notice 288 of 2020, the Directors' Remuneration Policy was considered approved as presented and duly implemented.

The Directors' Remuneration Policy is available in full on <https://www.midimalta.com/en/corporate-governance>. The Directors' Remuneration Policy applies to "directors" as such term is defined in Chapter 12 of the Listing Rules and therefore in the case of the Company it applies to any member of the Board of Directors of the Company and to the Chief Executive Officer ("CEO"). The Board is currently composed of 8 non-executive Directors and 1 executive Director who is also the CEO of the Company and whose remuneration is also addressed in the Directors' Remuneration Policy in the part entitled "Remuneration of the CEO".

Any material amendments to the Policy shall be submitted to a vote by the General Meeting before their adoption and in any case at least every four years. No changes to the Policy are being proposed for approval at the next General Meeting.

Remuneration Report and Statement - continued

Remuneration Policy – Non-Executive Directors

In proposing the overall remuneration for non-executive Directors and any reviews to remuneration, the Company takes into account the Company's need to attract, and motivate directors who possess the necessary experience, qualities and attributes to enable them to discharge their duties with integrity and highest professional standards, market realities, trends or standards for similar positions, the time commitment required to be devoted to the Company, group financial performance, salary increases for all employees, as well as the overall interests of shareholders and the overall costs to shareholders.

In terms of Article 84(1) of the Articles of Association of the Company, the maximum aggregate remuneration of all directors in any one financial year and any increases to such aggregate amount are approved by the Company in General Meeting. At the 2020 Annual General Meeting held on 1 October 2020, the shareholders of the Company resolved to set a maximum annual aggregate remuneration for the Directors of the Company, which was capped at seventy-five thousand euro (€75,000). This amount has remained consistent since 2017. Following a recommendation by the Remuneration & Nomination Committee, the Board has resolved that no changes are being proposed at the forthcoming Annual General Meeting.

There are no service contracts between the non-executive Directors and the Company or its subsidiaries. The remuneration of non-executive Directors consists of a fixed fee for their duties as directors. These fixed fees have been determined in line with information available from the current market. Each of the non-executive directors receive the same amount in terms of fixed fees for his or her respective duties as directors other than in the case of the Chairman of the Company who receives a different fixed fee commensurate with the added responsibilities of the role of chairman and in the case of directors who have an additional responsibility by way of chairmanship or membership of a Board committee or where the non-executive director is appointed by the Board to sit on the Board of Directors of a subsidiary company, a joint venture company or another company forming part of the same Group as the Company.

The remuneration of non-executive Directors does not include any variable component, such as bonuses, incentives or other benefits in whatever form, nor does the Company award share-based remuneration or any share options. Non-executive Directors do not participate in any long-term incentive plans, neither do they receive any retirement or pension benefits or any payment related to their resignation or removal from office.

Any reasonable travel and business expenses incurred by non-executive Directors in connection with the business of the Company are met by the Company.

A non-executive director is appointed and holds office for a term of one year from the end of one Annual General Meeting to the end of the next. In terms of Article 98 of the Articles of Association, all directors therefore retire from office at each Annual General Meeting. Directors appointed by the Board in terms of Article 102(3) of the Articles, that is, directors who are appointed without the requirement that the appointment be ratified by a members' resolution taken at a General Meeting of the Company are likewise appointed until the Annual General Meeting following their appointment and also retire at such Annual General Meeting, unless he or she are appointed for a shorter term. As stated earlier, there are no provisions for the payment of any benefits linked to termination of their office of directors.

Remuneration Report and Statement - continued

Remuneration Policy – Non-Executive Directors - continued

The current Directors' fees as applicable and as approved by the Board are as follows:

Directors' Fees	
Chairman	€6,000 per annum (2019: €6,000)
Other Directors (per Director)	€3,000 per annum (2019: €3,000)
Audit Committee Fees	
Chairman	€2,000 per annum (2019: €2,000)
Member (per member)	€1,500 per annum (2019: €1,500)
Remuneration Committee Fees	
Chairman	€1,500 per annum (2019: €1,500)
Member (per member)	€1,000 per annum (2019: €1,000)
Supervisory Board Fees	
Chairman	€5,000 per annum (2019: €5,000)
Member (per member)	€4,000 per annum (2019: €4,000)
Project Management Advisory Committee Fees	
Chairman	€4,000 per annum (2019: €4,000)
Member (per member)	€3,000 per annum (2019: €3,000)
Subsidiary/Group Company Fees (as may be applicable)	
Chairman of Joint Venture Company	€4,000 per annum (2019: €4,000)
Member of Joint Venture Company (per member)	€3,000 per annum (2019: €3,000)
Chairman of Subsidiary	€4,000 per annum (2019: €4,000)
Member of Subsidiary (per member)	€3,000 per annum (2019: €3,000)

In accordance with Code Provision 8.A.5, total Directors' remuneration for the financial year ended 31 December 2020 in respect of their office as Directors is as detailed below:

Fixed Remuneration	Variable Remuneration	Share Options	Others
€69,577	None	None	None

The amount disclosed above reflects the total Directors' emoluments paid during the period under review (2019: €74,023).

Remuneration Report and Statement - continued

Remuneration Policy – Non-Executive Directors - continued

- Code Provision 12.26K and Appendix 12.1 of the Listing Rules

In addition to the information provided above and with reference to Appendix 12.1 of the Listing Rules, it is noted that the amount paid to each non-executive Director by the Company for attendance at meetings of the Board, meetings of Board Committees and directorships on the Company's subsidiaries and joint venture company (where applicable) during the period under review is indicated below:

	Board and Committee Fees	Group company fees
	€	€
Dr Alec Mizzi (Chairman)	11,136	-
Joseph Bonello	3,348	4,000
David G Curmi	8,099	-
David Demarco	8,605	-
Joseph A Gasan	7,136	4,000
John Mary sive Jimmy Gatt	6,075	-
Alan Mizzi	4,593	3,000
Joseph Said	6,580	-
Mark Weingard (resigned 1 October 2020)	3,005	-

As stated above, there are no service contracts between the non-executive Directors and the Company or its subsidiaries. The remuneration of non-executive Directors does not include any variable component, such as bonuses, incentives or other benefits in whatever form, nor does the Company award share-based remuneration or any share options. Non-executive directors do not participate in any long-term incentive plans, neither do they receive any retirement or pension benefits or any payment related to their resignation or removal from office.

No other fees were payable or paid to any of the non-executive Directors during the financial year under review.

Remuneration Policy – CEO

In proposing the overall remuneration for the CEO and any reviews thereto, the Company takes into account the Company's need to attract, retain and motivate an individual who possesses the necessary experience, qualities and attributes for this key executive role within the Company by offering a base salary and other employment terms that are competitive within the market. The Company also considers the size and scope of the role, the experience of the individual, market realities, trends or standards for similar positions, group financial performance, salary levels, increases and general conditions applicable to the Company's employees, as well as the overall interests of shareholders and the overall costs to shareholders.

Remuneration Report and Statement – continued

Remuneration Policy – CEO - continued

It is the Company's policy to engage the CEO on an indefinite contract of employment after a period of probation, rather than on a fixed term contract. Accordingly, the applicable notice periods, after probation, are those provided for in the relevant legislation. The CEO's terms of employment do not contain provision for any form of payment on resignation or termination of employment and therefore the only payments on termination are those which may be applicable in accordance with legal requirements. No retirement or pension benefits in whatever form are payable to the CEO.

The CEO is entitled to a base or fixed salary as well as to an annual performance bonus which is established by reference to the attainment of pre-established annual financial and non-financial targets and/or performance criteria or key performance indicators. The annual performance bonus is the only variable component of the CEO's remuneration. These targets or performance criteria are set annually by the Remuneration and Nomination Committee in consultation with the Chairman of the Company. These targets or performance criteria are selected to incentivise the delivery of the Company's business plans, goals and financial objectives. These targets or performance criteria include a mix of company corporate objectives to be met and an assessment of the individuals' performance and attainment of personal objectives. Neither the reviews of the base or fixed salary nor the performance bonus is linked directly or indirectly to the performance of the share price of the Company.

The Remuneration and Nomination Committee, in consultation with the Chairman of the Company, will decide on the payment of or otherwise of the annual performance bonus after assessing the attainment of the relative targets and/or performance criteria. It may also decide to defer the payment of the annual performance bonus or part thereof for a definite period. No such deferment has taken place in relation to the performance bonus paid for the financial year ending 31 December 2020. The link between the fixed salary and the performance annual bonus shall be appropriate and reasonable. The performance bonus of the CEO shall never exceed 40% of the fixed salary. The Company does not have the possibility to reclaim any variable remuneration.

The CEO is not otherwise awarded any other incentives or benefits in whatever form, nor does the Company award share-based remuneration or share options. The CEO does not participate in any profit-sharing arrangement.

Any reasonable travel and business expenses incurred by the CEO in connection with the business of the Company is met by the Company. The CEO is also entitled to a mobile telephone allowance.

On the 5 October 2020, the CEO Mark Portelli was appointed by the Board of Directors as an (executive) Director in terms of Article 102(3) of the Articles of Association of the Company which permits the Board to appoint up to a maximum of two additional directors without the requirement that the appointment be ratified by a members' resolution taken at a General Meeting of the Company. In terms of Article 117(3) of the Articles of Association of the Company, if the person appointed to the office of CEO is a director of the Company the said person shall be designated as Managing Director.

No additional remuneration is paid by the Company to the CEO in respect of his role as an executive director of the Company and member of the Supervisory Board and the Project Management Advisory Committee. Neither does the CEO receive any remuneration in respect of his directorship on the subsidiary companies Tigné Contracting Limited and Solutions and Infrastructures Services Limited and on the joint venture company Mid Knight Holdings Limited and its subsidiary Mid Knight Operations Limited.

Remuneration Report and Statement – continued

Remuneration Policy – CEO - continued

- Code Provision 12.26K and Appendix 12.1 of the Listing Rules

In addition to the information provided above and with reference to Appendix 12.1 of the Listing Rules, it is noted that the total remuneration paid to the CEO, Mark Portelli, for the period under review was as follows:

Fixed remuneration: €135,144 Variable remuneration: €40,000

The variable remuneration was arrived at after an assessment of the level of attainment of targets set as explained earlier on in this report. No other fees were payable or paid to the CEO during the financial year under review.

Remuneration Policy - Senior Management

The term 'Senior Management' shall refer to the list of officers as set out within the Directors' report and except where otherwise expressly stated includes the CEO.

In proposing the overall remuneration for Senior Management and any reviews thereto, the Company takes into account the Company's need to attract, retain and motivate individuals who possesses the necessary experience, qualities and attributes for this key executive role within the Company by offering a base salary and other employment terms that are competitive within the market. The Company generally engages its Senior Management on the basis of indefinite contracts of employment after a period of probation, rather than on fixed term contracts. Accordingly, the applicable notice periods, after probation, are those provided for in the relevant legislation.

The terms and conditions of employment of Senior Management are specified in their respective indefinite contracts of employment. Senior Management are entitled to a base or fixed salary as well as to an annual performance bonus which is established by reference to the attainment of pre-established annual financial and non-financial targets and/or performance criteria or key performance indicators. Neither the reviews of the base or fixed salary nor the performance bonus is linked directly or indirectly to the performance of the share price of the Company.

The annual performance bonus is the only variable component of the remuneration of Senior Management. The link between the fixed salary and the performance annual bonus shall be appropriate and reasonable. The annual performance bonus of Senior Management (to the exclusion of the CEO) is approved by the Remuneration and Nomination Committee in consultation with the CEO.

None of the Company's Senior Management, through their employment with the Company, is entitled to any share options and/or profit-sharing arrangements or pension benefits.

The individual contracts of employment of all Senior Management, excluding the contract of employment of the CEO, contain provisions for severance payments in certain defined circumstances. These payments would be in addition to payments that may be applicable in accordance with legal requirements.

All employees of the Company are entitled to health and life insurance, whilst Senior Management and some other executives of the Company are entitled to reimbursement of telephone expenses. Any reasonable travel and business expenses incurred by Senior Management in connection with the business of the Company is met by the Company.

Remuneration Report and Statement – continued

Remuneration Policy - Senior Management - continued

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

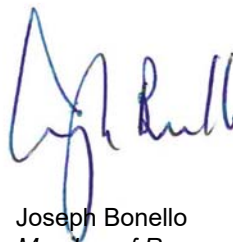
Fixed Remuneration	Variable Remuneration	Share Options	Others
€340,508	€104,000	None	Non-cash benefits referred to above

This Directors' Remuneration Report in terms of Chapter 12 of the Listing Rules is being put forward to an advisory vote of the 2021 Annual General Meeting in accordance with the requirements of the Listing Rule 12.26 L.

In accordance with the requirements emanating from Appendix 12.1 of the Listing Rules, the contents of the Directors' Remuneration Report within this Remuneration Report have been reviewed by the external auditor to ensure compliance with such requirements.



Joseph Said
*Chairman of Remuneration
and Nomination Committee*



Joseph Bonello
*Member of Remuneration
and Nomination Committee*

23 April 2021



Independent auditor's report

To the Shareholders of MIDI p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and Parent Company financial statements (the “financial statements”) give a true and fair view of the Group and the Parent Company’s financial position of MIDI p.l.c. as at 31 December 2020, and of the Group’s and the Parent Company’s financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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

What we have audited

MIDI p.l.c.’s financial statements, set out on pages 47 to 110, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2020;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a significant accounting policies.

Basis for opinion

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

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



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Independence

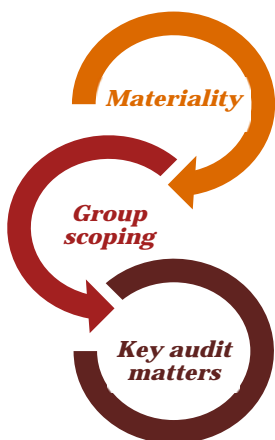
We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements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

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

The non-audit services that we have provided to the Parent Company and its subsidiaries, in the period from 1 January 2020 to 31 December 2020, are disclosed in note 24 to the financial statements.

Our audit approach

Overview



- Overall group materiality: €770,000, which represents approximately 0.75% of consolidated net assets
- The audit carried out by the group engagement team covered all companies within the group as at and for the year ended 31 December 2020, comprising MIDI p.l.c. (the Parent Company) and its subsidiaries: Tigné Contracting Limited, T14 Investments Limited and Solutions & Infrastructure Services Limited, as well as the investment in joint venture Mid Knight Holdings Limited and its subsidiary Mid Knight Operations Limited.
- Fair valuation of property
- Inventory valuation

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



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Materiality

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

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

<i>Overall group materiality</i>	€770,000
<i>How we determined it</i>	Approximately 0.75% of consolidated net assets
<i>Rationale for the materiality benchmark applied</i>	We chose net assets as the benchmark because, in our view, it is the benchmark against which the underlying value of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 0.75%, which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €38,500 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

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

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

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



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Key audit matters

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

Key audit matter

Fair valuation of investment property, relating to the Group and the Parent Company

The Group's and Parent Company's assets comprise properties held for long-term rental yields or for capital appreciation, which are classified as investment property and are measured at fair value.

The main asset of Mid Knight Holdings Limited, the Group's jointly controlled entity, comprises an office block known as 'The Centre' which is rented out to third parties. The asset is accounted for as investment property in the joint venture's financial statements and is measured at fair value.

The most recent independent property valuation for the Group's and the jointly controlled entity's investment property was carried out in preceding financial years, on the basis of an assessment of the open market value of the respective properties performed by an independent architect and civil engineer.

At the end of every reporting period, management assesses whether any significant changes have been experienced since the last external valuation. Such assessments on each component of investment property are performed for the purpose of ascertaining whether the carrying amount of the property is significantly different from estimated fair value, by reviewing the continued applicability of assumptions utilised in the most recent independent valuation and by updating the valuation model for each property component.

How our audit addressed the Key audit matter

We reviewed the most recent independent valuation reports for all properties, including the investment property of Mid Knight Holdings Limited, and management's assessments as at 31 December 2020 as to whether the principal assumptions utilised in the most recent independent valuation reports were still applicable as at the end of the current reporting period. We confirmed that the valuation approach for each property and the valuation models utilised in determining the fair value of property were in accordance with professional valuation standards.

We engaged our in-house valuation experts to critique and challenge the principal assumptions used in the valuation models referred to above, which have been prepared by management as at the end of the current financial year for each component of the Group's property to support the carrying amounts. Our valuation experts have reviewed the valuation models updated by management within the ambit of their assessments. The principal assumptions include the discount rate applied for certain properties. Third party evidence and other data was obtained to corroborate the assumptions. We tested the mathematical accuracy of the calculations.



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Key audit matter

Fair valuation of investment property, relating to the Group and the Parent Company - continued

How our audit addressed the Key audit matter

In the process of reviewing the valuation assumptions as at 31 December 2020 in respect of specific elements within the Group's investment property, management considered the rent concessions granted in view of the disruption brought about by the COVID-19 pandemic. Following the assessments carried out as at 31 December 2020, no adjustments to the overall carrying amount of the Group's investment property portfolio and to the carrying amount of the jointly controlled entity's investment property were deemed necessary as at that date.

We focused on this area because of the significance of the carrying value of the Group's and joint venture's property in the respective Statements of Financial Position, together with the judgemental nature of the assumptions used in the valuation models, such as the sales price per car space or per square metre, and the discount rates applied. The outbreak of the COVID-19 pandemic has given rise to a heightened level of estimation uncertainty with respect to key assumptions underlying the valuation of investment property.

Further disclosure is included in Note 7 (Investment Property) and Note 9 (Investment in joint venture).

We have also considered the potential impacts of the economic distress caused by the COVID-19 pandemic, including lease concessions granted and other envisaged relief in respect of specific investment properties, on the carrying amount of the assets as at the end of the reporting period. In particular, our valuation experts have reviewed the manner in which the estimated impacts of the COVID-19 pandemic have been reflected within the principal assumptions underlying management's assessments prepared as at 31 December 2020. Our experts have taken cognisance of the prevailing economic and market conditions as a result of the uncertainty. Based on management's assessments, the estimated impact on the fair valuation of specific elements of investment property is not considered material taking cognisance of discounted projected cash flows for the entire term of the emphyteutical grant. Also, the estimated sales values of other elements of investment property have not been materially impacted as a result of the pandemic.

We discussed the outcome of management's assessments with the Audit Committee.

Management's valuation models confirmed that there are no significant differences between carrying amounts and estimated fair values as at 31 December 2020 as we concluded, based on our audit work, that the outcome of the management assessments in respect of the overall carrying amounts of the Group's investment property portfolio as at 31 December 2020 was within a reasonable range of values.

In addition, we evaluated the adequacy of the disclosures made in Notes 7 and 9 of the financial statements, including those regarding the principal assumptions.



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Key audit matter

How our audit addressed the Key audit matter

Inventory valuation, relating to the Group and the Parent Company

The carrying amount of inventory at Group and Parent Company level represents the value of land, development and borrowing costs attributable to the various phases of the Manoel Island and Tigné Point project which are either held for sale or under development as at 31 December 2020, analysed by project phase.

For each project phase, management assesses whether inventory is carried at the lower of cost and net realisable value, on the basis of projected financial information pertaining to the respective phases.

We focused on this area because of the significance of the carrying value of inventories, which includes costs attributable to the Manoel Island project, in the Group's Statement of Financial Position and the judgemental nature of the assumptions used by management in the assessments referred to above.

Taking cognisance of developments relating to the COVID-19 pandemic management's assessments indicate that no impairment indicators have been registered as at 31 December 2020 in respect of the key inventory elements, as these are principally expected to generate sales revenues in a few years' time. Further disclosure is included in Note 12 (Inventories - Development project).

We understood and evaluated the assessment performed by management to ascertain whether inventory is carried at the lower of cost and net realisable value, for all inventory elements including the Manoel Island project.

Our audit procedures included a review, also with the assistance of our valuation experts, of the projected financial information for the different project phases prepared by management with the objective of estimating recoverable amounts. We have also considered the implications of the COVID-19 pandemic on the carrying amount of the assets. In particular, our valuation experts have reviewed the manner in which the estimated impacts of the COVID-19 pandemic have been reflected within the principal assumptions underlying management's assessments. Our experts have taken cognisance of the prevailing economic and market conditions as a result of the uncertainty brought about by the pandemic.

In relation to the Manoel Island project, we are aware that during the current financial year, a revised Masterplan for the restoration and redevelopment of Manoel Island, which also contemplates a decrease in development volumes, was submitted to the Planning Authority.

We are aware that the Group continued to actively engage in discussions with third parties that have signalled substantive interest in the development of the island. We understand, based on our procedures, that management's assessment in respect of Manoel Island indicates that the Company is considering a number of financing options which include internally and externally raised funding together with the involvement of third party investors as outlined above.

We have discussed with management and the Audit Committee the principal assumptions underlying the inventory assessments performed for the different inventory elements.



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Key audit matter

How our audit addressed the Key audit matter

Inventory valuation, relating to the Group and the Parent Company - continued

Based on the evidence we have sighted during our work and the consideration of management's assessments, nothing leads us to believe that any impairment indicators exist in respect of the Group's inventory elements. We concluded, based on our audit work, that the outcome of the assessments in respect of carrying amounts of inventories as at 31 December 2020 is not unreasonable.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

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

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

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

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

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

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

Report on other legal and regulatory requirements

The *Annual Report and Consolidated Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Area of the <i>Annual Report and Financial Statements 2020</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 1 to 11) The Maltese Companies Act (Cap. 386) requires the Directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Area of the <i>Annual Report and Consolidated Financial Statements 2020</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Statement of compliance with the Principles of Good Corporate Governance (on pages 12 to 26)</p> <p>The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Listing Rules. The Statement's required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.</p>	<p>We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements.</p> <p>We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Listing Rule 5.97.</p> <p>We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.</p>	<p>In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.</p> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Area of the Annual Report and Consolidated Financial Statements 2020 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Remuneration Report and Statement (on pages 27 to 33)</p> <p>The Listing Rules issued by the Malta Listing Authority require the Directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Listing Rules.</p>	<p>We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Listing Rules, has been included.</p>	<p>In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.</p>
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. <p>We also have responsibilities under the Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.</p>	<p>We have nothing to report to you in respect of these responsibilities.</p>



Independent auditor's report - continued

To the Shareholders of MIDI p.l.c.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

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

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

A handwritten signature in blue ink that reads 'Fabio Axisa'.

Fabio Axisa
Partner

23 April 2021

Statements of financial position

		As at 31 December			
		Group		Company	
Notes	2020	2019	2020	2019	
	€	€	€	€	
ASSETS					
Non-current assets					
Property, plant and equipment	5	2,428,964	2,618,952	753,619	762,600
Right-of-use assets	6	12,963,948	13,134,811	12,963,948	13,134,811
Investment property	7	37,077,612	37,077,612	37,077,612	37,077,612
Investments in subsidiaries	8	-	-	11,709,316	11,709,316
Investments in joint venture	9	29,903,027	29,843,398	-	-
Financial investments	10	524,622	532,380	524,622	532,380
Deferred tax assets	22	92,320	606,951	92,320	606,951
Total non-current assets		82,990,493	83,814,104	63,121,437	63,823,670
Current assets					
Inventories - Development project	12	130,286,794	125,423,114	130,471,394	125,564,492
Trade and other receivables	13	2,781,750	3,416,524	1,825,986	5,800,913
Current tax assets		61,590	61,590	61,590	61,590
Cash and cash equivalents	14	11,528,748	21,901,231	10,526,664	20,181,732
Total current assets		144,658,882	150,802,459	142,885,634	151,608,727
Total assets		227,649,375	234,616,563	206,007,071	215,432,397

Statements of financial position - continued

		As at 31 December			
		Group		Company	
Notes	2020	2019	2020	2019	
	€	€	€	€	
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	42,831,984	42,831,984	42,831,984	42,831,984
Share premium	15	15,878,784	15,878,784	15,878,784	15,878,784
Property revaluation reserve	16	1,211,132	1,211,132	-	-
Investment fair value reserve	17	92,582	100,340	92,582	100,340
Other reserve	18	-	-	23,060	-
Retained earnings		41,827,768	43,943,493	10,863,316	14,718,132
Total equity		101,842,250	103,965,733	69,689,726	73,529,240
Non-current liabilities					
Trade and other payables	19	10,091,942	14,578,965	10,091,942	14,578,965
Borrowings	20	49,486,630	49,394,683	49,486,630	49,394,683
Lease liabilities	21	13,383,383	12,989,743	13,383,383	12,989,743
Deferred tax liabilities	22	3,506,718	3,506,718	3,506,718	3,506,718
Total non-current liabilities		76,468,673	80,470,109	76,468,673	80,470,109
Current liabilities					
Trade and other payables	19	38,705,850	39,456,127	49,216,070	50,778,581
Borrowings	20	9,999,971	9,999,971	9,999,971	9,999,971
Lease liabilities	21	632,631	654,496	632,631	654,496
Current tax liabilities		-	70,127	-	-
Total current liabilities		49,338,452	50,180,721	59,848,672	61,433,048
Total liabilities		125,807,125	130,650,830	136,317,345	141,903,157
Total equity and liabilities		227,649,375	234,616,563	206,007,071	215,432,397

The notes on pages 56 to 110 are an integral part of these financial statements.

The Financial Statements on pages 47 to 110 were authorised for issue by the Board on 23 April 2021 and were signed on its behalf by:



Alec A. Mizzi
Chairman



Joseph A. Gasan
Director

Income statements

		Year ended 31 December			
		Group		Company	
Notes		2020	2019	2020	2019
		€	€	€	€
Revenue	23	2,816,048	27,724,273	2,066,880	26,860,005
Cost of sales	24	(1,727,374)	(13,135,143)	(767,291)	(12,118,007)
Gross profit		1,088,674	14,589,130	1,299,589	14,741,998
Other operating income	29	60,009	133,621	56,635	78,486
Administrative expenses	24	(2,371,816)	(3,040,986)	(2,422,928)	(2,781,203)
Operating (loss)/profit		(1,223,133)	11,681,765	(1,066,704)	12,039,281
Finance income	27	25,530	427,328	25,530	427,328
Finance costs	28	(2,336,358)	(2,501,197)	(2,334,508)	(2,499,145)
Other income	30	50,000	-	50,000	-
Share of profit of investment accounted for using the equity method of accounting	9	1,893,129	1,625,780	-	-
(Loss)/profit before tax		(1,590,832)	11,233,676	(3,325,682)	9,967,464
Tax expense	31	(524,893)	(3,019,296)	(529,134)	(3,019,296)
(Loss)/profit for the year		(2,115,725)	8,214,380	(3,854,816)	6,948,168
Earnings per share	32	(0.010)	0.038		

The notes on pages 56 to 110 are an integral part of these financial statements.

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
Notes	2020	2019	2020	2019	
	€	€	€	€	
	(2,115,725)	8,214,380	(3,854,816)	6,948,168	
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss</i>					
<i>(Losses)/gains from changes in fair value of financial investments measured at fair value through other comprehensive income</i>					
17	(7,758)	24,506	(7,758)	24,506	
Total other comprehensive income					
	(7,758)	24,506	(7,758)	24,506	
Total comprehensive income for the year					
	(2,123,483)	8,238,886	(3,862,574)	6,972,674	

The notes on pages 56 to 110 are an integral part of these financial statements.

Statements of changes in equity

Group	Notes	Share capital €	Share premium €	Property revaluation reserve €	Investment fair value reserve €	Retained earnings €	Total €
Balance at 1 January 2019		42,831,984	15,878,784	1,211,132	75,834	37,442,392	97,440,126
Comprehensive income							
Profit for the year		-	-	-	-	8,214,380	8,214,380
Other comprehensive Income							
<i>Items that may be subsequently reclassified to profit or loss</i>							
Fair valuation of financial investments measured at fair value through other comprehensive income:							
Net changes in fair value arising during the year	17	-	-	-	24,506	-	24,506
Total other comprehensive income		-	-	-	24,506	-	24,506
Total comprehensive income		-	-	-	24,506	8,214,380	8,238,886
Transactions with owners							
Dividends paid to shareholders	33	-	-	-	-	(1,713,279)	(1,713,279)
Total transactions with owners		-	-	-	-	(1,713,279)	(1,713,279)
Balance at 31 December 2019		42,831,984	15,878,784	1,211,132	100,340	43,943,493	103,965,733

Statements of changes in equity - continued

Group	Notes	Share capital €	Share Premium €	Property revaluation reserve €	Investment fair value reserve €	Retained earnings €	Total €
Balance at 1 January 2020		42,831,984	15,878,784	1,211,132	100,340	43,943,493	103,965,733
Comprehensive income							
Loss for the year		-	-	-	-	(2,115,725)	(2,115,725)
Other comprehensive income							
<i>Items that may be subsequently reclassified to profit or loss</i>							
Fair valuation of financial investments measured at fair value through other comprehensive income:							
Net changes in fair value arising during the year	17	-	-	-	(7,758)	-	(7,758)
Total other comprehensive income		-	-	-	(7,758)	-	(7,758)
Total comprehensive income		-	-	-	(7,758)	(2,115,725)	(2,123,483)
Balance at 31 December 2020		42,831,984	15,878,784	1,211,132	92,582	41,827,768	101,842,250

Statements of changes in equity – continued

Company	Notes	Share capital €	Share premium €	Investment fair value reserve €	Retained earnings €	Total €
Balance at 1 January 2019		42,831,984	15,878,784	75,834	9,483,243	68,269,845
Comprehensive income						
Profit for the year		-	-	-	6,948,168	6,948,168
Other comprehensive income						
<i>Items that may be subsequently reclassified to profit or loss</i>						
Fair valuation of financial investments measured at fair value through other comprehensive income:						
Net changes in fair value arising during the year	17	-	-	24,506	-	24,506
Total other comprehensive income		-	-	24,506	-	24,506
Total comprehensive income		-	-	24,506	6,948,168	6,972,674
Transactions with owners						
Dividends paid to shareholders	33	-	-	-	(1,713,279)	(1,713,279)
Total transactions with owners		-	-	-	(1,713,279)	(1,713,279)
Balance at 31 December 2019		42,831,984	15,878,784	100,340	14,718,132	73,529,240

Statements of changes in equity – continued

Company	Notes	Share capital €	Share premium €	Investment fair value reserve €	Other reserve €	Retained earnings €	Total €
Balance at 1 January 2020		42,831,984	15,878,784	100,340	-	14,718,132	73,529,240
Comprehensive income							
Loss for the year		-	-	-	-	(3,854,816)	(3,854,816)
Other comprehensive income							
<i>Items that may be subsequently reclassified to profit or loss</i>							
Fair valuation of financial investments measured at fair value through other comprehensive income:							
Net changes in fair value arising during the year	17	-	-	(7,758)	-	-	(7,758)
Total other comprehensive income		-	-	(7,758)	-	-	(7,758)
Total comprehensive income		-	-	(7,758)	-	(3,854,816)	(3,862,574)
Other movements							
Impacts of restructuring through merger of two subsidiaries	18	-	-	-	23,060	-	23,060
		-	-	-	23,060	-	23,060
Balance at 31 December 2020		42,831,984	15,878,784	92,582	23,060	10,863,316	69,689,726

The notes on pages 56 to 110 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
Notes	Group		Company		
	2020	2019	2020	2019	
	€	€	€	€	
Cash flows (used in)/generated from operating activities					
Cash (used in)/generated from operations	34	(9,419,664)	5,452,165	(6,938,193)	13,904,513
Net interest paid		(2,121,591)	(1,981,921)	(2,119,741)	(1,979,870)
Net income tax paid		(10,262)	(2,352,703)	(14,503)	(2,350,773)
Net cash (used in)/generated from operating Activities		(11,551,517)	1,117,541	(9,072,437)	9,573,870
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(71,835)	(45,820)	-	-
Net cash used in investing activities		(71,835)	(45,820)	-	-
Cash flows from financing activities					
Proceeds from loans receivable from joint venture	11	-	9,701,000	-	-
Release of funds held in trust		16,998	83,088	16,998	83,088
Principal elements of lease payments	6	(632,631)	(654,495)	(632,631)	(654,495)
Dividends received		1,883,500	-	50,000	-
Dividends paid	33	-	(1,713,279)	-	(1,713,279)
Net cash generated from/(used in) financing activities		1,267,867	7,416,314	(565,633)	(2,284,686)
Net movement in cash and cash equivalents		(10,355,485)	8,488,035	(9,638,070)	7,289,184
Cash and cash equivalents at beginning of year		21,763,512	13,275,477	20,044,013	12,754,829
Cash and cash equivalents at end of year	14	11,408,027	21,763,512	10,405,943	20,044,013

The notes on pages 56 to 110 are an integral part of these financial statements.

Notes to the Financial Statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These consolidated Financial Statements include the Financial Statements of MIDI p.l.c. and its subsidiaries. These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention as modified by the fair valuations of the land and buildings class of property, plant and equipment, investment property and specific financial assets. The preparation of Financial Statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 3 – Critical accounting estimates and judgements).

1.1.1 Assessment of going concern assumption

MIDI p.l.c. has registered a consolidated loss before tax amounting to €1,590,832 during the financial year ended 31 December 2020 (2019: profit of €11,233,676). The Group's total assets exceeded its total liabilities by €101,842,250 as at 31 December 2020 (2019: €103,965,733). The Group has been reviewing its financing arrangements to ensure that it is in a position to meet its operational and cash flow commitments in business as usual circumstances throughout the twelve-month period subsequent to 31 December 2020. In this regard it has negotiated new banking facilities with local banks which will be utilised (i) to finance in part ongoing operational expenditure including project expenses related to the Manoel Island project and (ii) to finance the development of the Q3 residential block with the related permit being currently under appeal.

As expected, the COVID-19 pandemic did have an adverse impact on the 2020 financial results principally by affecting the results of the property rental and management segment of the Group's operations. In fact, revenues for this segment show a reduction from €3.4 million generated in 2019 to €2.6 million in 2020. Similarly, contribution of this segment amounted to €1.3 million in 2020 compared to a contribution of €2.0 million generated in 2019. This reduction in revenues and contribution is principally due to the Company granting rent concessions to the tenants of its commercial properties and to its car park operator by way of support during the COVID-19 pandemic. During part of 2020, the pandemic appeared to be impacting the demand for the Company's properties available for sale, albeit these properties were limited in number. Nonetheless, the Company has now entered into a promise of sale agreement for two of the three remaining Q2 apartments, at budgeted prices, the delivery of which is earmarked for the first half of 2021. Based on information available as at the date of authorization for issue of these financial statements, the pandemic is not expected to impact the outcome of the remaining phase at Tigné Point and the overall Manoel Island project.

1. Summary of significant accounting policies – continued

1.1 Basis of preparation – continued

1.1.1 Assessment of going concern assumption – continued

During the course of the year, in view of the pandemic, the Company has acted prudently and continues to do so by taking all the necessary measures to preserve its cash resources. Throughout 2020, the Company took a number of cost-cutting measures to ensure that it retained the necessary financial resources to continue weathering this challenging period. Management has updated its financial projections for the year ending 31 December 2021 taking cognisance of the estimated impacts of the pandemic on the projected financial results, cash flows and financial position of the Group. These projections comprise historical financial information up to the date of approval of these financial statements and forecast financial information for the residual period. The forecast financial information is based on prudent assumptions in respect of COVID-19 impacts and takes into account rent concessions to the Group's tenants envisaged for 2021. The Group will continue to monitor and update its cash flow projections as events unfold with respect to the pandemic. Management will continue to adopt a very prudent stance with respect to estimation of the effects of the pandemic on its operations and resultant cash flows. Under these conditions, on the basis of its financial projections, the Group is expected to have sufficient liquidity and financial resources to meet its obligations and expected cash outflows after also taking into consideration the new banking facilities agreed to with the Group's bankers.

The Company has continued to focus on the Manoel Island project during 2020. The Company had announced on 18 June 2020 that the Environment & Planning Review Tribunal ("EPRT") concluded that there was a breach in the Environment Impact Assessment ("EIA") in respect of the revised Outline Development Permit for Manoel Island (PA9407/17), which had been approved by the Planning Authority ("PA") on 20 March 2019. The EPRT determined that a fresh Environment Impact Assessment ("EIA") was to be submitted by the Company to the Environmental and Resources Authority ("ERA"), in order for the PA to reconsider the application.

Over the past twenty-four months, additional site investigations have been carried out by the Company under the supervision of an independent archaeologist approved by the Superintendence of Cultural Heritage. These site investigations have revealed that a part of the site, previously earmarked for development, is of archaeological importance. Consequently, this necessitated a revised Masterplan which took into consideration these findings. The revised Masterplan envisages a reduction in development volumes from the previously approved 127,000sqm to 95,000sqm.

The Company announced on 18 February 2021 that it had submitted this revised Masterplan to the PA for its consideration together with a fresh EIA to ERA.

Although the loss of the development volumes impacts the profitability of the project, this impact is contained by the provisions of the Deed of Emphyteusis entered into with the Government of Malta on 15 June 2000 which provide for specific remedies in the event that the development is impacted by archaeological discoveries. The Company is actively seeking confirmation from Government in connection to the application of the specific clauses in the deed which cater for such eventuality.

A full development permit was granted by the PA on 16 April 2020 for the final phase of the Tigné Point development, known as the Q3 residential block, which will comprise of 63 apartments, 4 levels of car parking and the embellishment of the so-called Garden Battery and adjoining areas. This permit is now subject to an appeal which was lodged by the Fort Cambridge Residents Association. Notwithstanding this, the Company is continuing with both the design and procurement processes of the development, in order to be in a position to commence works immediately, should the appeal be decided in the Company's favour. The Company has negotiated a banking facility with a local bank which will be used exclusively to finance this development.

1. Summary of significant accounting policies – continued

1.1 Basis of preparation – continued

1.1.1 Assessment of going concern assumption – continued

MIDI Group has continued to review its funding strategy in the context of the timing of the different development stages of the remaining Tigné Point phase and of the Manoel Island project to sustain its long-term development plans. The Group's liquidity and capital management programmes comprise: i) monitoring the feasibility of the different project phases based on net cash inflows and income streams; ii) reviewing the sustainability of the carrying amount of assets allocated to the respective phases; and iii) assessing the appropriate funding mix to be applied to each phase. The outcome of the review of the Group's funding programmes in the longer-term could potentially result in changes to the existing or projected use of the asset base pertaining to the different phases of the Tigné Point and Manoel Island project to leverage the underlying cash flow streams. The Company continues to assess proposals from interested parties as it seeks to conclude the necessary funding required for the Project, which is anticipated to commence generating sales proceeds from the financial year ending 31 December 2023. The Group is reviewing a number of financing alternatives in respect of the development of the Manoel Island Project.

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

The Group's projected equity levels are also being assessed in the context of the future project phases, focusing on the relationship between the amount of borrowings and shareholders' equity.

Based on the outcome of the cash flow projections as referred to above, the Directors and senior management consider the going concern assumption in the preparation of the Company's consolidated financial statements as appropriate as at the date of authorisation for issue of the 2020 financial statements. In the opinion of the Directors, taking cognisance of the short-term funding arrangements together with the Group's long-term liquidity and capital management programmes, there is no material uncertainty which may cast significant doubt on the Group's ability to continue operating as a going concern.

1.1.2 Standards, interpretations and amendments to published standards effective in 2020

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

1.1.3 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2020. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

1. Summary of significant accounting policies – continued

1.2 Consolidation

Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-Company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate Financial Statements, investments in subsidiaries are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the subsidiaries are reflected in the Company's separate Financial Statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1. Summary of significant accounting policies – continued

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings, are shown at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Land is depreciated over the remaining term of property interest. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
Buildings	1
Plant and integral assets:	
Electrical and plumbing installations	3-8
Machinery and operational equipment	2-15
Plant and equipment	5-25
Other integral assets	2
Office equipment, furniture, fittings and other assets	10-33.33
Motor vehicles	20

Assets in course of construction are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1. Summary of significant accounting policies – continued

1.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made. Investment property principally comprises land and buildings.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

1. Summary of significant accounting policies – continued

1.5 Investment property - continued

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

For a transfer from inventories to investment property, arising on changes in intended use as evidenced by commencement of an operating lease arrangement rather than sale, any difference between the fair value at the transfer date and its previous carrying amount within inventories shall be recognised in profit or loss.

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 Investment in joint venture

The Group's interest in jointly controlled entities is accounted for using the equity method and is initially recorded at cost. The Group's share of the joint venture post-formation profits and losses is recognised in profit or loss and its share of post-formation movements in reserves is recognised in equity. The cumulative movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the joint venture equals or exceeds its interest in the entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Investments in jointly controlled entities are accounted for at cost less impairment losses in the Company's separate Financial Statements. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the joint venture are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1. Summary of significant accounting policies – continued

1.8 Financial assets

(i) Classification

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

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

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

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. The Group recognises a financial asset in statement of financial position when it becomes a party to the contractual provisions of the instrument.

(iii) Measurement

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

Debt instruments

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

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

1. Summary of significant accounting policies – continued

1.8 Financial assets - continued

(iii) Measurement - continued

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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

Equity instruments

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

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

(iv) Impairment

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

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

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

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

1. Summary of significant accounting policies – continued

1.8 Financial assets - continued

(iv) Impairment

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

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

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

Debt investments

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

Trade and other receivables

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

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

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

1.9 Inventories – Development project

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

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

- (i) The costs incurred on development works, including demolition, site clearance, excavation, construction and other activities, together with the costs of ancillary activities such as site security.
- (ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.
- (iii) Any borrowing costs, including imputed interest, attributable to the development phases of the project.

1. Summary of significant accounting policies – continued

1.9 Inventories – Development project - continued

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

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

1.10 Trade and other receivables

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

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

1.11 Cash and cash equivalents

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

1.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.13 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities measured at amortised cost which are not at fair value through profit or loss. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.14 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

1. Summary of significant accounting policies – continued

1.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as part of borrowing costs over the period of the borrowings and accounted for as follows:

- (i) Borrowing costs that are directly attributable to the development project are capitalised as part of the cost of the project and are included in its carrying amount. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare any distinct part of the project for its sale or intended use are completed. Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and capitalisation ceases once the asset is substantially complete or suspended if the development of the asset is suspended.
- (ii) All other borrowing costs are recognised in profit or loss as incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.16 Deferred Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants related to assets, i.e. in respect of the purchase of property, plant and equipment, are included in liabilities as deferred government grants, and are credited to profit or loss on a straight line basis over the expected lives of the related assets, presented within 'Other operating income'.

Grants related to income are presented as a deduction in reporting the related expense.

1.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.18 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1. Summary of significant accounting policies – continued

1.18 Current and deferred tax - continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.19 Revenue recognition

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

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

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

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

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

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

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

1. Summary of significant accounting policies – continued

1.20 Leases

1.20.1 Group is the lessee

IFRS 16 requires an entity to assess whether a contract is, or contains, a lease at the inception date. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and a corresponding liability at the commencement date, being the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

1. Summary of significant accounting policies – continued

1.20 Leases - continued

1.20.1 Group is the lessee – continued

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

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

1.20.2 Group is the lessor

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

1.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Financial risk management

2.1 Financial risk factors

The activities of the Group, of which the Company forms part, potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. The parent Company's Board of Directors provides principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments during the year.

The outbreak of the COVID-19 pandemic impacted the Group and Company's operations and business, and the subdued economic conditions experienced by the tenants led to management actions comprising rent relief granted to tenants and a more focused credit management policy.

2. Financial risk management - continued

2.1 Financial risk factors – continued

(a) *Market risk*

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. The Group's revenues, operating and development expenditure and financial assets and liabilities, including financing, are denominated in euro. Accordingly, the Group is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The Group's significant instruments which are subject to fixed interest rates comprise bonds issued to the general public (Note 20). In this respect, the Group is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost. The Group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 20) which expose the Group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on borrowing costs in respect of these liabilities. Based on this analysis, management considers the potential impact of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. The Group's operating cash flows are substantially independent of changes in market interest rates.

(b) *Credit risk*

The Group is not significantly exposed to credit risk arising in the course of its principal activity relating to sale of residential units in view of the manner in which promise of sale agreements are handled through receipt of payments on account at established milestones up to delivery (see Note 19). The Group monitors the performance of the purchasers throughout the term of the related agreement in relation to meeting contractual obligations and ensures that contract amounts are fully settled prior to delivery.

Credit risk arises from cash and cash equivalents, other deposits with bank and receivables, which constitute the Group's major financial assets, and which are subject to the expected credit loss model. The Group's significant exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
<i>Financial assets measured at amortised cost:</i>				
Trade and other receivables (Note 13)	2,981,942	3,415,255	1,596,101	5,364,700
Cash and cash equivalents (Note 14)	11,528,748	21,901,231	10,526,664	20,181,732
	14,510,690	25,316,486	12,122,765	25,546,432

The Group's exposures to credit risk are analysed in the statement of financial position and in the respective notes to the Financial Statements. The maximum exposure to credit risk at the end of the reporting period in respect of these financial assets is equivalent to their carrying amount. The Group does not hold any collateral as security in this respect except as outlined below.

2. Financial risk management - continued

2.1 Financial risk factors – continued

(b) Credit risk - continued

The Group's receivables mainly comprise receivables in respect of rental operations and the provision of HVAC related services. With respect to rental operations, the Group invoices its customers quarterly in advance and assesses the credit quality of its customers taking into account financial position, past experience and other factors. With respect to HVAC related services, customers are invoiced on a bi-monthly basis. The Group has policies in place to ensure that sales of services are effected to customers with an appropriate credit history. The Group monitors the performance of these assets on a regular basis. These receivables are principally in respect of transactions with entities for which there is no recent history of default. Management does not expect any material losses from non-performance by these debtors.

The expected loss rates are based on the payment profiles of sales over the historical period available to the Group. Management considers also any adjustment to the historical loss rates to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

During March 2020, the Company's leased retail units were closed for business in line with the directions given by the National Health Authorities. This unprecedented situation gave rise to a heightened level of economic disruption which had an impact on the tenants' business. Following new direction given by the same National Health Authorities, the outlets opened up for business again on 31 May 2020. With a view to alleviating business disruption experienced by the tenants, the Company has decided lease relief to tenants without modifying the lease agreements in place. To this effect, with respect to the period from 23 March to 31 May 2020, the Company has given concessions equivalent to 48% of the annual rental charge amounting to an aggregate of €0.6m in terms of rent abatement and discounts. During the year under review, management has actively reviewed its exposure to tenants and monitored the extent of past due debtors ensuring it was insignificant.

The closing credit loss allowances for trade and other receivables as at 31 December 2020 were €76,000 (2019: €76,000).

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

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

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

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables, borrowings and lease liabilities (refer to Notes 19, 20 and 21). One of the Group's principal liabilities consists of the liability towards the Government in respect of the temporary emphyteusis, which comprises cash payments and obligations through the performance of restoration and infrastructural works at Manoel Island and Tigné Point.

Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations. The Group's liquidity risk is managed actively by management. Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows from development and operation of the different phases of the project at Tigné Point and Manoel Island. This includes reviewing the matching or otherwise of expected cash inflows and outflows arising from expected maturities of financial instruments in relation to the distinct project phases, taking cognisance of the estimated impacts of the COVID-19 pandemic.

2. Financial risk management – continued

2.1 Financial risk factors – continued

(c) Liquidity risk - continued

During the current year, the Group has been reviewing its financing arrangements to ensure that it is in a position to meet its operational and cash flow commitments, also taking cognisance of the prevailing circumstances. Liquidity risk is not deemed significant in the opinion of the Directors, taking cognisance of the short-term funding arrangements together with the Group's long-term liquidity management programme.

The Group's trade and other payables (Note 19), other than the liability towards the Government and certain other payables, are principally repayable within one year from the end of the reporting period. Payments received on account under promise of sale agreements do not give rise to cash outflows but would be utilised upon delivery of the related apartments in the expected time bands as disclosed in the related note.

As disclosed in the Note 1.1, Assessment of going concern assumption, the Group is assessing a number of alternative financing options in respect of the development of the Manoel Island project. The Directors are still confident that, notwithstanding developments related to the COVID-19 pandemic, they will secure the required funding for the realisation of the project which in turn will have a positive material effect on the Group's cash flows and underlying value.

The table below analyses the Group's other principal financial liabilities into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. In relation to the amounts payable to Government, amounts which will be satisfied through the performance of restoration works on major historical sites and the construction of public infrastructure works have been included in the table below since cash outflows would occur in the performance of these obligations. These cash flows have been reflected in the bands below on the basis of the contractual terms of the arrangements (refer to Note 19).

2. Financial risk management – continued

2.1 Financial risk factors – continued

(c) *Liquidity risk* - continued

Group and Company	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2020					
Bank borrowings	10,123,808	-	-	-	10,123,808
4% Secured Euro Bonds 2026	2,000,000	2,000,000	4,000,000	53,139,726	61,139,726
Due to Government in relation to purchase of land	30,608,691	5,823,433	4,059,175	-	40,491,299
Lease liabilities	1,055,318	1,086,382	2,275,771	75,700,669	80,118,140
Other non-current liabilities	25,035	19,044	87,556	60,585	192,220
At 31 December 2019					
Bank borrowings	10,099,971	-	-	-	10,099,971
4% Secured Euro Bonds 2026	2,000,000	2,000,000	4,000,000	55,139,726	63,139,726
Due to Government in relation to purchase of land	30,608,691	5,823,433	11,646,867	-	48,078,991
Lease liabilities	1,026,489	1,055,318	2,206,235	76,856,588	81,144,630
Other non-current liabilities	22,126	24,814	111,618	40,250	198,808

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, issue new shares or sell assets to reduce debt. In view of the prevailing circumstances, the Company will not be paying any dividends subsequent to the end of the reporting period (refer to Notes 33 and 38).

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

2. Financial risk management – continued

2.2 Capital risk management - continued

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Total borrowings (Note 20)	59,486,601	59,394,654	59,486,601	59,394,654
Less:				
- cash and cash equivalents (Note 14)	(11,528,748)	(21,901,231)	(10,526,664)	(20,181,732)
- financial investments (Note 10)	(324,622)	(332,380)	(324,622)	(332,380)
Net debt	47,633,231	37,161,043	48,635,315	38,880,542
Total equity	101,842,250	103,965,733	69,689,726	73,529,240
Total capital	149,475,481	141,126,776	118,325,041	112,409,782
Gearing ratio	31.9%	26.3%	41.1%	34.6%

The Group manages the relationship between equity injections from shareholders and borrowings, being the constituent elements of capital, as reflected above with a view to managing the cost of capital. The Group maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements in relation to the different phases of the development project.

The Group's projected equity levels are being assessed in the context of the future project phases, focusing on the relationship between the amount of borrowings and shareholders' equity. As outlined previously, MIDI Group is reviewing its funding strategy in the context of the timing of the remaining phase of Tigné Point and the overall Manoel Island project to sustain its long-term prospects. In view of the Group's activities comprised within its liquidity and capital management programmes, the development stage of the distinct phases and the extent of projected borrowings or financing, the capital level as at the end of the financial reporting period is currently deemed adequate by the Directors. The Company has invested significant resources in order to establish a unique vision for Manoel Island project. The Company continues to assess proposals from interested third parties as it seeks to conclude the necessary funding required for this project. It is anticipated that the outcome of any transaction concluded will have a positive effect on the Group's total equity.

2.3 Fair values of financial instruments not measured at fair value

At 31 December 2020 and 2019 the carrying amounts of financial instruments, comprising cash at bank, receivables, payables, accrued expenses and short-term borrowings approximated their fair values in view of the nature of the instruments or their short-term maturity.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of the Group's bank borrowings (Note 20) as at the end of the reporting period is not materially different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'.

2. Financial risk management – continued

2.3 Fair values of financial instruments not measured at fair value - continued

The Directors have assessed the fair value of the amount due to Government in relation to purchase of land (see Note 19) by reference to the original discount rate applied upon completion of the deed (see Note 12) adjusted by changes recorded since then at end of the reporting period in the yields to maturity of long term Malta Government securities with tenor similar to the repayment terms of the liability towards the Government. On this basis, the fair value at 31 December 2020 of the amount due to Government with respect to the purchase of land amounted to €41 million (2019: €46 million). The current market interest rates utilised for fair value estimation are considered observable and accordingly these fair value estimates have been categorised as Level 2.

Information on the fair value of the bonds issued to the public is disclosed in Note 20 to the Financial Statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors the accounting estimates and judgements made in the course of preparing these Financial Statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

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

The outbreak of the COVID-19 pandemic has created pressure on the Group's earnings and on its tenants' business, which implicitly gives rise to a heightened level of estimation uncertainty with respect to key assumptions underlying the valuation of the Group investment property and the impairment assessment of inventories. In this regard, a higher level of judgement was required in the determination of the growth of projected earnings and applicable discount rate, given the current difficult economic conditions and the uncertainty around the shape of economic recovery.

4. Activities of the Group – segment information

The MIDI Consortium was granted a letter of intent by the Government of Malta in December 1992 for the development of the Manoel Island and Tigné Point project. Project negotiations were successfully concluded and a 99 year emphyteutical grant was entered into with Government on 15 June 2000. Works at Tigné Point commenced in 2000 and by the end of 2020, most of the Tigné Point phases have been completed.

On 16 April 2020 a full development permit was granted by the Planning Authority for the development of the final phase of the Tigné Point development. This includes the development of the Q3 residential block which will comprise 63 apartments and 4 levels of car parking and the embellishment of the Garden Battery and adjoining areas. This permit is currently under appeal.

With regards to Manoel Island, the Company has submitted on 18 February 2021, a revised Masterplan for the consideration of the Planning Authority (“PA”) and a fresh EIA to the Environmental and Resources Authority (“ERA”). Further information is disclosed in Note 1.1.1 to the financial statements in this respect.

During the financial year ended 31 December 2019, the Company delivered most of the remaining Q2 apartments to their respective owners by year end leaving a very limited number of apartments available for sale. The Group has two operating segments:

- development and sale of property, which comprises primarily the construction and sale of residential units within Tigné Point and Manoel Island Project; and
- property rental and management, which involves the leasing and management of retail space at Pjazza Tigné and the catering units situated at the Foreshore as well as car park operations. In addition, through one of the Group entities, SIS, services pertaining to HVAC and building technology service are offered and are included in this segment.

The Board of Directors assesses the performance of the segments on the basis of segment operating results, before financing costs and tax impact. The financial information for the reportable segments in relation to the years ended 31 December 2020 and 2019, before changes in fair value of investment property, is as follows:

	Development and sale of property		Property rental and management		Group	
	2020	2019	2020	2019	2020	2019
	€	€	€	€	€	€
Segment revenue	213,450	24,286,453	2,602,598	3,437,820	2,816,048	27,724,273
Segment results - operating profit before gains from changes in fair value of investment property	(2,484,141)	9,659,783	1,261,008	2,021,982	(1,223,133)	11,681,765

5. Property, plant and equipment

	Land and Buildings €	Plant and integral assets €	Office equipment, furniture and fittings €	Total €
Group				
At 1 January 2019				
Cost	1,376,582	7,863,264	2,014,882	11,254,728
Accumulated depreciation and impairment losses	(607,507)	(5,938,526)	(1,743,480)	(8,289,513)
Net book amount	769,075	1,924,738	271,402	2,965,215
Year ended 31 December 2019				
Opening net book amount	769,075	1,924,738	271,402	2,965,215
Additions	-	11,200	34,620	45,820
Depreciation charge	(8,878)	(197,678)	(185,527)	(392,083)
Closing net book amount	760,197	1,738,260	120,495	2,618,952
At 31 December 2019				
Cost	1,376,582	7,874,464	2,049,502	11,300,548
Accumulated depreciation and impairment losses	(616,385)	(6,136,204)	(1,929,007)	(8,681,596)
Net book amount	760,197	1,738,260	120,495	2,618,952
Year ended 31 December 2020				
Opening net book amount	760,197	1,738,260	120,495	2,618,952
Additions	-	52,025	19,810	71,835
Depreciation charge	(8,879)	(202,824)	(50,120)	(261,823)
Closing net book amount	751,318	1,587,461	90,185	2,428,964
At 31 December 2020				
Cost	1,376,582	7,926,489	2,069,312	11,372,383
Accumulated depreciation and impairment losses	(625,264)	(6,339,028)	(1,979,127)	(8,943,419)
Net book amount	751,318	1,587,461	90,185	2,428,964

Plant and integral assets represent the investment by Solutions & Infrastructure Services Limited, a subsidiary, in an HVAC plant. As at 31 December 2020, the value in use is estimated on the basis of average annual net operating cash inflows of €330,000 and a discount rate of 8%.

5. Property, plant and equipment - continued

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

	2020	2019
	€	€
Cost	1,376,582	1,376,582
Accumulated depreciation	(625,264)	(616,385)
Net book amount	751,318	760,197

The Directors have assessed the fair values of land and buildings at 31 December 2020 and 2019, which fair values were deemed to fairly approximate the carrying amounts. No adjustments to carrying amounts have been recognised in respect of the property since initial recognition, taking cognisance of the nature and existing use of the property.

Group borrowings are secured on the Group's property, plant and equipment (Note 20).

Company	Land and buildings €	Office equipment, furniture and fittings €	Total €
At 1 January 2019			
Cost	1,376,582	353,346	1,729,928
Accumulated depreciation	(607,507)	(350,844)	(958,351)
Net book amount	769,075	2,502	771,577
Year ended 31 December 2019			
Opening net book amount	769,075	2,502	771,577
Depreciation charge	(8,877)	(100)	(8,977)
Closing net book amount	760,198	2,402	762,600
At 31 December 2019			
Cost	1,376,582	353,346	1,729,928
Accumulated depreciation	(616,384)	(350,944)	(967,328)
Net book amount	760,198	2,402	762,600
Year ended 31 December 2020			
Opening net book amount	760,198	2,402	762,600
Depreciation charge	(8,880)	(101)	(8,981)
Closing net book amount	751,318	2,301	753,619
At 31 December 2020			
Cost	1,376,582	353,346	1,729,928
Accumulated depreciation	(625,264)	(351,045)	(976,309)
Net book amount	751,318	2,301	753,619

6. Right-of-use assets

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

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

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

6. Right-of-use assets - continued

	Investment property €	Inventories - Development Project €	Total €
Group and Company			
At 1 January 2019			
Impact of adoption of IFRS 16	1,245,056	12,038,275	13,283,331
Year ended 31 December 2019			
Opening carrying amount	1,245,056	12,038,275	13,283,331
Depreciation charge	-	(148,520)	(148,520)
Closing carrying amount	1,245,056	11,889,755	13,134,811
At 31 December 2019			
Cost	1,245,056	12,038,275	13,283,331
Accumulated depreciation	-	(148,520)	(148,520)
Carrying amount	1,245,056	11,889,755	13,134,811
Year ended 31 December 2020			
Opening carrying amount	1,245,056	11,889,755	13,134,811
Derecognition upon sale	-	(24,175)	(24,175)
Depreciation charge	-	(146,688)	(146,688)
Closing carrying amount	1,245,056	11,718,892	12,963,948
At 31 December 2020			
Cost	1,245,056	12,014,100	13,259,156
Accumulated depreciation	-	(295,208)	(295,208)
Carrying amount	1,245,056	11,718,892	12,963,948

Ground rent payable by the Group in respect of which right-of-use assets and lease liabilities have been recognised, cover land and property which is classified as Investment Property or Inventories – Development project. Since entering into the deed with the Government of Malta in 2000, the Group has capitalised the ground rent attributable to inventories within the carrying amount of these assets. Subsequent to the adoption of IFRS 16 – Leases, the Group reflects the depreciation charge on the right-of-use assets arising on property elements categorised as inventories and the finance costs on the related lease liabilities within the carrying amount of inventories through capitalisation of such amounts. As disclosed within Note 12, the depreciation charge on the right-of-use assets attributable to inventories, which is capitalised within inventories, amounted to €146,688 for the year ended 31 December 2020 (2019: €148,520) and the interest expense on the related lease liabilities, capitalised within inventories too, amounted to €931,291 (2019: €905,073).

The fair value of the right-of-use assets attributable to investment property as at 31 December 2020 is fairly close to the carrying amount of the assets.

6. Right-of-use assets - continued

There were no additions to the right-of-use assets during the financial year ended 31 December 2020.

Upon the sale of property elements within Inventories to third parties, in line with the respective deed of sale, the ground rent attributable to the respective portion of the sold property becomes the burden of the new owner. Consequently, this gives rise to the derecognition of the related portion of the right-of-use asset recognised by the Company in respect of Inventories – Development Project.

The total cash payments for leases in 2020 was €632,631 (2019: €654,496).

7. Investment property

	Group and Company	
	2020	2019
	€	€
Year ended 31 December		
Opening and closing carrying amounts	37,077,612	37,077,612
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At 31 December		
Cost	32,226,473	32,226,473
Fair value gains	4,851,139	4,851,139
<hr/>		
Carrying amount	37,077,612	37,077,612
<hr/>		

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

Fair valuation of property

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

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

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

All the recurring property fair value measurements at 31 December 2020 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2020.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above.

7. Investment property - continued

Fair valuation of property - continued

Valuation processes

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

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

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

Valuation techniques

The most recent external valuation commissioned by the was carried out on the basis of open market value of the respective properties, by Edgar Caruana Montaldo, an independent architect and civil engineer, with reference to the Valuation Standards for Accredited Valuers 2012 by Kamra tal-Periti. In view of a limited number of similar sales in the local market, the valuations have been performed using unobservable inputs.

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

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

The Company's internally developed valuation models, updated annually by management, reflect the same valuation techniques referred to above. As at 31 December 2020, the Group refreshed its internal valuation models. The outcome of this process was such that the Company reassessed the allocation of specific amounts to the different elements of the property portfolio reflecting in a more reliable manner the fair value of particular property elements, such as the public car park. The internal models at 31 December 2020 take cognisance of the developments in respect of other investment property elements that occurred during the current year, giving rise to the reassessment of the allocation referred to above. No adjustment to the overall carrying amount of the investment property portfolio was deemed necessary at the end of the reporting period.

7. Investment property – continued

Valuation techniques - continued

The information on the significant unobservable inputs (Level 3) utilised within the Company's internal valuation models as at 31 December 2020 is included below.

Description by class of property	Fair value as at 31 December 2020 €	Valuation technique	Significant unobservable input
Public car park	15,900,000	sales comparison approach	sales price per car space of €30,000
Property used for retail and other commercial business	16,000,000	discounted cash flows	aggregate average rental income of €1.1k, growth rate of 3% and discount rate of 7%
Other property	5,130,000	sales comparison approach	average sales price per square metre of €3,000

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

Group borrowings are secured on the Group's investment property (Note 20).

8. Investments in subsidiaries

	Company	
	2020 €	2019 €
Year ended 31 December		
Opening carrying amount	11,709,316	11,709,316
Transfer of investment in subsidiary to another subsidiary (see Note below)	4,658	-
Reclassification upon merger of entities referred to above	(4,658)	-
Closing carrying amount	11,790,316	11,709,316
At 31 December		
Opening and closing cost and carrying amounts	11,709,316	11,709,316

8. Investments in subsidiaries - continued

The subsidiaries at 31 December, whose results and financial position affected the figures of the Group, are shown below:

Group undertaking	Registered Office	Class of shares held	Percentage of shares held	
			2020	2019
Tigné Contracting Limited	North Shore Manoel Island, Gzira, Malta	Ordinary shares	99.9%	99.9%
T14 Investments Limited	North Shore Manoel Island Gzira, Malta	Ordinary shares	99.9%	99.9%
Solutions & Infrastructure Services Limited ("SIS")	North Shore Manoel Island Gzira, Malta	Ordinary shares	99.9%	99.9%
Tigné Point Marketing Limited	North Shore Manoel Island, Gzira, Malta	Ordinary shares	-	99%

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

By virtue of an agreement dated 17 December 2020, MIDI p.l.c. transferred the 9,900 shares it held in Tigné Point Marketing Limited of €2.329373 each to Tigné Contracting Limited for a consideration of €23,060. Subsequently, Tigné Point Marketing Limited and Tigné Contracting Limited amalgamated by a merger by acquisition in terms of the Companies Act. Further information is disclosed in Note 18 in this respect.

The impact of the merger on the Company's standalone financial information comprise the recognition of other reserve (refer to Note 18). This restructuring has no impact on the Company's consolidated financial information.

9. Investments in joint venture

	Group	
	2020	2019
	€	€
Year ended 31 December		
Opening carrying amount	29,843,398	29,592,618
Share of profit for the year	1,893,129	1,625,780
Dividends receivable	(1,833,500)	(1,375,000)
Closing carrying amount	29,903,027	29,843,398
At 31 December		
Cost	2,000,000	2,000,000
Share of profits and reserves	27,903,027	27,843,398
Carrying amount	29,903,027	29,843,398

The dividends declared by Mid Knight Holdings Limited are payable to T14 Investments Limited, a fully owned subsidiary of the Company.

The Group's shares in the joint venture represent:

Jointly-controlled entity	Registered office	Class of shares held	Percentage of shares held	
			2020	2019
Mid Knight Holdings Limited	North Shore Manoel Island Gzira, Malta	Ordinary Shares	50%	50%

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

During 2017, the Board of Mid Knight Holdings Limited commissioned an independent architect and civil engineer, Lawrence Montebello, to prepare an open market valuation of its main asset, 'The Centre', the office block which is fully tenanted by third parties.

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

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

9. Investments in joint venture - continued

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

Following the transaction noted above, the market value of 'The Centre' has been estimated at €97,744,184. No further adjustment to the carrying amount of the property as at 31 December 2020 was deemed necessary as taking cognisance of the 2019 transaction, the key assumptions underlying the valuation of the property as of the date of the most recent independent appraisal were deemed consistent with those applicable at 31 December 2020.

The share of results accounted for in the Company's consolidated financial statements on the basis of the equity method of accounting, represents the share of results of Mid Knight Holdings Limited. For 2020 this reflects the Group's share of profits of the joint venture, principally arising from its rental operations.

As at 31 December 2020, the Directors reviewed the estimated recoverable amount of the investment and no impairment indicators were identified.

Summarised financial information in respect of Mid Knight Holdings Limited is set out below:

	2020	2019
	€	€
Current assets	5,708,840	6,352,532
Non-current assets	100,653,805	100,655,334
Current liabilities	(11,208,607)	(10,681,717)
Non-current liabilities	(35,347,986)	(36,639,355)
Net assets	59,806,052	59,686,794
	Year ended	Year ended
	31 December	31 December
	2020	2019
	€	€
Total profit for the year	3,786,258	3,251,560

9. Investments in joint venture - continued

The Group's share of results of Mid Knight Holdings Limited for financial years ended 31 December 2020 and 31 December 2019 and its share of the assets and liabilities, based on the information available to the Company, are shown as follows:

	Assets €	Liabilities €	Revenues €	Profit €
Year ended 31 December 2019				
Mid Knight Holdings Limited	53,503,933	23,660,536	2,691,463	1,625,780
<hr/>				
	Assets €	Liabilities €	Revenues €	Profit €
Year ended 31 December 2020				
Mid Knight Holdings Limited	53,181,323	23,278,297	2,844,323	1,893,129
<hr/>				

10. Financial investments

	Group and Company	
	2020	2019
	€	€
Year ended 31 December		
Opening carrying amount	532,380	507,874
(Losses)/gains from changes in fair value	(7,758)	24,506
	<hr/>	
Closing carrying amount	524,622	532,380
<hr/>		
At 31 December		
Cost	432,040	432,040
Fair value gains (Note 17)	92,582	100,340
	<hr/>	
Carrying amount	524,622	532,380
<hr/>		

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

- a) Equity investments amounting to €200,000 (2019: €200,000) represent an interest in an unlisted local private company, Manoel Island Yacht Yard Limited. This equity investment is not held for trading and the Group has irrevocably elected at initial recognition to recognise such investment in the category of financial assets measured at fair value through other comprehensive income. The fair value of the equity investments is estimated by reference to the net asset backing of the investee. At the end of the reporting period, the cost of these investments approximates fair value and no movements have been reflected directly in equity in other comprehensive income.

10. Financial investments

- b) Debt securities have a cost amounting to €232,040 (2019: €232,040), and comprise Malta Government securities, which are listed on the Malta Stock Exchange, are subject to fixed rates of interest ranging from 4.5% to 5.20% and have maturity dates between 2028 and 2031. These investments have been classified at fair value through other comprehensive income, in view of the fact that the assets are held to collect contractual cash flows and to sell such assets. The fair value of the debt securities at the end of the reporting period, amounting to €324,622 (2019: €332,380), is based on the market value of the instruments as quoted on the Malta Stock Exchange. Accordingly the fair value of these financial assets, based on quoted prices in an active market, is categorised as Level 1 within the fair value measurement hierarchy required by IFRS 7.

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

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

11. Loans receivable from joint venture

	Group	
	2020	2019
	€	€
Year ended 31 December		
Opening carrying amount	-	9,701,000
Repayments	-	(9,701,000)
Closing carrying amount	-	-

Non-current advances at Group level as at 1 January 2019 comprised amounts receivable from the jointly-controlled entity. These consisted of an amount of €6,001,000 with an original maturity date in 2027 and an amount of €3,700,000 which had a planned maturity date in 2029. These loans were unsecured and were subject to a fixed interest rate of 5%. During October 2019, Mid Knight Holdings Limited has settled in full the loans due to the Group.

12. Inventories – Development project

The main object of the Group is the development of a large area of land at Manoel Island and Tigné Point, acquired from the Government of Malta for this purpose by virtue of a 99 year emphyteutical grant entered into on 15 June 2000. This development is intended in the main for resale purposes. Development works during the year ended 31 December 2020, reflected within the table below, were mainly focused on the Manoel Island phase of the project. In terms of the emphyteutical grant, the entire development shall be substantially completed by 31 March 2023.

During the year ended 31 December 2019, the Group completed and transferred to the purchasers, residential units constructed on Tigné Point. The cost allocated to these apartments was recognised within cost of sales in profit or loss. During the year ended 31 December 2020 no such residential units were transferred to purchasers. The Company has entered into promise of sale agreements on 2 apartments which apartments will be delivered to their respective owners during 2021.

The Company had announced on 18 June 2020 that the Environment & Planning Review Tribunal (“ERPT”) concluded that there was a breach in the Environment Impact Assessment (“EIA”) in respect of the revised Outline Development Permit for Manoel Island (PA9407/17). The ERPT determined that a fresh EIA was to be submitted by the Company to the Environmental and Resources Authority (“ERA”), in order for the PA to reconsider the application.

Over the past twenty-four months, additional site investigations have been carried out by the Company under the supervision of an independent archaeologist approved by the Superintendence of Cultural Heritage. These site investigations have revealed that a part of the site, previously earmarked for development, is of archaeological importance. Consequently, this necessitated a revised Masterplan which took into consideration these findings. The revised Masterplan envisages a reduction in development volumes from the previously approved 127,000sqm to 95,000sqm.

The Company announced on 18 February 2021 that it had submitted the revised Manoel Island Masterplan to the PA for its consideration together with a fresh EIA to ERA.

Further information is disclosed in Note 1.1.1 to the financial statements.

In addition to the Manoel Island project, the Company has also been working on its final development at Tigné Point known as the Q3 Residential Block. A full development permit was granted by the PA on 16 April 2020, but this permit is now subject to an appeal which was lodged by the Fort Cambridge Residents Association. Notwithstanding this, the Company is continuing with both the design and procurement processes of the development, in order to be in a position to commence works immediately, should the appeal be decided in the Company's favour.

The carrying amount of works on the project are also presented as inventories at Company level, notwithstanding the fact that certain expenditure was carried out by another group undertaking, to reflect the substance of the arrangement in place between MIDI p.l.c. and this other group undertaking.

12. Inventories – Development project – continued

Costs incurred on the project up to 31 December 2020 and 2019 comprised:

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Purchase cost of land (see note below):				
- At 1 January	19,619,171	20,451,104	19,619,171	20,451,104
- Transferred to cost of sales	-	(831,933)	-	(831,933)
- At 31 December	19,619,171	19,619,171	19,619,171	19,619,171
Cost of design works and other studies, demolition, excavation, construction and restoration works and other expenses incurred:				
- At 1 January	59,512,167	57,973,533	59,653,545	58,039,848
- Additions for the year	2,707,996	10,773,243	2,707,996	10,773,243
- Depreciation of right-of-use assets (Note 6)	146,688	148,520	146,688	148,520
- Transferred to cost of sales	(257,131)	(9,383,129)	(213,909)	(9,308,066)
- At 31 December	62,294,320	59,512,167	62,294,320	59,653,545
Borrowing costs attributable to the project:				
- At 1 January	46,291,776	45,202,260	46,291,776	45,202,260
- Imputed interest (see note below)	1,334,836	753,500	1,334,836	753,500
- Interest on lease liabilities (Note 21)	931,291	905,073	931,291	905,073
- Transferred to cost of sales	-	(569,057)	-	(569,057)
- At 31 December	48,557,903	46,291,776	48,557,903	46,291,776
	130,286,794	125,423,114	130,471,394	125,564,492

The contract of acquisition of the land provided for a premium of €92.17 million payable over an extended period of time, which was discounted to its present value amount of €42.62 million at date of purchase. The rate applied in discounting to present value the future outflows comprising the purchase consideration was 7.75% based upon the effective pre-tax return rate provided for in the deed of acquisition (refer to Note 19).

12. Inventories – Development project – continued

As explained in Note 6, ground rent payable by the Group in respect of which right-of-use assets and lease liabilities have been recognised, cover land and property which is classified as Investment Property or Inventories – Development project. Since entering into the deed with the Government of Malta in 2000, the Group has capitalised the ground rent attributable to inventories within the carrying amount of these assets. Subsequent to the adoption of IFRS 16 – Leases, the Group reflects the depreciation charge on the right-of-use assets arising on property elements categorised as inventories and the finance costs on the related lease liabilities within the carrying amount of inventories through capitalisation of such amounts. The depreciation charge on the right-of-use assets attributable to inventories, which is capitalised within inventories, amounted to €146,688 for the year ended 31 December 2020 (2019: €148,520) and the interest expense on the related lease liabilities, capitalised within inventories too, amounted to €931,291 (2019: €905,073).

Had IFRS16 not been adopted, during the year ended 31 December 2020 lease payments amounting to €570,591 (2019: €592,456) would have been capitalised within inventories, in respect of ground rent payable attributable to inventories.

13. Trade and other receivables

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Current				
Receivables in respect of rental operations	232,804	585,423	232,804	585,423
Amounts owed by subsidiaries	-	-	656,701	4,133,377
Amounts owed by joint venture	1,445,014	1,439,633	27,843	2,479
Amounts owed by other related parties	67,224	38,856	67,076	36,717
Amounts owed by contractors	383,513	950,512	160,251	346,328
Indirect taxation	220,538	-	-	-
Prepayments and other receivables	432,657	402,100	681,311	696,589
	2,781,750	3,416,524	1,825,986	5,800,913

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

Receivables in respect of rental operations include an amount of €21,950 (2019: €60,313) which is due from related parties.

14. Cash and cash equivalents

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Cash at bank and in hand	11,528,748	21,901,231	10,526,664	20,181,732
Cash and cash equivalents held under trust arrangement earmarked for repayment of the matured bonds	(120,721)	(137,719)	(120,721)	(137,719)
Cash and cash equivalents	11,408,027	21,763,512	10,405,943	20,044,013

As disclosed above, cash and cash equivalents for the purpose of the statements of cash flows, exclude the cash reserve held under trust arrangement earmarked for the repayment of the matured bonds. The balance represents funds earmarked for the eventual repayment of the 7% EURO bonds 2016-2019 and 7% GBP bonds 2016-2019 which were redeemed by the Company on 15 December 2016 but to date remain unpaid to the bondholders or their heirs due to *causa mortis* and court orders.

15. Share capital

	Company	
	2020	2019
	€	€
Authorised		
450,000,000 Ordinary shares of €0.20 each	90,000,000	90,000,000
Issued and fully paid		
214,159,922 Ordinary shares of €0.20 each	42,831,984	42,831,984

On 1 November 2010 an offer of shares having a nominal value of €0.20 each and offered at an Issue Price of €0.45 each was made to the public pursuant to the Prospectus dated 1 November 2010.

As at the closing of this offer on 2 December 2010 the Company issued and allotted 67,369,922 ordinary shares with a nominal value of €0.20 each, fully paid up.

The share premium attributable to these Issued shares, reflecting the difference of €0.25 between the Issue Price and the nominal value, amounting to €16,842,481, is presented separately in the statement of financial position.

Share issue costs, amounting to €963,697, have been deducted from the share premium.

16. Property revaluation reserve

	Group	
	2020	2019
	€	€
Revaluation of land and buildings		
At 1 January and at 31 December	1,211,132	1,211,132

The property revaluation reserve, which arose on property elements previously classified as property, plant and equipment, is non-distributable.

17. Investment fair value reserve

	Group and Company	
	2020	2019
	€	€
At 1 January	100,340	75,834
(Losses)/gains from changes in fair value of financial investments	(7,758)	24,506
At 31 December	92,582	100,340

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

The reserve is non-distributable.

18. Other reserve

By virtue of an agreement dated 17 December 2020, MIDI p.l.c. transferred the 9,900 shares it held in its subsidiary Tigné Point Marketing Limited of €2.329373 each to Tigné Contracting Limited, another subsidiary, for a consideration of €23,060. Pursuant to the said transfer of shares, the entirety of the issued share capital of Tigné Point Marketing Limited was held by Tigné Contracting Limited. MIDI p.l.c. holds 99.99% of the issued share capital in Tigné Contracting Limited. Subsequently, Tigné Point Marketing Limited and Tigné Contracting Limited have been amalgamated by a merger by acquisition in terms of the Companies Act (Cap. 386 of the Laws of Malta). Upon the merger by acquisition taking effect, Tigné Contracting Limited as the acquiring company succeeded to all the assets, right, liabilities and obligations of Tigné Point Marketing Limited which in turn ceased to exist.

The consideration receivable by the Company from Tigné Contracting Limited has been recognised directly in equity as 'Other reserve' upon the merger of the two entities.

19. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Current				
Payments received on account	1,570,500	9,000	1,570,500	9,000
Due to Government in relation to purchase of land (Note 12)	30,608,691	30,608,691	30,608,691	30,608,691
Amounts owed to subsidiaries	-	-	12,451,234	15,271,961
Amounts owed to joint venture	11,377	-	11,377	-
Amounts owed to other related parties	380,024	335,044	3,649	13,456
Indirect taxation	188,876	781,449	170,622	238,385
Other payables	1,316,388	1,928,185	841,348	939,701
Accruals and deferred income	4,629,994	5,793,758	3,558,649	3,697,387
	38,705,850	39,456,127	49,216,070	50,778,581
			Group and Company	
			2020	2019
			€	€
Non-current				
Due to Government in relation to purchase of land (Note 12)			9,882,608	14,371,205
Other payables			209,334	207,760
			10,091,942	14,578,965

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

Payments received on account represent deposits and amounts received from prospective purchasers on account of the purchase price of residential property pursuant to the signing of a promise of sale agreement, together with other intermediate payments pending the completion of the residential property and ensuing signing of the final deed of sale pertaining thereto. The Company offers prospective purchasers (or their bankers) a special hypothec on the relative residential property (with a carrying amount of €1,570,500 (2019: €9,000) covering the equivalent amount of payments received on account) as security for any part out of such payments received on account, which are deemed to be refundable in terms of the relative promise of sale agreement. The Company's bankers have undertaken to postpone their hypothecary and privileged rights in favour of the aforementioned security provided to prospective purchasers (or their bankers).

The current portion of the amounts due to Government in relation to the purchase of land was determined on the basis of the contracted terms of emphyteutical grant entered into on 15 June 2000. This portion is contractually deemed as current on the basis of the arrangement, but only an outflow of €5,823,433 is expected during the financial year ending 31 December 2021 (2020: €5,823,433) in line with the contracted repayment schedule.

The amount due to Government in relation to the purchase of land includes:

- (a) an amount, originally contracted at €11.65 million, which is being satisfied through the performance of restoration works on major historical sites forming part of the project;
- (b) an amount, originally contracted at €20.96 million, which is being satisfied through the construction of all the public infrastructure works required at Manoel Island and Tigné Point;
- (c) the balance which is being settled in cash.

19. Trade and other payables - continued

Various costs incurred in respect of (a) and (b) above up to 31 December 2020 are included in Inventories – Development project and the amounts referred to will be deducted from the amount due to Government when the completion stages stipulated in the relative lease agreement are attained. The Company has also carried out substantial works pertaining to (a) and (b) and which have already been deducted from amounts due to Government.

The amounts due to Government with respect to the acquisition of land are secured by a first ranking special privilege on the emphyteutical concession at Tigné Point and Manoel Island, and a general hypothec over the Company's property (see also Note 20).

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

	2020 €	2019 €
Between 1 and 2 years	5,823,433	5,823,433
Between 2 and 5 years	5,823,433	11,646,867
	11,646,866	17,470,300
Less: imputed interest component	(1,764,258)	(3,099,095)
	9,882,608	14,371,205

Non-current other payables at 31 December mainly represent deposits effected under operating lease arrangements by a number of tenants. These amounts are refundable at the end of the lease term and are subject to interest at 3% per annum. Amounts owed to related parties in this respect are disclosed in Note 37.

20. Borrowings

	Group and Company	
	2020 €	2019 €
Current		
Bank loans	9,999,971	9,999,971
Non-current		
500,000 4% Secured Euro Bonds 2026	49,486,630	49,394,683
Total borrowings	59,486,601	59,394,654

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

The quoted market price for the 4% Secured Euro Bonds 2026 as at 31 December 2020 was €102.50 (31 December 2019: €102.50).

20. Borrowings - continued

The bonds are measured at the amount of net proceeds adjusted for the amortisation of directly attributable and incremental transaction costs, consisting of bond issue costs incurred in the preparation and implementation of the bond issue, using the effective interest method as follows:

	Group and Company	
	2020	2019
	€	€
Face value of bonds		
500,000 4% Secured Euro Bonds 2026	50,000,000	50,000,000
Gross amount of bond issue costs	(1,709,201)	(1,709,201)
Amortisation up to end of year (refer to table below)	1,195,831	1,103,884
Unamortised bond issue costs	(513,370)	(605,317)
Amortised cost and closing carrying amount of bonds	49,486,630	49,394,683

	Group and Company	
	2020	2019
	€	€
Accumulated amortisation of bond issue cost:		
At beginning of year	1,103,884	1,011,937
Amortisation charge for the year	91,947	91,947
At end of year	1,195,831	1,103,884

Company bank borrowings as at 31 December 2020 for an amount of €9,999,971 (2019: €9,999,971) are secured by a general hypothec over the Company's assets and by a special hypothec over portions of land at Manoel Island. These general and special hypothecs rank after prior charges in favour of Government.

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

	Group and Company	
	2020	2019
Bank loans	1.2%	2.8%

20. Borrowings - continued

Maturity of total borrowings as at 31 December:

	Group and Company	
	2020	2019
	€	€
Within one year	9,999,971	9,999,971
Over five years	49,486,630	49,394,683
	59,486,601	59,394,654

21. Lease liabilities

The lease liabilities associated with the recognised right-of-use assets are analysed below:

	Group and Company	
	2020	2019
	€	€
Lease liabilities		
Current	632,631	654,496
Non-current	13,383,383	12,989,743
	14,016,014	13,644,239

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

	Investment property €	Inventories – Development project €	Total €
Group and Company			
At 1 January 2019	1,260,609	12,038,275	13,298,884
Payments effected	(62,040)	(592,456)	(654,496)
Interest charge	94,777	905,074	999,851
At 31 December 2019	1,293,346	12,350,893	13,644,239
At 1 January 2020	1,293,346	12,350,893	13,644,239
Derecognition upon sale (Note 6)	-	(24,175)	(24,175)
Payments effected	(62,040)	(570,591)	(632,631)
Interest charge	97,290	931,291	1,028,581
At 31 December 2020	1,328,596	12,687,418	14,016,014

21. Lease liabilities - continued

The Income statements reflect the following amounts relating to leases:

	Group and Company	
	2020	2019
	€	€
Interest expense included in finance costs - Investment property (Note 28)	97,290	94,777

Ground rent payable by the Group in respect of which right-of-use assets and lease liabilities have been recognised, cover land and property which is classified as Investment Property or Inventories – Development project. Since entering into the deed with the Government of Malta in 2000, the Group has capitalised the ground rent attributable to inventories within the carrying amount of these assets. Subsequent to the adoption of IFRS 16 – Leases, the Group reflects the depreciation charge on the right-of-use assets arising on property elements categorised as inventories and the finance costs on the related lease liabilities within the carrying amount of inventories through capitalisation of such amounts. As disclosed within Note 12, the depreciation charge on the right-of-use assets attributable to inventories, which is capitalised within inventories, amounted to €146,688 for the year ended 31 December 2020 (2019: €148,520) and the interest expense on the related lease liabilities, capitalised within inventories too, amounted to €931,291 (2019: €905,073).

Had IFRS16 not been adopted, during the year ended 31 December 2020 lease payments amounting to €570,591 (2019: €592,456) would have been capitalised within inventories, in respect of ground rent payable attributable to inventories.

The total cash payments for ground rent on all land portions in 2020 was €632,631 (2019: €654,496).

22. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2019: 35%), with the exception of deferred taxation on fair value gains attributable to investment property, which are computed utilising a tax rate of 10% (2019: 10%) on the basis applicable to property disposals. The movement on the deferred income tax account is analysed as follows:

	Group and Company	
	2020	2019
	€	€
At beginning of year	2,899,767	2,233,173
(Credited)/charged to profit or loss (Note 31):		
- depreciation on property, plant and equipment	(2,424)	385
- unutilised tax losses	517,055	666,209
At end of year	3,414,398	2,899,767

22. Deferred taxation – continued

The balances at 31 December arose from:

- temporary differences arising between the tax base and carrying amount of property, plant and equipment attributable to depreciation;
- fair value gains arising on investment property; and
- unutilised tax losses (unutilised tax losses have no expiry date).

	Group and Company	
	2020	2019
	€	€
Deferred tax balances attributable to:		
- temporary differences arising on property, plant and equipment	(2,848)	(424)
- unutilised tax losses	(89,472)	(606,527)
- fair valuation of property	3,506,718	3,506,718
Net amount	3,414,398	2,899,767

Movements in deferred tax attributable to temporary differences arising on property, plant and equipment and unutilised tax losses are recognised in profit or loss.

Presented in statement of financial position as:

	Company	
	2020	2019
	€	€
Deferred tax assets	(92,320)	(606,951)
Deferred tax liabilities	3,506,718	3,506,718
	3,414,398	2,899,767

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period.

23. Revenue

The Group's 2020 revenue principally includes income from property rental and management of certain areas within the project (Note 4).

On 23 March 2020, in view of the COVID-19 pandemic, non-essential services were closed for business and the related operations were principally suspended, in line with the directions given by the National Health Authorities. This unprecedented situation gave rise to a heightened level of economic disruption which had an impact on the business of the Group's tenants. Following new direction given by the same National Health Authorities the tenants opened up for business again on 31 May 2020. With a view to alleviating the business disruption experienced by the tenants, the Group has decided to grant lease relief to tenants, without modifying the lease agreements in place which amounted to €566,292, during the current year.

23. Revenue - continued

The concessions described above are deemed to be equivalent to partial waiver of lease payments emanating from the current terms and conditions within the lease agreements, taking into account the substance implied in the content of specific clauses within the agreements in place. These concessions do not constitute a modification of the same lease agreements. The term of the respective leases remained unchanged and similarly the scope of the lease was not modified. The amounts of the concessions have been treated as negative variable lease payments. Consequently, the waived lease income arising from the relief given to tenants has been recognised as a deduction in revenue during the financial period in which the condition that triggered the reduced payments occurred.

24. Expenses by nature

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Cost of sales transferred from				
Inventories – Development project and related items	257,131	10,951,595	213,909	10,876,532
Commissions payable	-	807,253	-	807,253
Depreciation of property, plant and equipment (Note 5)	261,823	392,083	8,981	8,977
Employee benefit expense (Note 25)	1,245,152	1,222,219	989,347	935,896
Operating lease rentals payable:				
- vehicles	23,713	32,228	16,282	26,476
Directors' emoluments (Note 26)	69,577	74,023	69,577	74,023
Other expenses	2,241,794	2,696,728	1,892,123	2,170,053
Total cost of sales and administrative expenses	4,099,190	16,176,129	3,190,219	14,899,210

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2020 and 2019 relate to the following:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Annual statutory audit	62,100	62,100	41,600	41,600
Tax advisory and compliance services	7,675	10,500	6,690	9,500
Other assurance services	15,500	-	15,500	-
	85,275	72,600	63,790	51,100

25. Employee benefit expense

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Wages and salaries	1,733,610	1,710,599	1,590,559	1,552,463
Social security costs	84,467	74,206	72,763	64,187
	1,818,077	1,784,805	1,663,322	1,616,650
Amounts reflected in Inventories -				
Development project	507,845	480,961	507,845	480,961
Amounts recharged to subsidiaries	-	-	101,050	118,168
Amounts expensed in profit or loss	1,245,152	1,222,219	989,347	935,896
Amounts incurred on behalf of third parties	35,846	37,792	35,846	37,792
Amounts recharged to joint venture	29,234	43,833	29,234	43,833
	1,818,077	1,784,805	1,663,322	1,616,650

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

	Group		Company	
	2020	2019	2020	2019
Technical and administration	36	37	31	32

Group wages and salaries within the table above are presented net of grants received from the Government of Malta under the COVID-19 wage supplement scheme amounting to €4,483. Grants related to income are presented as a deduction in reporting the related expense which the grant is intended to compensate for.

26. Directors' emoluments

	Group and Company	
	2020	2019
	€	€
Directors' fees	69,577	74,023

27. Finance income

	Group and Company	
	2020	2019
	€	€
Interest income from:		
- bank deposits	14,552	14,990
- debt securities as investments	10,978	11,008
- amounts owed from joint venture	-	401,330
	25,530	427,328

28. Finance costs

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Interest and related expense recognised in profit or loss on:				
- Bank loans and overdrafts	123,836	281,553	123,836	281,553
- Bonds issued to the general public				
- coupon interest payable	2,001,822	1,997,932	2,001,822	1,997,932
- amortisation of difference between net proceeds and redemption value	91,947	91,947	91,947	91,947
- Interest on lease liabilities	97,290	94,777	97,290	94,777
- Bank and other charges	21,463	34,988	19,613	32,936
	2,336,358	2,501,197	2,334,508	2,499,145

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

29. Other operating income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Rental and other income	30,500	28,339	30,500	28,339
Management fees receivable	1,997	4,936	1,997	4,936
Other income	27,512	100,346	24,138	45,211
	60,009	133,621	56,635	78,486

30. Other income

Other income represents a dividend of €50,000 (2019: nil) received from Manoel Island Yacht Yard Limited.

31. Tax expense

	Group 2020 €	2019 €	Company 2020 €	2019 €
Current taxation:				
Current tax expense	10,262	2,352,702	14,503	2,352,702
Deferred taxation (Note 22):				
Current year charge	514,631	666,594	514,631	666,594
Tax expense	524,893	3,019,296	529,134	3,019,296

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

	Group 2020 €	2019 €	Company 2020 €	2019 €
(Loss)/profit before taxation	(1,590,832)	11,233,676	(3,325,682)	9,967,464
Tax at 35%	(556,791)	3,931,787	(1,163,989)	3,488,612
Tax effect of:				
- maintenance allowance claimed on rented property	(33,900)	(62,901)	(33,900)	(62,901)
- expenses and cost of property not deductible for tax purposes	1,868,122	5,982,863	1,812,724	5,857,015
- application of tax rates to property disposals	(69,140)	(6,156,863)	(69,140)	(6,156,863)
- other differences	(20,803)	(106,567)	(16,561)	(106,567)
- share of profit of joint venture	(662,595)	(569,023)	-	-
Tax expense in accounts	524,893	3,019,296	529,134	3,019,296

32. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares of MIDI p.l.c. in issue during the year.

	Group 2020 €	2019 €
(Loss)/profit attributable to equity holders of the Company	(2,115,725)	8,214,380
Weighted average number of ordinary shares in issue	214,159,922	214,159,922
Earnings per share	(0.010)	0.038

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

33. Dividends

	Company	
	2020	2019
	€	€
Net dividends paid on ordinary shares	-	1,713,279
Dividends per share	-	0.008

The Board of Directors is not recommending a dividend payment in respect of the year ended 31 December 2020, consistent with the position adopted by the Company in 2019, in view of the events and circumstances brought about by the COVID-19 pandemic and with an aim to preserve the Group's cash resources taking into account projected liquidity demands over the coming months. A net dividend of €0.008 per share, amounting in total to €1,713,279 was paid during 2019 in respect of the financial year ended 31 December 2018.

34. Cash (used in)/generated from operations

Reconciliation of operating (loss)/profit to cash (used in)/generated from operations:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Operating (loss)/profit	(1,223,133)	11,681,765	(1,066,704)	12,039,281
Adjustments for:				
Depreciation of property, plant and equipment (Note 5)	261,823	392,083	8,981	8,977
Changes in working capital:				
Trade and other receivables	634,773	332,438	3,997,987	725,076
Trade and other payables	(5,307,426)	(6,306,274)	(6,049,534)	1,854,090
Inventories - development project	(3,785,701)	(647,847)	(3,828,923)	(722,911)
Cash (used in)/generated from operations	(9,419,664)	5,452,165	(6,938,193)	13,904,513

35. Commitments

In addition to settling the liabilities associated with the purchase price of the land, the emphyteutical grant entered into with the Government provides for a series of development obligations relating to the contents of the project and the timescales over which it should be completed. As a result of these obligations, it is expected that total development investment in excess of circa €75 million will be made subsequent to the end of the financial year under review.

As at 31 December 2020, the Group had outstanding contractual commitments for project development works for the approximate amount of €2.3 million (2019: €3.2 million), which includes the amounts disclosed in Note 37. The emphyteutical grant specifies a maximum overall period of 25 years, commencing in the year 2000, for completion of the project.

The Group is also committed to effect payments for ground rent which will be effectively recovered from the property purchasers or tenants.

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

The future minimum lease payments receivable under non-cancellable operating leases, which are primarily entered into by the Company in relation to rental operations within the project, are as follows:

	Group and Company	
	2020	2019
	€	€
Not later than 1 year	1,291,042	1,235,057
Later than 1 year and not later than 5 years	2,384,940	2,585,071
Over 5 years	1,175,394	1,003,873
	4,851,376	4,824,001

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

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

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Not later than 1 year	58,398	63,669	20,020	26,308
Later than 1 year and not later than 5 years	52,651	111,050	3,303	23,323
	111,049	174,719	23,323	49,631

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

36. Contingencies

- (a) In terms of the Emphyteutical Deed, the Company is responsible for the construction and installation of the public infrastructure including drainage, water, electricity and telecommunications distribution systems, which on completion of each phase shall pass on to Government. The Company maintains that the circumstances from when the Emphyteutical Deed was entered into have now changed whereby state monopoly over telecommunication infrastructure has been removed and that accordingly telecommunication infrastructure should not revert back to Government upon completion of each phase. The Directors do not believe that this matter has any significant financial impact on the Group.
- (b) Tigné Contracting Limited (a fully owned subsidiary of the Company) and a contractor have jointly agreed to enter into an arbitration process regarding works carried out by the contractor. An arbitration award was delivered whereby the main counter-claim of Tigné Contracting Limited was accepted and an amount of €610,889 awarded, whilst the rest of the counter-claim was refused. The claim of the contractor was also partially accepted for an amount of €917,305. An appeal has been entered both by the contractor and also by Tigné Contracting Limited. The Directors do not believe that this matter has any significant financial impact on the Group.
- (c) The Company has received claims from property buyers mainly relating to damages allegedly incurred by them due to latent defects in their apartments and other differences. To date some of the pending claims were pursued in court; however, the amount of the claims, where quantified, were not deemed material by the Company's Directors.
- (d) A court case involving Tigné Point South Residents Association ("TSRA") and in connection with the Company's stores contributions payable towards garage complex common areas upkeep was decided unfavourably for MIDI. The court ruled that MIDI was to pay its share of contributions to common areas, amounting to €230,000. The Company has lodged an appeal on the basis that the First Court has failed to endorse the applicable law and has ignored the contractual mechanism set out in deeds of sale which acquits storage room owners from contributing towards the cost for the upkeep of the garage complex common areas. The Company brought forward ample evidence showing that it has never made use and is not currently making any tangible use of the stores in question, and accordingly there is no real damage being produced to TSRA by wear and tear or inconvenience caused. Should the Court of Appeal deem that some compensation is due, the Company expects that the method to assess any indemnity due should result in a compensation proportionate to the damage which may be caused in line with current provisions of law. The Company believes the outcome of this process will ultimately be immaterial to the financial statements.
- (e) The Company has come into an agreement with Tigné Point South Residents Association on several claims made by the association and has agreed to undertake the necessary investigations and works to resolve water ingress issues that persist in the areas managed by this association. It is currently premature to define the scope and estimated costs of these works but in the opinion of the Directors these will not be significant.
- (f) At 31 December 2020, the Group has contingent liabilities amounting to €350,000 (2019: €350,000) and €72,500 (2019: nil) in respect of guarantees issued by the bank in the ordinary course of business in favour of the PA and The ERA, respectively.
- (g) At 31 December 2020, the Company has contingent liabilities in respect of guarantees given to the bank to secure the banking facilities of a related party for the amount of €522,500 (2019: €522,500).

37. Related party transactions

All companies forming part of the respective groups of companies of which Alf. Mizzi & Sons Limited, Gasan Enterprises Limited, MAPFRE MSV Life p.l.c., Polidano Brothers Limited, Vassallo Builders Group Limited and Lombard Bank Malta p.l.c. form part, are considered by the Directors to be related parties together with First Gemini p.l.c. and Mr. Mark Andrew Weingard, by virtue of the shareholding that the companies and persons referred to have in MIDI p.l.c.. All entities owned, controlled or significantly influenced by the Company's ultimate shareholders, together with the Company's Directors, close members of their families and all entities owned, controlled or significantly influenced by these individuals, are the principal related parties of the Group.

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

The following transactions were carried out with related parties:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
<i>i) Sale of goods and services</i>				
Sale of services to subsidiaries	-	-	102,766	28,243
Sale of services to other related parties	345,686	467,008	125,462	245,124
<hr/>				
<i>ii) Purchase of goods and services</i>				
Purchase of services from subsidiaries	-	-	260,334	7,284,731
Purchase of services from other related parties	629,835	560,671	48,546	52,853
<hr/>				

At the end of the reporting period, the Group had outstanding contractual commitments with related parties for project development for the amount of €1,407,998 (2019: €1,937,998).

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
<i>iii) Rental income</i>				
Revenue earned during the current financial year from subsidiaries	-	-	60,316	71,824
Revenue earned during the current financial year from other related parties	36,658	144,355	36,658	144,355
Balances as at 31 December included within other non-current liabilities (Note 19)	35,000	35,000	35,000	35,000
<hr/>				
<i>iv) Bank loans from shareholders</i>				
Balances at 31 December	9,999,971	9,999,971	9,999,971	9,999,971
Net interest charged during the year	123,836	281,553	123,836	281,553
<hr/>				

37. Related party transactions - continued

As at 31 December 2020, the Group and Company had banking facilities for the amount of €9,999,971 (2019: € 9,999,971) sanctioned by related parties (terms and conditions are reflected in Note 20).

	Group and Company	
	2020	2019
	€	€
<i>v) Bank deposits with shareholders</i>		
Balances at 31 December	7,387,419	13,197,918
Interest income earned	14,355	14,803

Movements in the assets referred to above are analysed in the statements of cash flows.

	Group and Company		Group and Company	
	Face value of bonds held		Interest payable	
	at 31 December		during the year	
	2020	2019	2020	2019
	€	€	€	€
<i>vi) Bonds held by related parties</i>				
Held by related parties in own name	261,500	261,500	10,460	10,460

The Directors are the Group's key management personnel and transactions with these related parties consist solely of Directors' remuneration as disclosed in Note 26.

Wages and salaries recharged to subsidiaries are disclosed in Note 25.

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

Balances outstanding as at the year end with respect to group subsidiaries and other related parties are disclosed in Notes 13 and 19 to the Financial Statements. Interest receivable and payable in this respect are also disclosed in Notes 27 and 28 respectively.

The Group also enters into other transactions with other related parties, such as the placement of insurance risks, but the related transaction amounts are not considered to have a material impact on the financial results and financial position of the Group.

38. Events subsequent to the end of the reporting period

On 11 March 2021, in view of the new directives issued by the National Health Authorities for non-essential retail operations to contain the spread of the COVID-19 pandemic, the Group's leased retail units were again closed for business. Management anticipates that business will be resuming on 26 of April, in line with the recent announcements.

As described in Note 1.1, the Group's senior management team has continued to update its financial projections for the year ending 31 December 2021. These projections comprise historical financial information up to the date of authorisation for issue of these financial statements and forecast financial information for the residual period, incorporating the estimated impact of the pandemic on the projected financial results, cash flows and financial position of the Group. Under these cash flow projections prepared utilising prudent assumptions, which consider the rent concessions planned for 2021 and the financing arrangements the Company has secured, the Group is expected to continue having sufficient liquidity and financial resources to meet its obligations and expected cash outflows. Moreover, the Directors consider that the developments in 2021 do not have any material impact on the fair valuation of the Group's investment property or on the net realisable value of the inventories of the Group.

39. Statutory information

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