

Mediterranean Investments Holding p.l.c.
Report and Consolidated Financial Statements
Year ended 31 December 2008

Company Registration Number: C 37513

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal activities

The company ("MIH") that was incorporated as a private limited liability company on 12 December 2005 as Mediterranean Investments Holding Limited was, on 6 November 2007, converted into a public limited liability company with the name of Mediterranean Investments Holding p.l.c. The principal activity of the group is to directly or indirectly acquire and develop real estate opportunities in Libya and invest in any related trade or business venture.

Review of the business

In 2008, Mediterranean Investments Holding p.l.c. ("MIH") continued to provide substantial support to the Palm City Residences development – its first major real estate investment in Libya. Significant progress was registered on this development and in consideration of the acceleration of the momentum of works MIH extended further financial support to its subsidiary by € 11.4 million during the year under review.

2008 was characterised by a significant increase in interest from prospective tenants of the Palm City Residences. The first tenancy agreements were signed and negotiations are at an advanced stage with numerous blue chip companies operating in Libya.

MIH continued to strengthen its core capabilities in acquiring, developing and operating mixed use developments. The momentum and expertise gained will lead MIH to take on larger and more ambitious projects that will enable it to grow its business at a faster pace in the foreseeable future.

In July 2008, MIH successfully issued a € 15 million bond paying interest at 7.5% and repayable in full by 4 August 2015. MIH exercised its right to increase the offering to € 20 million since it was over-subscribed on its first day of issue. The funds raised through this bond issue will be utilised to meet the group's acquisition and development strategy.

Agility (Libya) Limited, a company in which MIH owns a 10% shareholding, is now at an advanced stage of its registration process. MIH also increased its financial support to Agility by providing it with a € 200,000 shareholder's loan. Agility's market offering is finding considerable support amongst potential clients in Libya. These include international oil and gas companies - infrastructure, power generation, road transport and warehousing to mention a few.

MIH's investment in QP-qpm-projacs Limited has not generated any revenue during 2008 as the joint venture has been going through a restructuring of its executives and business strategy in Libya. The board of directors of MIH is currently reviewing the future strategy of its investment in QP.

As a direct consequence of the increase in funds lent to its subsidiary and an increase in bank deposits during 2008, the company's earned interest of € 1.6 million is significantly higher than the € 0.5 million earned in 2007.

The interest payable by the company in 2008 of € 1.8 million (2007 – € 0.1 million) represents a full year's interest on the € 15 million bond (issued in 2007) and five month's interest incurred on the second bond issue of € 20 million.

As a result of the current global economic downturn, financial markets have recorded a sharp decrease in interest rates in the fourth quarter of the year under review. MIH group recorded a loss of € 738,858 in 2008 (2007- profit of € 173,563), since the funds collected from the second bond issue, and which were not yet applied to their intended use, were held in fixed term deposits earning lower interest rates than the interest rate payable on the second bond issue.

Directors

The following have served as directors of the company during the year under review:

Mr Alfred Pisani (Chairman)
Mr Khalil E. A. M. Alabdullah (Vice-Chairman)
Mr Mustafa T. Mohamed Khattabi (resigned on 14 January 2008 and reappointed 11 July 2008)
Mr Musaed Al Saleh
Mr Joseph Fenech
Mr Yousef Abdelmaula (appointed on 14 January 2008 and resigned 11 July 2008)
Mr Jamil S. Alessa (resigned 11 July 2008)
Mr Reuben Xuereb (appointed 11 July 2008)

In accordance with the company's Articles of Association, the present directors remain in office.

Statement of directors' responsibilities

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

- adopt the going concern basis unless it is inappropriate to presume that the group and company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, 1995. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

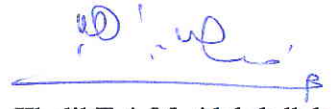
Auditors

The auditors Grant Thornton have intimated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting

By order of the board



Alfred Pisani
Chairman



Khalil E.A.M. Alabdullah
Vice-Chairman

Registered office:
22, Europa Centre,
Floriana FRN 1400,
Malta

9 March 2009

Directors' statement of compliance with the Code of Principles Of Good Governance

Introduction

Under the Listing Rules issued by the Malta Financial Services Authority listed companies should endeavour to adopt the Code of Principles of Good Corporate Governance, "the principles".

Even though these principles are not mandatory the directors believe that such practices are in the best interest of the company. Consequently the board has decided to implement and adapt those principles that are appropriate to the company's circumstances after taking cognisance of the company's function and the scale of its operations.

The company presently acts as an investment and finance company for its subsidiary, Palm City Ltd, and associate companies, QP qpm-projacs Limited and Agility (Libya) Limited, and as such its operations are limited to the monitoring of funds spent on the subsidiary's development project in Libya. The directors believe that the adoption of certain structures and mechanisms that may well be suitable for a company having more complex operations, not only are not appropriate for the company but could well have the adverse effect of unnecessarily increasing the costs of administration without adding much benefit from a corporate governance perspective.

In this context the board believes that the company's current set up enables it to operate in a proper and efficient manner and provides adequate safeguards for good corporate governance.

The board

The board of directors is responsible for the company's affairs, in particular giving direction to the company and its subsidiary and being actively involved in the oversight of the systems of internal controls and financial reporting.

The board is composed of six non-executive directors who are appointed by the shareholders:

Mr Alfred Pisani
Mr Khalil E.A.M. Alabdullah
Mr Mustafa T. Mohamed Khattabi
Mr Musaed Al Saleh
Mr Joseph Fenech
Mr Reuben Xuereb

Directors' remuneration is disclosed in note 6 to the financial statements.

The board convenes as frequently as considered necessary. Individual directors, apart from attendance at formal meetings, participate in other informal meetings during the year as may be required, either to assure good corporate governance or to contribute more effectively to the decision making process. The board members are notified of forthcoming meetings by the company secretary with the issue of an agenda and supporting documents as necessary.

Apart from setting the strategy and direction of the company, the board retains direct responsibility for approving and monitoring the annual report and financial statements. The board is also responsible for making relevant public announcements and for the company's compliance with continuing listing obligations.


The board considers that the present size and operations of the company do not necessitate the institution of separate committees such as evaluation and remuneration committees.

Audit committee


The audit committee's primary objective is to assist the board in fulfilling its responsibilities in dealing with issues of risk, control and governance, and to review the financial reporting process, financial policies and internal control structure.

Mr Joseph Fenech acts as chairman of the audit committee, whilst Mr Khalil E.A.M. Alabdullah acts as a member and Mr Alfred Fabri as secretary. The chairman, Mr Joseph Fenech is a qualified accountant and, in terms of Listing Rule 8.56a, has been indicated by the Board as the independent non-executive member of the audit committee who is considered to be competent in accounting and auditing. Since its appointment this committee has not yet convened.

Approved by the board on 9 March 2009 and signed on its behalf by:



Alfred Pisani
Chairman



Khalil E.A.M. Alabdullah
Vice-Chairman

Shareholders and other information

The following information is being published by Mediterranean Investments Holding p.l.c. (the “company”) in terms of the Listing Rules of the Listing Authority.

Number of shareholders

Range	Total shareholders at 31 December 2008	Total shareholders at 31 December 2007
1 to 1000	-	-
1001 to 5000	-	-
5001 and over	3	3

Shareholders are entitled to vote at company shareholders’ meetings on the basis of one vote for each share held. Shares in issue shall rank pari passu with respect to any distribution of dividends or capital, in winding up or otherwise.

Shareholders holding 5% or more of the share capital at 31 December 2008

	2008		2007	
	Number of shares	Percentage holding %	Number of shares	Percentage holding %
Corinthia Palace Hotel Company Limited	24,001,000	50	24,001,000	50
National Real Estate Company	19,200,800	40	19,200,800	40
Libya Projects Trading and Contracting Company	4,800,200	10	4,800,200	10

Directors’ interest in the shareholding of the company

Mr Alfred Pisani has a beneficial interest in the company of 79,683 ordinary shares through the shareholding of A & A Pisani & Company Limited in Corinthia Palace Hotel Company Limited.

Mr Musaed Al Saleh has a beneficial interest in the company of 1% through the shareholding of LPTACC.

There have been no changes in the shareholding of the company since balance sheet date.

Contracts of significance

Loan agreements with Palm City Ltd

The company has advanced amounts borrowed by way of bonds listed on the Malta Stock Exchange and other loans to its subsidiary, Palm City Ltd. The terms of the relevant agreements are set out in the company's financial statements.

Build – Operate – Transfer Agreement

Palm City Ltd is party to a Build-Operate-Transfer agreement wherein it was engaged by Corinthia Palace Hotel Company Limited (CPHCL – holder of legal title to the Janzour Land) to finalise the construction of the project in accordance with the specifications agreed upon by both parties. All costs and expenses related to the completion of the project, construction and development shall be borne by Palm City Ltd. In return Palm City Ltd will operate the project for its own benefit for a specific period of 65 years. Upon expiry of this 65 year term, Palm City is bound to transfer the operation back to CPHCL.

Company secretary and registered office

Mr Reginald Cuschieri
22, Europa Centre
Floriana FRN 1400
Malta

Report of the independent auditors to the shareholders

Pursuant to Listing Rule 8.39 by the Listing Authority

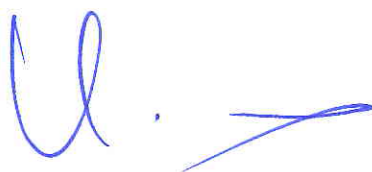
Listing Rules 8.37 and 8.38 issued by the Listing Authority, require the directors of Mediterranean Investments Holding p.l.c. (the “company”) to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the “statement of compliance”), and the effective measures they have taken to ensure compliance with these principles.

Our responsibility, as auditors of the company, is laid down by Listing Rule 8.39, which requires us to include a report on this statement of compliance.

We read the statement of compliance and consider whether it is consistent with the audited financial statements. We consider the implications on our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this statement is consistent with other information included in the annual report.

We are not required to, and we do not, consider whether the board’s statements on internal control included in the statement of compliance covers all risks and controls, or form an opinion on the effectiveness of the company’s corporate governance procedures or its risk and control procedures, nor on the ability of the company to continue in operational existence.

In our opinion, the accompanying statement of compliance provides the disclosures required by Listing Rules 8.37 and 8.38 issued by the Listing Authority.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Grant Thornton House
30 Princess Elizabeth Street
Ta’ Xbiex

9 March 2009

Income statements

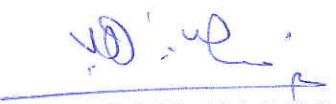
	Notes	Group		Company	
		2008	2007	2008	2007
		€	€	€	€
Other income		-	963	-	732
Administrative expenses		(218,758)	(105,952)	(65,398)	(29,776)
Marketing cost		(311,596)	(311,210)	-	-
Operating loss		(530,354)	(416,199)	(65,398)	(29,044)
Finance income	5	718,558	466,223	1,595,923	495,358
Finance costs	5	(886,383)	(106,349)	(1,771,935)	(97,190)
Share of results of associate companies		968	(52,230)	-	-
(Loss)profit before tax	6	(697,211)	(108,555)	(241,410)	369,124
Tax expense	7	(41,647)	(65,008)	(41,369)	(65,008)
(Loss)profit for the year		(738,858)	(173,563)	(282,779)	304,116
Earnings per share	8	-	-	-	-

Balance sheets

	Notes	Group		Company	
		2008	2007	2008	2007
		€	€	€	€
Assets					
Non-current					
Intangible assets	9	1,832	1,832	-	-
Property, plant and equipment	10	73,494,804	41,059,453	-	-
Financial assets	11	286,195	85,227	61,014,271	49,398,985
Lease prepayments	12	468,256	475,916	-	-
		74,251,087	41,622,428	61,014,271	49,398,985
Current					
Trade and other receivables	13	5,436,630	7,477,188	232,958	79,075
Cash and cash equivalents	14	25,749,197	16,637,018	23,174,099	14,426,685
		31,185,827	24,114,206	23,407,057	14,505,760
Total assets		105,436,914	65,736,634	84,421,328	63,904,745
Equity					
Share capital	15	48,002,000	48,002,000	48,002,000	48,002,000
Retained earnings		(670,240)	68,618	399,510	682,289
Total equity		47,331,760	48,070,618	48,401,510	48,684,289
Liabilities					
Non current					
Bank borrowings	16	12,741,800	-	-	-
Bonds	17	34,734,901	15,000,000	34,734,901	15,000,000
		47,476,701	15,000,000	34,734,901	15,000,000
Current					
Trade and other payables	18	10,498,724	2,666,016	1,155,188	220,456
Current tax liabilities		129,729	-	129,729	-
		10,628,453	2,666,016	1,284,917	220,456
Total liabilities		58,105,154	17,666,016	36,019,818	15,220,456
Total equity and liabilities		105,436,914	65,736,634	84,421,328	63,904,745

The consolidated financial statements on pages 10 to 32 were approved by the board of directors, authorised for issue on 9 March 2009 and signed on its behalf by:


 Alfred Pisani
 Chairman


 Khalil E.A.M. Alabdullah
 Vice-Chairman

Statements of changes in equity

Group

	Share capital €	Retained earnings €	Total equity €
1 January 2007	48,002,000	242,181	48,244,181
Loss for the year	-	(173,563)	(173,563)
At 31 December 2007	48,002,000	68,618	48,070,618
1 January 2008	48,002,000	68,618	48,070,618
Profit for the year	-	(738,858)	(738,858)
At 31 December 2008	48,002,000	(670,240)	47,331,760

Company

	Share capital €	Retained earnings €	Total equity €
1 January 2007	48,002,000	378,173	48,380,173
Profit for the year	-	304,116	304,116
At 31 December 2007	48,002,000	682,289	48,684,289
1 January 2008	48,002,000	682,289	48,684,289
Loss for the year	-	(282,779)	(282,779)
At 31 December 2008	48,002,000	399,510	48,401,510

Statements of cash flows

	Notes	Group		Company	
		2008	2007	2008	2007
		€	€	€	€
Operating activities					
(Loss)profit before tax		(697,211)	(108,555)	(241,410)	369,124
Adjustments	19	179,854	(330,983)	176,012	(398,168)
Net changes in working capital	19	2,538,690	(1,284,527)	356,028	95,909
Tax paid		(41,647)	(102,732)	(41,369)	(102,732)
		1,979,686	(1,826,797)	249,261	(35,867)
Investing activities					
Payments to acquire property, plant and equipment		(25,566,046)	(17,144,130)	-	-
Payments to acquire intangible assets		-	(851)	-	-
Payments to acquire financial assets		-	(10,000)	-	(17,998)
Loans to subsidiary		-	-	(10,529,734)	(18,899,898)
Loan to associate		(200,000)	-	(200,000)	-
Interest received		647,736	495,358	645,699	495,358
		(25,118,310)	(16,659,623)	(10,084,035)	(18,422,538)
Financing activities					
Net proceeds from bond issue		19,732,716	15,000,000	19,732,716	15,000,000
Proceeds of bank loan		12,747,950	-	-	-
Interest paid		(262,073)	(315)	(1,147,625)	(315)
		32,218,593	14,999,685	18,585,091	14,999,685
Net change in cash and cash					
Cash and cash equivalents, beginning of year		16,634,115	20,120,850	14,423,782	17,882,502
Cash and cash equivalents, end of year	14	25,714,084	16,634,115	23,174,099	14,423,782

Notes to the financial statements

1 Nature of operations

The group's principal activity is to directly or indirectly acquire and develop real estate opportunities in Libya and invest in any related trade or business venture.

2 General information

The financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and in accordance with the Companies Act, 1995.

Mediterranean Investments Holding p.l.c. is a public company and is incorporated and domiciled in Malta. The address of the company's registered office is 22, Europa Centre, Floriana FRN 1400, Malta.

The financial statements are presented in euro (€), which is also the functional currency of the group.

3 Summary of accounting policies

3.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

At the date of authorisation of these financial statements, certain new Standards, amendments and Interpretations to existing Standards have been published but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new Standards and Interpretations have been issued but are not expected to have a material impact on the group's financial statements.

3.2 Basis of consolidation

These financial statements include all subsidiaries that are controlled by the parent company Mediterranean Investments Holding p.l.c.

Control is presumed to exist where more than one half of the subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operating policies of the

subsidiary, or control the removal or appointment of a majority of the subsidiary's board of directors.

The results of subsidiary companies acquired or sold during the year are included in the consolidated income statement from or to the effective date of acquisition or disposal.

Investments in associate companies are accounted for in the consolidated financial statements under the equity method. Investments in subsidiary and associated companies classified as non-current financial assets are stated in the parent company's balance sheet at cost, less any permanent diminution in the value of the investment.

The excess of the parent company's interest in the fair values of the identifiable assets and liabilities acquired over the cost of acquisition is accounted for as negative goodwill and is recognised immediately in the profit and loss account in accordance with the requirements of IFRS 3, Business Combinations.

The excess of the purchase consideration over the fair value of the net identifiable assets of subsidiaries and associates is accounted for as goodwill. Goodwill is stated at cost less impairment to date. In respect of associates the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

All intra-group balances and intra-group transactions and resulting unrealised profits have been eliminated in full on consolidation.

3.3 Revenue

Interest income is reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, is recognised at the time the right to receive payment is established.

3.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the group, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary balance sheet items at year-end exchange rates are recognised in the income statement.

3.5 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

3.6 Borrowing costs

Borrowing costs primarily comprise interest on the group's borrowings. Borrowing costs incurred on specific fixed asset projects prior to their commissioning are capitalised as part of the cost of the asset. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the average rate of interest on bank borrowings. All other borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

3.7 Intangible assets

Trademarks are measured initially at purchase cost. Subsequent to initial recognition, intangible assets are stated at cost less any accumulated amortisation and impairment losses.

3.8 Property, plant and equipment

All property, plant and equipment are carried at acquisition cost or manufacturing cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of

property, plant and equipment as follows:

	%
- Computer equipment	25
- Office furniture and equipment	25
- Motor vehicles	25

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within 'other income' or 'other expenses'.

3.9 Lease payments

Operating leases are those leases where a significant portion of the risk and rewards of ownership are effectively retained by the lessor. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.10 Impairment of tangible and intangible assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the group's management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the group's management.

Impairment losses are recognised in the profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the company's balance sheet at cost less any impairment loss that may have arisen. Income from investments is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

3.12 Impairment of investments in subsidiaries and associates

At each balance sheet date the group reviews the carrying amount of its investments in subsidiaries and associates to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the group are classified into loans and receivables upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other expenses'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

3.14 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the parent company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the group entity has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

3.16 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

3.17 Significant management judgement in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

4 Staff costs

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Wages and salaries	437,967	287,950	-	-
Social security costs	18,359	16,678	-	-
	456,326	304,628	-	-
Less: Wages and salaries capitalised	(329,529)	(195,562)	-	-
	126,797	109,066	-	-

The average number of persons employed by the group during the year was:

Operation	44	33	-	-
Administration	4	3	-	-
	48	36	-	-

5 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Interest earned on interest bearing deposit	712,408	466,223	710,371	466,191
Interest charged on loan to subsidiary company	-	-	885,552	29,167
Difference on exchange	6,150	-	-	-
Finance income	718,558	466,223	1,595,923	495,358
Interest on bonds	883,255	96,875	1,768,807	96,875
Bank interest	943	9,474	943	315
Amortisation of bond costs	2,185	-	2,185	-
Finance costs	886,383	106,349	1,771,935	97,190

6 (Loss)profit before tax

The (loss)profit before tax is stated after charging:

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Director's remuneration	58,333	32,072	-	-
Depreciation of property, plant and equipment	5,363	3,652	-	-
Auditors' remuneration	5,800	5,300	3,000	2,700
Operating lease rentals payable:				
- property	7,634	11,303	-	-

7 Tax expense

The relationship between the expected tax credit based on the effective tax rate of the group and company and the tax expense actually recognised in the income statement can be reconciled as follows:

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
(Loss)profit before tax	(697,211)	(108,555)	(241,410)	369,124
Expected tax credit/(expense)	130,727	20,354	45,264	(69,210)
Income subject to tax at 15%	9,958	15,167	9,587	15,167
Adjustment for non-deductible expenses	(182,332)	(100,529)	(96,220)	(10,965)
Actual tax expense, net	(41,647)	(65,008)	(41,369)	(65,008)

8 Earnings per share

The calculation of earnings per share is based on the net (loss)profit for the year attributable to ordinary shareholders and the average number of ordinary shares outstanding during the year.

9 Intangible assets

Group

	Trademarks
	€
Carrying amount	
Balance at 1 January 2007	981
Additions	851
Balance at 31 December 2007	<u>1,832</u>
Carrying amount	
Balance at 1 January 2008	1,832
Additions	-
Balance at 31 December 2008	<u>1,832</u>

10 Property, plant and equipment

The company's property, plant and equipment comprise furniture, fixtures and office equipment, motor vehicles and asset under the course of construction. The carrying amount can be analysed as follows:

	Computer equipment €	Motor vehicles €	Office furniture and equipment €	Asset in the course of construction €	Total €
Gross carrying amount					
Additions	61,049	89,596	48,268	28,385,054	28,583,967
Balance at 31 December 2006	61,049	89,596	48,268	28,385,054	28,583,967
Depreciation					
Depreciation for the year	5,170	8,341	5,003	-	18,514
Balance at 31 December 2006	5,170	8,341	5,003	-	18,514
Carrying amount at 31 December 2006	55,879	81,255	43,265	28,385,054	28,565,453
Gross carrying amount					
Balance at 1 January 2007	61,049	89,596	48,268	28,385,054	28,583,967
Additions	3,049	10,035	16,836	13,012,821	13,042,741
Transfer to lease prepayment (note 12)	-	-	-	(494,827)	(494,827)
Balance at 31 December 2007	64,098	99,631	65,104	40,903,048	41,131,881
Depreciation					
Balance at 1 January 2007	5,170	8,341	5,003	-	18,514
Depreciation for the year	15,581	23,862	14,471	-	53,914
Balance at 31 December 2007	20,751	32,203	19,474	-	72,428
Carrying amount at 31 December 2007	43,347	67,428	45,630	40,903,048	41,059,453
Gross carrying amount					
Balance at 1 January 2008	64,098	99,631	65,104	40,903,048	41,131,881
Additions	11,482	24,067	16,115	32,450,549	32,502,213
Balance at 31 December 2008	75,580	123,698	81,219	73,353,597	73,634,094
Depreciation					
Balance at 1 January 2008	20,751	32,203	19,474	-	72,428
Depreciation for the year	18,017	29,272	19,573	-	66,862
Balance at 31 December 2008	38,768	61,475	39,047	-	139,290
Carrying amount at 31 December 2008	36,812	62,223	42,172	73,353,597	73,494,804

In 2007 costs amounting to €513,000 incurred in connection with a bond issue made by Mediterranean Investments Holding p.l.c. and recharged to the company have been capitalised as part of asset in the course of construction.

Borrowing costs and depreciation capitalised during the year under review amounted to € 1,445,540 and € 61,499 respectively (2007: € - and € 50,262).

11 Financial assets

	Notes	Group		Company	
		2008 €	2007 €	2008 €	2007 €
Shares in subsidiary company (unquoted)	11.1	-	-	24,009,998	24,009,998
Shares in associate companies (unquoted)	11.2	86,195	85,227	160,000	160,000
Loans to subsidiary company	11.3	-	-	36,644,273	25,228,987
Loan to associate company	11.4	200,000	-	200,000	-
		<u>286,195</u>	<u>85,227</u>	<u>61,014,271</u>	<u>49,398,985</u>

11.1 Shares in subsidiary company (unquoted)

Subsidiary company	Percentage holding in ordinary shares	Nature of business
Palm City Ltd 22, Europa Centre, Floriana, Malta	100%	Property development

11.2 Shares in associate companies (unquoted)

Associate company	Percentage holding in ordinary shares %	Nature of business %	Capital and reserves 31.12.08 €	Profit for the year ended 31.12.08 €	Capital and reserves 31.12.07 €	Loss for the year ended 31.12.07 €
QP qpm-projacs Limited 22, Europa Centre, Floriana, Malta	30	Property development	253,985	3,288	250,757	(174,101)
Agility (Libya) Limited 22, Europa Centre, Floriana, Malta	10	Supply chain logistics	100,000	-	100,000	-

11.3 Loans to subsidiary company

	Security	Interest rate	Repayment	2008 €	2007 €
Loan I	None	-	Not fixed	21,644,273	20,228,987
Loan II	None	7.5%	By 4 December 2014	15,000,000	5,000,000
				<u>36,644,273</u>	<u>25,228,987</u>

11.4 Loan to associate company

The loan to the associate company is unsecured, interest free and no fixed date of repayment.

12 Lease prepayment

Group

	2008	2007
	€	€
Balance at 1 January	483,524	-
Transfer from property, plant and equipment (note 10)	-	494,827
Amount charged to profit and loss account for the year	(7,634)	(11,303)
Balance at 31 December	475,890	483,524
Classified as:		
Non-current asset	468,256	475,916
Current asset	7,634	7,608
	475,890	483,524

On 2 October 2007 Corinthia Palace Hotel Company Limited entered into a Build, Operate and Transfer agreement with Palm City Ltd effective from 6 July 2006. The arrangement, which gives Palm City Ltd the right to operate the Palm City Residences in Janzour, Libya for a period of 65 years, contains a lease element which is classified as an operating lease. The payment for the operating lease element has been estimated at € 494,827 on the basis of the original lease granted by the Government of Libya to Corinthia Palace Hotel Company Limited, and is classified as a lease prepayment.

13 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Trade receivables	150,600	-	-	-
Amounts owed by associate companies	11,926	6,474	11,926	6,474
Rechargeables	156,360	39,791	156,360	39,791
Accrued income	64,672	32,810	64,672	32,810
Other receivables	911	7,731	-	-
Financial assets	384,469	86,806	232,958	79,075
Advance payment to capital creditors	3,732,328	6,372,826	-	-
Advance payment to related parties	445	13,975	-	-
VAT refundable	48,233	9,505	-	-
Lease prepayments	7,634	7,608	-	-
Other prepayments	47,823	-	-	-
Other receivables	1,215,698	986,468	-	-
	5,052,161	7,390,382	-	-
Total trade and other receivables	5,436,630	7,477,188	232,958	79,075

All amounts are short-term. The net carrying value of receivables is considered a reasonable approximation of fair value.

14 Cash and cash equivalents

Cash and cash equivalents in the balance sheet and statement of cash flows include the following components:

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Cash at bank and in hand:				
- Euro	2,896,158	2,970,708	630,796	878,301
- Libyan dinar	179,593	116,415	-	-
- US dollar	426	1,511	-	-
Short-term deposit (euro)	22,673,020	13,548,384	22,543,303	13,548,384
Cash and cash equivalents in the balance sheet	25,749,197	16,637,018	23,174,099	14,426,685
Bank overdrawn	(35,113)	(2,903)	-	(2,903)
Cash and cash equivalents in the statement of cash flows	25,714,084	16,634,115	23,174,099	14,423,782

The group did not have any restrictions on its cash in hand and at bank at year end.

15 Share capital

The share capital of Mediterranean Investments Holding p.l.c. consists of fully paid ordinary shares 'A' and 'B' with a par value of €1 each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Mediterranean Investments Holding p.l.c.

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Shares issued and fully paid at 31 December				
24,001,000 ordinary 'A' shares of €1 each	24,001,000	24,001,000	24,001,000	24,001,000
24,001,000 ordinary 'B' shares of €1 each	24,001,000	24,001,000	24,001,000	24,001,000
	48,002,000	48,002,000	48,002,000	48,002,000
Shares authorised at 31 December				
50,000,000 ordinary 'A' shares of €1 each	50,000,000	50,000,000	50,000,000	50,000,000
50,000,000 ordinary 'B' shares of €1 each	50,000,000	50,000,000	50,000,000	50,000,000
	100,000,000	100,000,000	100,000,000	100,000,000

16 Bank borrowings

Borrowings include the following financial liabilities:

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Bank loans	12,741,800	-	-	-

The group's banking facilities as at 31 December 2008 amounted to € 55,000,000.

The bank borrowings are secured by a general hypothec over the group's assets. These borrowings are subject to floating interest rates. As at 31 December 2008, the Libyan dinar bank borrowings amounting to € 2,985,641 are subject to an effective interest rate of 6%, whilst the euro bank borrowings amounting to € 9,756,159 are subject to an effective interest rate of 2.5% plus 3 months Euribor.

17 Bonds

	Note	Interest rate	Group		Company	
			2008	2007	2008	2007
			€	€	€	€
Bond I		7.5%	15,000,689	15,000,000	15,000,689	15,000,000
Bond II	11.1	7.5%	19,734,212	-	19,734,212	-
			<u>34,734,901</u>	<u>15,000,000</u>	<u>34,734,901</u>	<u>15,000,000</u>

In 2007, the group issued bonds of € 15 million which, unless previously redeemed in accordance with the early redemption option given in the terms of issue, shall be redeemable at par on 4 December 2014.

During the year 2008, the group issued a € 15 million 7.5% seven-year bond maturing on 4 August 2015, subject to an over-allotment option for a further amount of € 5 million. The group exercised its over-allotment option, thereby increasing the allotment to € 20 million.

Both bonds constitute general, direct, unconditional, unsecured and unsubordinated obligations of the issuer and will rank pari passu, without any priority or preference, with all other present and future unsecured and unsubordinated obligations.

The issuer reserves the right to redeem the Bond I or any part of the issue at any time prior to the stated maturity on either of the interest payment dates falling in 2012 and/or 2013. Redemption of the bonds shall be made at the face value of the bonds.

In the case of both bonds, the issuer reserves the right to purchase from the market at any time after issue, bonds for cancellation.

17.1 Bond II

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Proceeds from issue	20,000,000	-	20,000,000	-
Transaction costs	(267,973)	-	(267,973)	-
Net proceeds	19,732,027	-	19,732,027	-
Amortisation of transaction costs	2,185	-	2,185	-
Balance at 31 December	19,734,212	-	19,734,212	-

18 Trade and other payables

Trade and other payables recognised in the statement of financial position can be analysed as follows:

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Trade payables	233,774	112,039	171,427	98,914
Capital creditors	6,455,345	2,200,851	-	-
Amounts owed to related party	2,463,194	212,488	259,793	2,000
Bank balance overdrawn	35,113	2,903	-	2,903
Accrued expenses	881,564	137,735	723,968	116,639
Financial liabilities	10,068,990	2,666,016	1,155,188	220,456
Other payables	429,734	-	-	-
Total trade and other payables	10,498,724	2,666,016	1,155,188	220,456

Amounts owed to related party are unsecured, interest free and repayable on demand.

The carrying value of financial liabilities is considered a reasonable approximation of fair value.

19 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Adjustments:				
Share of results of associate company	(968)	52,230	-	-
Depreciation	5,363	3,652	-	-
Operating lease	7,634	11,303	-	-
Interest receivable	(712,408)	(495,358)	(1,595,923)	(495,358)
Interest payable	884,198	97,190	1,769,750	97,190
Amortisation of bond issue costs	2,185	-	2,185	-
Difference on exchange	(6,150)	-	-	-
Total adjustments	179,854	(330,983)	176,012	(398,168)
Net changes in working capital:				
Change in trade and other receivables	(535,242)	(935,247)	(89,211)	(12,874)
Change in trade and other payables	3,073,932	(349,280)	445,239	108,783
Total changes in working capital	2,538,690	(1,284,527)	356,028	95,909

20 Related party transactions

The group's related parties include its associates, key management and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

20.1 Transactions with related parties

	Group		Company	
	2008	2007	2008	2007
	€	€	€	€
Consultancy and other services	6,190,846	2,320,167	-	-
Purchases of construction materials	1,861,580	1,197,351	-	-

Balances with related parties are disclosed in notes 11, 13 and 18.

21 Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note 21.5. The main types of risks are market risk, credit risk and liquidity risk.

The group's risk management is coordinated at its head office, in close co-operation with the board of directors, and focuses on actively securing the group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the group is exposed are described below.

The group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

21.1 Credit risk

The group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Notes	Group		Company	
		2008	2007	2008	2007
		€	€	€	€
Classes of financial assets – carrying amounts					
Loans to subsidiary company	11	-	-	36,644,273	25,228,987
Loans to associate company	11	200,000	-	200,000	-
Trade and other receivables	13	384,469	86,806	232,958	79,075
Cash and cash equivalents	14	25,749,197	16,637,018	23,174,099	14,426,685
		<u>26,333,666</u>	<u>16,723,824</u>	<u>60,251,330</u>	<u>39,734,747</u>

Management continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Management's policy is to deal only with creditworthy counterparties.

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

In respect of trade and other debtors the group is not exposed to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible since the counterparties are reputable banks with high quality external credit ratings. None of the group's assets is secured by collateral or other credit enhancements.

21.2 Liquidity risk

Management manages the group's liquidity needs by carefully monitoring cash flows in day to day business. Liquidity needs are monitored in various time bands, on a daily and weekly basis, as well as on the basis of rolling 30-day projections. Long-term liquidity needs for a 6-monthly and yearly periods are identified monthly.

The group maintains cash to meet its liquidity requirements for the short-term. Funding for long-term liquidity needs is secured by an adequate amount of committed credit facilities.

As at 31 December 2008, the group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Group

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2008	€	€	€	€
Bank loan	-	-	12,741,800	-
Interest on bank loan	365,328	365,328	900,601	-
Bonds in issue	-	-	-	35,000,689
Interest on bonds in issue	-	2,625,052	10,500,208	4,102,813
Bank balance overdrawn	35,113	-	-	-
Trade and other payables	9,161,826	-	-	-
	9,562,267	2,990,380	24,142,609	39,103,502

Company

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2008	€	€	€	€
Bonds in issue	-	-	-	35,000,689
Interest on bonds in issue	-	2,625,052	10,500,208	4,102,813
Trade and other payables	435,298	-	-	-
	435,298	2,625,052	10,500,208	39,103,502

This compares to the maturity of the group's financial liabilities in the previous reporting periods as follows:

Group

	Current		Non-current	
	within 6 months	6 to 12 Months	2 to 5 years	later than 5 years
31 December 2007	€	€	€	€
Bonds in issue	-	-	-	15,000,000
Interest on bonds in issue	-	1,125,000	4,500,000	2,250,000
Bank balance overdrawn	2,903	-	-	-
Trade and other payables	2,663,113	-	-	-
	2,666,016	1,125,000	4,500,000	17,250,000

Company

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2007	€	€	€	€
Bonds in issue	-	-	-	15,000,000
Interest on bonds in issue	-	1,125,000	4,500,000	2,250,000
Bank balance overdrawn	2,903	-	-	-
Trade and other payables	120,678	-	-	-
	<u>123,581</u>	<u>1,125,000</u>	<u>4,500,000</u>	<u>17,250,000</u>

21.3 Foreign currency risk

The group's transactions are carried out in euros and Libyan dinars. Exposures to currency exchange rates mainly arise from certain contracts, payments for which are denominated in Libyan dinars. The group does not hedge against this exposure and as a result is exposed to the risk of changes in the Libyan dinar.

Since all construction contract costs and related payments are capitalised there is no significant effect on the results for the year.

21.4 Interest rate risk

The bonds issued by the group incur interest at a fixed rate and in this respect it is not exposed to interest rate risk. During the course of 2009 the group is committed to entering into hedging agreements with respect to its variable rated bank loan liabilities to minimise its exposure to interest rate risk.

21.5 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	Note	Group		Company	
		2008	2007	2008	2007
		€	€	€	€
Investments					
- Loans to subsidiary company	11	-	-	36,644,273	25,228,987
- Loan to associate company	11	200,000	-	200,000	-
		<u>200,000</u>	<u>-</u>	<u>36,844,273</u>	<u>25,228,987</u>
Loans and receivables					
- Trade and other receivables	13	228,109	47,015	232,958	79,075
- Cash and cash equivalents	14	25,749,197	16,637,018	23,174,099	14,426,685
		<u>25,977,306</u>	<u>16,684,033</u>	<u>23,407,057</u>	<u>14,505,760</u>
Financial liabilities					
Financial liabilities measured at amortised cost					
Non-current					
- Bank loans	16	12,741,800	-	-	-
- Bonds	17	34,734,901	15,000,000	34,734,901	15,000,000
		<u>47,476,701</u>	<u>15,000,000</u>	<u>34,734,901</u>	<u>15,000,000</u>
Current					
- Trade and other payables	18	10,068,990	2,666,016	1,155,188	220,456

See note 3.13 for a description of the accounting policies for each category of financial instruments. The fair values are presented in the related notes. A description of the group's risk management objectives and policies for financial instruments is given in note 21.

22 Commitments

	2008	2007
	€	€
Capital expenditure		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	33,000,000	41,600,000
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>9,000,000</u>	<u>22,600,000</u>

Capital expenditure contracted for at the balance sheet date but not provided for in the financial statements will be funded by a bank loan, undrawn at the balance sheet date, of € 42 million.

23 Capital management policies and procedures

The board's policy is to maintain a strong capital base so as to maintain investors' and creditors' and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, which the group defines as the profit for the year divided by total equity.

The directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and advantages and security afforded by a sound capital position. The group seeks to maximise the return on shareholders' equity and to reduce the incidence of interest expenses.

There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries is subject to externally imposed capital requirements.

24 Events after the balance sheet date

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation on 9 March 2009 by the board.

Independent auditors' report

To the shareholders of

Mediterranean Investments Holding p.l.c.

We have audited the accompanying financial statements of Mediterranean Investments Holding p.l.c. set out on pages 10 to 32, which comprise the balance sheets as at 31 December 2008, and the income statements, statements of changes in equity and statements of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

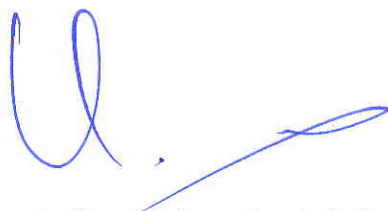
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and company as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Act 1995.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Grant Thornton House
30 Princess Elizabeth Street
Ta' Xbiex

9 March 2009