

Mediterranean Investments Holding p.l.c.
Report and Consolidated Financial Statements
For the year ended 31 December 2009

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Director's Report

The directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal activities

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

Review of the business

Significant progress was registered both on the development as well as the marketing aspects of the Company's principal investment – the Palm City Residences. The certified value of works increased to 93% of the estimated cost to completion by end of year.

Throughout 2009 Palm City secured a number of clients as tenancy contracts were signed by various multinationals operating in Libya. By end 2009, 127 residential units were successfully concluded and contracts had already been signed for a period ranging from two to five years. An amount equal to a one year rent has been paid upfront by these tenants. Apart from these signed contracts, negotiations on a further 100 residences were in the final stages. The directors are particularly pleased to report that the companies and clients that have signed up lease agreements represent varied businesses involved in different industries, such as hydrocarbon, construction, financial services, professional consultancy, hospitality, health care and others. Moreover, these clients come from different parts of the world and are mostly large multinationals from the USA, Brazil, UK, Italy, Japan, China and France, to mention a few.

On the 14 July 2009 MIH announced its intention to start its second major development project through the signing of a shareholders' agreement with the Economic Development Real Estate Company. Both parties have agreed to develop Medina Tower, a 40-storey high-rise building on the seafront of Tripoli's centre in Libya comprising a mix of residential, offices, commercial and retail outlets, a myriad of restaurants and the city's largest conference facilities. Since the date of this announcement, the project design has been completed and presented to the local planning authority for their approval. This development will feature 58,000 sqm of luxury residences for sale, 23,000 sqm of office space for rent and 22,000 sqm of commercial, conference and food and beverage facilities and 950 parking spaces. Works on site will commence during the second quarter of 2010 and are expected to last 44 months with a target completion date for this project being the end of 2013.

As reported in last year's financial statements, in July 2008 the Company raised €20 million through a bond issue the purpose of which was set out in the prospectus as the active pursuit of one or more of three shortlisted potential projects. Although the Medina Tower project was eventually selected as the project which the Company would seek to develop, and despite having entered into the said shareholders' agreement, the funding requirements of the Medina Tower project did not warrant the investment of the total proceeds raised from the July 2008 Bond Issue before the end of the 2009 financial year, as anticipated in the respective Prospectus.

In 2009, the Company continued to provide substantial support to the Palm City Residences development by providing another €18.6 million in shareholders' loans during the year under review. Shareholders' loans that were advanced during the course of the project, amounting to €54.8 million, were converted into equity by the end of year.

On the 30 March 2010, the Company announced that on 5 December 2009, with the combined aim of (i) accelerating the completion of the Palm City Residences project and in so doing securing revenue generation more expeditiously, and of (ii) making use of the Bond proceeds raised in the July 2008 Bond Issue in the manner most complimentary to the other existing funding requirements of the Group, the Board of Directors of the Company resolved to allocate €19.0 million of the July 2008 Bond proceeds to finance the completion of the Palm City Residences project, given that the project for which the Bond had been raised had not at that stage warranted the investment of those funds.

The development cost (excluding land cost) of the Palm City Residences project is presently estimated at €124.5 million representing an increase in project cost of €33.5 million when compared to the estimated cost of €91.0 million referred to in the July 2008 Prospectus. The increase in cost has principally been driven by the following major factors:

- a) enhancements in the design of the project aimed at reducing on-going maintenance and refurbishment costs of the project going forward — these are expected to provide stronger cash-flows from the project during operations. A sea defense system and storm water infrastructure were amongst the major enhancements that were introduced in order to ensure that the project can withstand the adverse weather conditions even if the general infrastructure outside the perimeter of the development may fail. Further enhancements were made to the general sewage infrastructure in order to ensure that the project is totally self-sustainable and does not rely on any public infrastructure the failure of which may ultimately jeopardize the uninterrupted operations of the project. Having invested in a larger sewage treatment plant, all foul water is now being recycled and used for irrigation, thus reducing the cost of potable water that would otherwise be needed from a public source for the extensive landscaping within Palm City. Substantial investment has also been directed towards the installation of a state of the art fiber optic system throughout the development that will ultimately provide additional services to the tenants. Palm City will be charging for these additional services, as well as allowing several operational functions to be automated thus reducing the level of manpower needed to operate the complex;
- b) the upgrading of road infrastructure, enhancement to the outdoor landscaped areas, the introduction of children play areas and the upgrade to the main landscaped pool and private beach lido facility;
- c) upgrading of the Food & Beverage facilities that will allow this new division within the operations to generate revenues that were not envisaged before;
- d) upgrading of the club house with new facilities that can be used to generate additional revenues through the organisation of events and international competitions that have to date not been possible in Libya;
- e) delays in project completion that were mainly due to circumstances beyond the developer's control, such as contractors not delivering on time, the *ad hoc* imposition of shipping and customs clearance requirements, delays in the issue of visas for site workers, and additional costs incurred in the importation of trees and shrubs not available in Libya;
- f) increase in the number of residential units from 408 to 413 units; and
- g) extended time for completion of the project caused by the temporary imposition of visa impediments by the Libyan government, which gave rise to the inability of most contractors to access the project site, thus inhibiting the momentum that had built up during the preceding eight months and that was positively contributing to the accelerated handing over of the units to operations.

Results

Profit for the year after tax amounted to €59.5 million (2008 — loss of €0.7 million) mainly on account of the fair value uplift recognised on the Palm City Residences. This result represents a €25.6 million improvement on the €33.8 million profit after tax forecasted in the latest set of projections that were published by way of Annex to the Company's prospectus issued in July 2008. This positive variance in the MIH Group's Income statement is mainly driven by the expectation that the Palm City development will generate significantly higher returns from its operation in view of the product enhancements that have been carried out since the date of the latest Company's prospectus.

The Financial Statements recognise an uplift in value of the investment property which is €33.0 million higher than previously projected. On the other hand, the delays in project completion that were necessary to carry out these enhancements to the Palm City development resulted in a €7.4 million shortfall in the 2009 operational profit. A detailed analysis of the reasons behind these variances is provided below.

The 2008 projections were based on the expectation that the project would be completed and operational by end 2008 and an average occupancy of 75% was estimated to be achieved for 2009. The project was, in reality, nearing completion by end 2009 and a number of units were actually already delivered to operations and occupied by tenants before that date. A 13% occupancy was achieved in 2009 and this generated a profit after tax of €0.7 million against a projected profit of €6.0 million.

The 2009 financials also include pre-opening costs amounting to €1.0 million that were not forecasted in the previous set of projections. Administrative expenses were at €0.4 million (2008 — €0.2 million) and marketing costs were at €0.6 million (2008 — €0.3 million). The comparatively higher costs are directly attributable to the increased number of employees that by year-end numbered 56 along with increased marketing activities in gearing up for the operations of the village subsequent to completion as well as the increased exposure to the leasing out of the units under development.

Furthermore, in view of the fact that the funds raised by the Company through the July 2008 bond issue were not applied to their intended use as originally expected, net finance costs of €0.6 million are recognised in 2009 whilst the Group was in the previous projections expected to earn net finance income of €0.5 million.

Whilst the delay in the completion date of the Palm City development has impacted the Group negatively in its operating results for 2009, the product enhancements coupled with stronger medium term profit expectations have helped the Group in achieving a higher uplift in the property value than originally forecasted. The €60.3 million change in fair value of the investment property recognised in the 2009 audited consolidated financial statements is €33.0 million higher than the €27.3 million projected in 2008. This improvement was mainly brought about by the following:

- a) The expected future earnings generation capability of the project has improved on account of an increase in the number of residences from 408 to 413, an improved average monthly rental and a reduction in the projected operating expenditure;
- b) Notwithstanding the delay in the completion date of the Palm City Residences, the 2009 valuation assumes that the 95% occupancy (stabilised level of occupancy) will be achieved by end 2010, which is a year earlier than originally expected in view of the faster pace at which lease agreements have been and are being concluded; and
- c) The 2008 projections were based on an independent valuation that was prepared in 2007 whilst the 2009 financials are based on an estimation of the project's value as at 31 December 2009 as determined by independent valuers. The latter valuation is significantly higher than the 2007 valuation since it is subject to a lower discount rate in view of its closer proximity to the date of completion.

Directors

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

Mr Alfred Pisani (Chairman)
Mr Khalil E. A. M. Alabdullah (Vice-Chairman)
Mr Musaed Al Saleh
Mr Joseph Fenech
Mr Yousef Abdelmaula (appointed 24 June 2009)
Mr Faisal J.S. Alessa (appointed 24 June 2009)
Mr Joseph C. Caruana (appointed 24 June 2009)
Mr Mustafa T. Mohamed Khattabi (resigned 24 June 2009)
Mr Reuben Xuereb (resigned 24 June 2009)

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

Disclosure of information to auditors

At the date of making this report the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditors in connection with preparing their report of which the independent auditors are unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditors in connection with preparing their report and to establish that the independent auditors are aware of that information.

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.

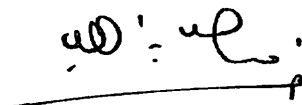
Auditors

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

30 April 2010

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 seven non-executive directors who are appointed by the shareholders:

Mr Alfred Pisani
Mr Khalil E.A.M. Alabdullah
Mr Musaed Al Saleh
Mr Joseph Fenech
Mr Yousef Abdelmaula
Mr Faisal J.S. Alessa
Mr Joseph C. Caruana

Directors' remuneration is disclosed in note 7 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.

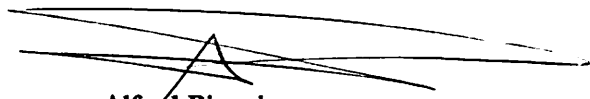
The board considers that the present size and operations of the company do not necessitate the institution of separate committees such as evaluation and remuneration committees.

Audit committee

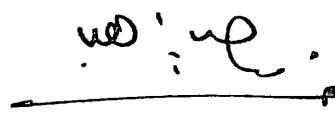
The audit committee's primary objective is to assist the board in fulfilling its responsibilities in dealing with issues of risk, control and governance, and to review the financial reporting process, financial policies and internal control structure.

Mr Joseph Caruana acts as chairman of the audit committee, whilst Mr Joseph Fenech and Mr Khalil E.A.M. Alabdullah act as members and Mr Reginald Cuschieri as secretary. In terms of Listing Rule 8.56a, the chairman, Mr Joseph Caruana, 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 on 12 August 2009, this committee has held 3 meetings.

Approved by the board on the 30 April 2010 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 2009	Total shareholders at 31 December 2008
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 2009

	31 December 2009		31 December 2008	
	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 Ltd is bound to transfer the operation back to CPHCL. The Company and Corinthia Palace Hotel Company Limited have applied to the competent authorities in Libya, for approval of the assignment of the 99-year lease (which expires on 4 July 2105), from Corinthia Palace Hotel Company Limited to Palm City Ltd. Both parties have agreed that upon such approval being granted, the Build-Operate-Transfer agreement will be terminated.

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

Tower Business Centre
Tower Street
Swatar BKR 3013
Malta

30 April 2010

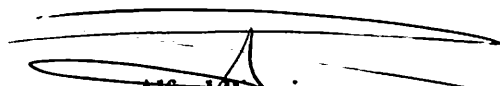
Statements of comprehensive income

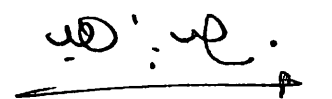
	Notes	Group		Company	
		2009	2008	2009	2008
		€	€	€	€
Revenue		1,076,021	-	-	-
Operating expenses		(334,318)	-	-	-
Gross profit		741,703	-	-	-
Change in fair value of investment property		90,200,180	-	-	-
Administrative expenses		(429,594)	(218,758)	(100,198)	(65,398)
Marketing expenses		(523,938)	(311,596)	-	-
Operating profit/(loss)		89,988,351	(530,354)	(100,198)	(65,398)
Finance income	6	537,022	718,558	1,866,551	1,595,923
Finance costs	6	(1,145,187)	(886,383)	(2,622,899)	(1,771,935)
Share of results of associate companies		-	968	-	-
Profit/(loss) before tax	7	89,380,186	(697,211)	(856,546)	(241,410)
Tax expense	8	(29,923,926)	(41,647)	-	(41,369)
Profit/(loss) for the year		59,456,260	(738,858)	(856,546)	(282,779)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss)		59,456,260	(738,858)	(856,546)	(282,779)
Earnings/(loss) per share	9	1.24	(0.02)	(0.02)	(0.01)

Statements of financial position

	Notes	Group		Company	
		2009	2008	2009	2008
		€	€	€	€
Assets					
Non-current					
Intangible assets	10	2,258	1,832	-	-
Property, plant and equipment	11	265,231	73,494,804	-	-
Investment property	11.1	226,633,420	-	-	-
Financial assets	12	300,906	286,195	79,934,759	61,014,271
Lease prepayment	13	460,785	468,256	-	-
		227,662,600	74,251,087	79,934,759	61,014,271
Current					
Trade and other receivables	14	8,205,590	5,436,630	1,053,477	232,958
Cash and cash equivalents	15	13,109,178	25,749,197	3,059,918	23,174,099
		21,314,768	31,185,827	4,113,395	23,407,057
Total assets		248,977,368	105,436,914	84,048,154	84,421,328
Equity					
Share capital	16	48,002,000	48,002,000	48,002,000	48,002,000
Retained earnings /(accumulated loss)		58,786,020	(670,240)	(457,036)	399,510
		106,788,020	47,331,760	47,544,964	48,401,510
Liabilities					
Non-current					
Bank borrowings	17	50,820,840	12,741,800	-	-
Bonds	18	35,000,689	34,734,901	35,000,689	34,734,901
Deferred tax liability	19	29,923,910	-	-	-
		115,745,439	47,476,701	35,000,689	34,734,901
Current					
Bank borrowings	17	4,200,000	-	-	-
Trade and other payables	20	22,243,909	10,628,453	1,502,501	1,284,917
		26,443,909	10,628,453	1,502,501	1,284,917
Total liabilities		142,189,348	58,105,154	36,503,190	36,019,818
Total equity and liabilities		248,977,368	105,436,914	84,048,154	84,421,328

The financial statements on pages 12 to 35 were approved by the board of directors, authorised for issue on 30 April 2010 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/ Accumulated losses €	Total equity €
Balance at 1 January 2008	48,002,000	68,618	48,070,618
Loss for the year	-	(738,858)	(738,858)
Balance at 31 December 2008	48,002,000	(670,240)	47,331,760
Balance at 1 January 2009	48,002,000	(670,240)	47,331,760
Profit for the year	-	59,456,260	59,456,260
Balance at 31 December 2009	48,002,000	58,786,020	106,788,020

Company

	Share capital €	Retained earnings/ Accumulated losses €	Total equity €
Balance at 1 January 2008	48,002,000	682,289	48,684,289
Loss for the year	-	(282,779)	(282,779)
Balance at 31 December 2008	48,002,000	399,510	48,401,510
Balance at 1 January 2009	48,002,000	399,510	48,401,510
Loss for the year	-	(856,546)	(856,546)
Balance at 31 December 2009	48,002,000	(457,036)	47,544,964

Retained earnings/accumulated losses include all current and prior period results as disclosed in the statement of comprehensive income less dividend distributions.

Statements of cash flows

	Notes	Group		Company	
		2009	2008	2009	2008
		€	€	€	€
Operating activities					
Profit/(loss) before tax		89,380,186	(697,211)	(856,546)	(241,410)
Adjustments	21	(88,067,025)	179,854	756,348	176,012
Net changes in working capital	21	3,957,343	2,538,690	(447,167)	356,028
Tax paid		-	(41,647)	-	(41,369)
		5,270,504	1,979,686	(547,365)	249,261
Investing activities					
Payments to acquire property, plant and equipment		(58,335,767)	(25,566,046)	-	-
Payments to acquire financial assets		(2,785)	-	(18,582,653)	-
Payments to acquire intangible assets		(426)	-	-	-
Loans to subsidiary		-	-	-	(10,529,734)
Loan to associate		-	(200,000)	-	(200,000)
Interest received		415,850	647,736	1,603,499	645,699
		(57,923,128)	(25,118,310)	(16,979,154)	(10,084,035)
Financing activities					
Proceeds from bond issue		-	19,732,716	-	19,732,716
Proceeds from bank loan		42,400,213	12,747,950	-	-
Interest paid		(2,436,263)	(262,073)	(2,650,343)	(1,147,625)
		39,963,950	32,218,593	(2,650,343)	18,585,091
Net change in cash and cash equivalents		(12,688,674)	9,079,969	(20,176,862)	8,750,317
Cash and cash equivalents, beginning of year		25,714,084	16,634,115	23,174,099	14,423,782
Cash and cash equivalents, end of year	15	13,025,410	25,714,084	2,997,237	23,174,099

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 as adopted by the European Union, 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 Changes in accounting policies

3.1 Overall considerations

The group and company have adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the group's and company's annual period beginning 1 January 2009.

- IAS 1 Presentation of financial statements (revised 2007)
- IAS 40 Investment property and IAS 16 Property, plant and equipment.

Significant effects on current, prior and future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described in notes 3.2 to 3.4. An overview of standards, amendments and interpretations to IFRSs issued but not yet effective is given in note 3.5.

3.2 IAS 1 Presentation of Financial Statements (revised 2007)

The group and company have adopted IAS 1 *Presentation of Financial Statements (Revised 2007)* in their financial statements. The adoption of the Standard does not affect the financial position or results of the group and company but gives rise to additional disclosures. The measurement and recognition of the group and company's assets, liabilities, income and expenses is unchanged. However some items that would be recognised directly in equity would now be recognised in other comprehensive income.

3.3 Adoption of IAS 23 Borrowing costs (Revised 2007)

IAS 23, *Borrowing costs (Revised)* became effective for accounting periods beginning on or after 1 January 2009. IAS 23 (Revised) requires the capitalisation of borrowing costs and the option of immediately expensing borrowing costs has been removed. The group has never applied this option and currently capitalises borrowing costs relating to qualifying assets, and these costs are in turn amortised over the lifetime of the bond. Therefore there is no impact on current or prior year financial statements.

3.4 Adoption of amendments to IAS 40 Investment property and IAS 16 Property, plant and equipment

The amendments are part of the IASB's annual improvements project published in May 2008 and are effective from 1 January 2009. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Where the fair value model is applied, such property is measured at fair value. However, where fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The effects of adoption by the group are disclosed in note 11.

3.5 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

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 and the company.

Management anticipates that all new relevant pronouncements will be adopted in the group and the company'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 and the company's financial statements.

4 Summary of accounting policies

4.1 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.

4.2 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 statement of comprehensive income 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.

4.3 Revenue

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company, and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts

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.

4.4 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 re-measurement of monetary balance sheet items at year-end exchange rates are recognised in the income statement.

4.5 Operating expenses

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

4.6 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 amortised on an effective interest basis over the life of the loan facility agreement.

4.7 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.

4.8 Property, plant and equipment

All items of 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

	%
Computer equipment	25
Office furniture and equipment	25
Motor vehicles	25
Tools	33

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'.

Any revaluation surplus is recognised in other comprehensive income, to the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Property that is being constructed for future use as investment property is accounted for as investment property following the adoption of IAS 40 (Revised). Any gain or loss arising on re-measurement is recognised in comprehensive income.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised directly in other comprehensive income. Any loss is recognised immediately in profit or loss.

4.9 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.

4.10 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are revalued annually and are included in the statement of financial position at their fair values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within 'change in fair value of investment property'.

Rental income and operating expenses from investment property are reported within 'revenue' and 'expenses' respectively.

Following the adoption of IAS 40 (revised) investment properties under construction have been transferred from property, plant and equipment to investment properties at 1 January 2009 at their carrying amount. They have subsequently been revalued at the reporting date. All fair value gains or losses, including those unrecognised fair value gains and losses (if the losses have not already been recognised through impairment) that arose prior to 1 January 2009, have been recognised in the statement of comprehensive income for the year as fair value gains or losses.

4.11 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.

4.12 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.

4.13 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.

4.14 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 feature 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'.

4.15 Income taxes

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, in which case the related deferred tax is also recognised in other comprehensive income.

4.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, net of bank balances overdrawn.

4.17 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. The company's share capital has increased, following capitalisation of profits made by the subsidiary

Retained earnings include all current and prior period retained profits, less any amounts which have been capitalised as share capital.

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.

4.18 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).

5 Staff costs

	2009	Group 2008
	€	€
Wages and salaries	526,052	437,967
Social security costs	16,563	18,359
	<u>542,615</u>	<u>456,326</u>
Less: Wages and salaries capitalised	(175,279)	(329,529)
	<u>367,336</u>	<u>126,797</u>

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

	No.	No.
Operating	65	44
Administrative	11	4
	<u>76</u>	<u>48</u>

Staff costs were only incurred at group level, given that the company, is a holding company, and does not directly employ any employees.

6 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Interest earned on short term deposits	415,496	712,408	415,005	710,371
Interest charged on loan to subsidiary company	-	-	1,451,546	885,552
Difference on exchange	121,526	6,150	-	-
Finance income	537,022	718,558	1,866,551	1,595,923
Interest on bonds	2,622,899	883,255	2,622,856	1,768,807
Bank interest	1,732,918	943	43	943
Amortisation of bond issue costs	-	2,185	-	2,185
	4,355,817	886,383	2,622,899	1,771,935
Interest capitalised	(3,210,630)	-	-	-
Finance costs	1,145,187	886,383	2,622,899	1,771,935

7 Profit/(loss) before tax

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

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Director's remuneration	57,545	58,333	-	-
Depreciation of property, plant and equipment	7,498	5,363	-	-
Auditors' remuneration	13,688	5,800	4,838	3,000
Amortisation of bond issue costs	-	2,185	-	2,185

8 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	
	2009	2008	2009	2008
	€	€	€	€
Profit/(loss) before tax	89,380,186	(697,211)	(856,546)	(241,410)
Tax rate	18.75%	18.75%	18.75%	18.75%
Expected tax (expense)/credit	(16,758,785)	130,727	160,602	45,264
Income subject to tax at 15%	104	9,958	-	9,587
Adjustment for non-deductible expenses	-	(182,332)	(160,602)	(96,220)
Tax effect of fair value adjustment	(13,165,245)	-	-	-
Actual tax expense, net	(29,923,926)	(41,647)	-	(41,369)

9 Earnings/(loss) per share

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

10 Intangible assets

Group

	Trademarks
	€
Carrying amount	
Balance at 1 January 2008	1,832
Additions	-
Balance at 31 December 2008	<u>1,832</u>
Carrying amount	
Balance at 1 January 2009	1,832
Additions	426
Balance at 31 December 2009	<u>2,258</u>

11 Property, plant and equipment

The group's property, plant and equipment comprise computer equipment, office furniture and office equipment, motor vehicles, tools and machinery and asset in the course of construction. The carrying amount can be analysed as follows:

	Computer equipment €	Motor vehicles €	Office furniture and equipment €	Tools and machinery €	Assets in the course of construction €	Total €
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
Gross carrying amount						
Balance at 1 January 2009	75,580	123,698	81,219	-	73,353,597	73,634,094
Additions	11,029	29,369	146,906	19,923	63,079,643	63,286,870
Disposals	-	(16,625)	-	-	-	(16,625)
Transfer to investment property	-	-	-	-	(136,433,240)	(136,433,240)
Balance at 31 December 2009	86,609	136,442	228,125	19,923	-	471,099
Depreciation						
Balance at 1 January 2009	38,768	61,475	39,047	-	-	139,290
Disposals	-	(14,200)	-	-	-	(14,200)
Depreciation for the year	19,824	36,331	23,151	1,472	-	80,778
Balance at 31 December 2009	58,592	83,606	62,198	1,472	-	205,868
Carrying amount at 31 December 2009	28,017	52,836	165,927	18,451	-	265,231

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 had been capitalised as part of assets in the course of construction. The costs incurred in issuing the July 2008 bond by the company amounting to €265,787 were capitalised as part of the assets in the course of construction during 2009 in view of their utilisation for the Palm City project.

Borrowing costs and depreciation capitalised during the period under review amounted to €3,575,676 and €73,280 respectively (2008: €1,445,540 and €61,499 respectively).

11.1 Investment property

Investment property includes the Palm City Residences in Janzur, Libya, which is owned to earn rentals and capital appreciation.

Due to the lack of comparable properties in the market, the determination of fair value cannot be objectively established on the basis of current active market prices. Therefore the value in use is determined on the basis of the discounted value of future earnings expected from the operation of the property.

Changes to the carrying amounts presented in the statement of financial position can be summarised as follows:

	€
Carrying amount 1 January 2009	-
Transfer from assets in the course of construction	136,433,240
Net gain from fair value adjustments	90,200,180
Carrying amount 31 December 2009	<u>226,633,420</u>

Investment properties valued at €226,633,420 are pledged as security for related borrowings.

Rental income for 2009 amounts to €1,076,021 included within 'revenue'. No contingent rents were recognised. Direct operating expenses of € 334,318 was reported within 'operating expenses'.

The residences are all leased out on operating leases. The standard lease contract is for a term of five years but leases for a shorter term have been concluded. Lessees have the possibility of cancelling their commitments under these agreements by giving six months notice and by paying pre-determined penalties that vary in accordance with the lessees' length of stay.

12 Financial assets

	Notes	Group		Company	
		2009	2008	2009	2008
		€	€	€	€
Shares in subsidiary company (unquoted)	12.1	-	-	78,849,998	24,009,998
Shares in associate companies (unquoted)	12.2	286,195	86,195	360,000	160,000
Loans to subsidiary company	12.3	-	-	710,050	36,644,273
Loan to associate company	12.4	14,711	200,000	14,711	200,000
		<u>300,906</u>	<u>286,195</u>	<u>79,934,759</u>	<u>61,014,271</u>

12.1 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

12.2 Shares in associate companies (unquoted)

12.2 Shares in associate companies (unquoted)

Associate company	Percentage holding in ordinary shares %	Nature of business	Capital and reserves 31.12.2009 €	Loss/(profit) for the year ended 31.12.2009 €	Capital and reserves 31.12.2008 €	Profit for the year ended 31.12.2008 €
QP qpm-projacs Limited 22, Europa Centre, Floriana, Malta	30	Property development	255,687	(5,708)	261,396	10,639
Agility (Libya) Limited 22, Europa Centre, Floriana, Malta	10	Supply chain logistics	1,619,503	251,843	100,000	-

12.3 Loans to subsidiary company

	Security	Interest rate	01.01.2009 €	Increase €	Capitalisation €	31.12.2009 €
Loan I	None	-	21,644,273	1,555,727	23,200,000	-
Loan II	None	7.5%	15,000,000	-	15,000,000	-
Loan III	None	7.5%	-	17,350,000	16,640,000	710,050
			36,644,273	18,905,727	54,840,000	710,050

12.4 Loan to associate company

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

13 Lease prepayment

Group

	2009 €	2008 €
Balance at beginning of year	475,890	483,524
Amount charged to profit and loss	(7,614)	(7,634)
Balance at end of year	468,276	475,890
Classified as:		
Non-current asset	460,785	468,256
Current asset	7,491	7,634
	468,276	475,890

On 2 October 2007 Corinthia Palace Hotel Company Limited entered into a Build-Operate-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.

The Company and Corinthia Palace Hotel Company Limited have applied to the competent authorities in Libya, for approval of the assignment of the 99-year lease (which expires on 4th July 2105), from Corinthia Palace Hotel Company Limited to Palm City Ltd. Both parties have agreed that upon such approval being granted, the Build, Operate and Transfer agreement will be terminated.

14 Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Trade receivables	2,114,321	150,600	-	-
Amounts owed by associate companies	-	11,926	-	11,926
Amount owed by other group companies	638	-	638	-
Rechargeables	-	156,360	-	156,360
Accrued income	-	64,672	-	64,672
Other receivables	-	911	1,051,661	-
Financial assets	2,114,959	384,469	1,052,299	232,958
Advance payments to capital creditors	3,308,028	3,732,328	-	-
Advance payments to related parties	-	445	-	-
VAT refundable	96,158	48,233	-	-
Deposits	368,221	-	-	-
Lease prepayments	7,491	7,634	-	-
Other prepayments	79,825	47,823	1,178	-
Other receivables	2,230,908	1,215,698	-	-
	6,090,631	5,052,161	1,178	-
Total trade and other receivables	8,205,590	5,436,630	1,053,477	232,958

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

15 Cash and cash equivalents

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

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Cash at bank and in hand:				
- Euro	4,125,493	2,896,158	359,007	630,796
- Libyan dinar	282,774	179,593	-	-
- US dollar	-	426	-	-
Short-term deposit (euro)	8,700,911	22,673,020	2,700,911	22,543,303
Cash and cash equivalents in the balance sheet	13,109,178	25,749,197	3,059,918	23,174,099
Bank balance overdrawn	(83,768)	(35,113)	(62,681)	-
Cash and cash equivalents in the statement of cash flows	13,025,410	25,714,084	2,997,237	23,174,099

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

16 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	
	2009	2008	2009	2008
	€	€	€	€
Shares issued and fully paid				
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				
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

17 Bank borrowings

Borrowings include the following financial liabilities:

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Bank loans due within 2-5 years	50,820,840	12,741,800	-	-
Bank loans due within 1 year	4,200,000	-	-	-
	55,020,840	12,741,800	-	-

The group's banking facilities as at 31 December 2009 amounted to €55,020,840.

The bank borrowings are secured by a general hypothec over the company's assets and by a guarantee by the company's parent company. These borrowings are subject to floating interest rates. As at 31 December 2009, the Libyan dinar bank borrowings amounting to €5,020,840 are subject to an effective interest rate of 1.5% over the Central Bank of Libya discount rate, whilst the Euro bank borrowings amounting to €50,000,000 are subject to an effective interest rate of 2.5% plus 3 months Euribor.

18 Bonds

	Note	Interest rate	Group		Company	
			2009	2008	2009	2008
			€	€	€	€
Bond I		7.5%	15,000,689	15,000,689	15,000,689	15,000,689
Bond II	18.1	7.5%	20,000,000	19,734,212	20,000,000	19,734,212
			35,000,689	34,734,901	35,000,689	34,734,901

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 Company 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 Company reserves the right to purchase from the market at any time after issue, bonds for cancellation.

The Company shall build a sinking fund the value of which, will by the redemption date be equivalent to 50% of the issued bonds.

18.1 Bond II

	Group €	Company €
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 2008	19,734,212	19,734,212
Capitalisation of transaction costs	265,788	265,788
Balance at 31 December 2009	20,000,000	20,000,000

19 Deferred tax liability

Deferred tax arising from temporary differences can be summarised as follows:

	2009 €	2008 €
Non-current assets		
Investment property	29,923,910	-

See note 8 for information on the company's tax expense.

20 Trade and other payables

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

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Trade payables	1,881,710	233,774	611,070	171,427
Capital creditors	10,570,563	6,455,345	-	-
Amounts owed to related party	4,656,528	2,463,194	2,000	259,793
Bank balance overdrawn	83,768	35,113	62,681	-
Accrued expenses	1,145,846	881,564	697,316	723,968
Financial liabilities	18,338,415	10,068,990	1,373,067	1,155,188
Other payables	3,905,494	559,463	129,434	129,729
Total trade and other payables	22,243,909	10,628,453	1,502,501	1,284,917

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.

21 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	
	2009	2008	2009	2008
	€	€	€	€
Adjustments:				
Share of results of associate company	-	(968)	-	-
Depreciation	7,498	5,363	-	-
Operating lease	7,613	7,634	-	-
Fair value adjustment on investment property	(90,200,180)	-	-	-
Interest receivable	(415,850)	(712,408)	(1,866,551)	(1,595,923)
Interest payable	2,655,067	884,198	2,622,899	1,769,750
Amortisation of bond issue costs	-	2,185	-	2,185
Difference on exchange	(121,173)	(6,150)	-	-
Total adjustments	(88,067,025)	179,854	756,348	176,012
Net changes in working capital:				
Change in trade and other receivables	(3,304,604)	(535,242)	(629,513)	(89,211)
Change in trade and other payables	7,261,947	3,073,932	182,346	445,239
Total changes in working capital	3,957,343	2,538,690	(447,167)	356,028

22 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.

22.1 Transactions with related parties

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Consultancy and other services	13,274,642	6,190,846	383,813	-
Purchases of construction materials	3,501,551	1,861,580	-	-

Balances with related parties are disclosed in notes 12, 14 and 20.

23 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 23.5. 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.

23.1 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	
		2009 €	2008 €	2009 €	2008 €
Classes of financial assets – carrying amounts					
Loans to subsidiary company	12	-	-	710,050	36,644,273
Loan to associate company	12	14,711	200,000	14,711	200,000
Trade and other receivables	14	2,114,959	384,469	1,052,299	232,958
Cash and cash equivalents	15	13,109,178	25,749,197	3,059,918	23,174,099
		<u>15,238,848</u>	<u>26,333,666</u>	<u>4,836,978</u>	<u>60,251,330</u>

Management continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate 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.

23.2 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 period 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 2009, 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 2009	€	€	€	€
Bank loan	-	4,200,000	50,800,000	-
Interest on bank loan	840,515	840,515	5,820,066	-
Bonds in issue	-	-	-	35,000,689
Interest on bonds in issue	-	2,625,052	10,500,208	1,389,042
Bank balance overdrawn	83,768	-	-	-
Trade and other payables	17,503,613	-	-	-
	18,427,896	7,665,567	67,120,274	36,389,731

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

Company

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2009	€	€	€	€
Bonds in issue	-	-	-	35,000,689
Interest on bonds in issue	-	2,625,052	10,500,208	1,389,042
Bank balance overdrawn	62,681	-	-	-
Trade and other payables	1,437,820	-	-	-
	1,500,501	2,625,052	10,500,208	36,389,731

23.3 Foreign currency risk

The group's transactions are carried out in euro 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.

23.4 Interest rate risk

The Group's exposure to interest rate risk is limited to the variable interest rate of borrowings. The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of + or – 100 basis points (2008: +/-100 basis points) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

	2009		2008	
	+100 basis points	-100 basis points	+ 100 basis points	- 100 basis points
Net result for the year	(550,208)	550,208	(97,562)	97,562

23.5 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	
		2009	2008	2009	2008
		€	€	€	€
Investments					
- Loans to subsidiary company	12	-	-	710,050	36,644,273
- Loan to associate company	12	14,711	200,000	14,711	200,000
		14,711	200,000	724,761	36,844,273
Loans and receivables					
- Trade and other receivables	14	2,114,959	384,469	1,052,299	232,958
- Cash and cash equivalents	15	13,109,178	25,749,197	3,059,918	23,174,099
		15,224,137	26,133,666	4,112,217	23,407,057
Financial liabilities					
Financial liabilities measured at amortised cost					
Non-current					
- Bank loans	17	50,820,840	12,741,800	-	-
- Bonds	18	35,000,689	34,734,901	35,000,689	34,734,901
		85,821,529	47,476,701	35,000,689	34,734,901
Current					
- Bank loans	17	4,200,000	-	-	-
- Trade and other payables	20	18,338,415	10,068,990	1,373,067	1,155,188
		22,538,415	10,068,990	1,373,067	1,155,188

See note 4.14 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 23.

24 Commitments

	2009	2008
	€	€
Capital expenditure		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	14,100,000	33,000,000
Capital expenditure that has been authorised by the directors but has not yet been contracted for	1,700,000	9,000,000

25 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.

26 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 the 30 April 2010 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 12 to 35, which comprise the balance sheets as at 31 December 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year 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 as issued by the International Accounting Standards Board and as adopted by the European Union. 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 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union 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

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30 April 2010