Mediterranean Investments Holding p.l.c.

Report and Consolidated Financial Statements

For the year ended 31 December 2011

Company Registration Number: C 37513

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Directors' report

The directors present their report together with the audited financial statements of Mediterranean Investments Holding p.l.c. (the company) and the consolidated financial statements of the group for the year ended 31 December 2011. The group comprises the company, its only subsidiary, Palm City Limited, and its two associates, Agility (Libya) Limited and Medina Tower Joint Stock Company.

Principal activities

Mediterranean Investments Holding p.l.c. 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 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

During the year under review the company's objectives remained focused on the operations of its subsidiary Palm City Limited (PCL) and on the commencement of the construction of the Medina Towers project in Tripoli, Libya, as planned by the first quarter of 2011.The principal objectives for 2011 were to continue to secure medium to long lease contracts at Palm City Residences with the aim of achieving a stabilised occupancy of 95% by mid 2011. In fact, significant progress had been registered during the first 2 months of the year under review, as Palm City Residences continued to secure lease contracts.

However, towards the end of February 2011, due to the uprising in Libya, and the resulting mass evacuation of international contractors and expatriate personnel, these objectives had to be suspended with the responsibility shifting to safeguard and protect its personnel and the property. Once arrangements were made for the majority of the staff to be evacuated and a core nucleus of staff stayed on, Palm City took a number of measures to mitigate the impact of the significant downturn in economic activity on the operational results. The latter was a critical step, given the increase in contract sign-ups for units at Palm City Residences was heavily disrupted with a significant number of tenants cancelling their contracts. As a result, the revenue generation of PCL was significantly curtailed. Notwithstanding this, Palm City Residences remained open and operational, albeit with reduced personnel commensurate with the level of operations, allowing it to generate sufficient revenue to meet the ongoing operational expenses and overheads and ultimately resulting in generating an operating profit in exceptional circumstances.

Towards the end of August 2011, the rebel forces led by the National Transitional Council entered Tripoli, bringing the country's wide civil unrest to a swift end. At this very delicate and uncertain period the management of Palm City Residences, once again, took all the necessary precautions to protect the premises. The directors are pleased to report that, notwithstanding the immense challenges that it had to go through during these troubled months, and thanks to the immediate action of the shareholders and the comradeship of its executives, Palm City remained intact with very minimal damage. Palm City not only managed to retain a number of units leased out under pre-conflict contracts, but also secured a number of leases to new clients for periods which range between 1 month and 3 years. All of this was possible thanks to the swift and collective efforts of the team at Palm City, supported by members from the Group Head Office in Malta, who embarked on an immediate task to bring the property back to its pristine state and also started recruiting personnel and sub-contractors in order to achieve this objective in the shortest possible timeframe. In fact, by the end of the year under review, PCL has geared itself up again to the level it was prior to the conflict so

as to maximize on the business potential and in anticipation of a considerable influx of tenants in a short and possibly very pressing time frame.

The directors are particularly pleased to report that the companies and entities that have already signed up lease agreements at Palm City Residences include various international non-governmental organisations and also embassies. All of these have contributed positively towards the profitability and liquidity of Palm City to make it through the extremely difficult year PCL was faced with.

Given the force majeure that the group endured throughout 2011, and the resulting impact on its cash flow, the shareholders of MIH have supported this temporary disturbance in cash flow by extending to MIH €13.2 million by way of shareholders' loan. This was necessary principally for the company to meet its bond interest costs and for Palm City to meet its commitments with capital creditors. During the year under review parent company loans to Palm City Limited increased from €6 million to €10.7 million.

In the first 2 months of the year the board of Medina Tower Joint Stock Company had selected the main contractor of the project and dealings were being finalised in order to begin with excavation of the site. As a result of the uprising that took place in Libya, however progress had to be halted.

In the meantime, however, the Medina Tower management team continued to work on enhancing the various design and structural aspects of the project, whilst concurrently building a strong team that could progress with the project in earnest as and when the situation on the ground would permit.

Throughout the last quarter of the year Medina Tower Joint Stock Company, re-engaged the consultants on the Medina Tower project and immediately commenced where it had left off back in February. Good progress was registered in reconvening the project team and the shareholders of MIH along with their partners have decided to proceed immediately with the Medina Tower project. The directors are of the opinion that the opportunity for the Medina Tower project has increased significantly post the conflict period and are currently evaluating ways of enhancing the feasibility of the project.

Medina Tower will comprise 238 luxury apartments, 10,400 m² of retail space, 22,600 m² of office space and over 8,400 m² of conference and health and leisure facilities and 900 underground parking bays.

Up till the end of the period under review, MIH, as the 25% shareholder in Medina Tower, has invested by way of equity in Medina Tower Joint Stock Company, the joint venture Company registered in Libya that owns and will be developing the Medina Tower project, a total of €5.5m. The balance of equity required for the project is already in place and MIH will contribute the necessary funding throughout 2012 and 2013.

Results

The loss for the year under review amounted to € 2.7 million and arises in consequence of the conflict in Libya which impacted negatively both the operational capacity and the financial performance of the Palm City Residences. The results were also impacted by the substantial finance costs incurred by the company in view of the bonds it has in issue. A significant portion of these bond funds are still held by the company and placed on deposit until they are invested in the Medina Towers project. However the interest differential on these funds placed on deposit with financial institutions and that payable to bondholders is substantial and is the main attribute to the operating loss at group level, which is otherwise a profit at Palm City level.

Furthermore the profit after interest and tax figure of the group is also net of a fair value loss on interest rate swap provision amounting to €560,000 which was charged to the income statement in terms of the provisions of IAS 39 and an unrealised loss on exchange amounting to €188,834. This fair value loss on interest rate swap will unwind and will be credited to the income statement of the group in subsequent years as it is the company's intention to hold on to this financial instrument to maturity.

During the final quarter of the preceding financial year ended 31 December 2010, the board of directors of the Palm City Ltd commissioned PricewaterhouseCoopers and DeMicoli and Associates to prepare an expert valuation report on the Palm City Residences. The valuation, which has been made on the basis of a Built

Operate and Transfer (BOT) agreement, showed an open market value of Palm City Residences at €248 million.

At the end of the period under review, PricewaterhouseCoopers, were engaged once again to review this valuation on the basis of the revised rates which have been established and are effectively being used to lease units at Palm City Residences to new tenants. In this regard, based on a prudent approach, wherein rental leases would have to revert to earlier rates that were contracted prior to the conflict period and with political risk remaining at current levels, the open market value of Palm City Residences would be €250m.

Notwithstanding that the value is higher than the carrying amount in the statements of financial position as at 31 December 2011, the directors of the company have opted to take a prudent stance and the fair value gain has not been recognised in the current year's financial statements.

The group's asset base grew to €291 million as at 31 December 2011 from €288 million at the end of the corresponding date in the previous year which resulted mainly from the finalisation of contracts for construction works.

Directors

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

Mr Alfred Pisani (Chairman)
Mr Khaleel E. A. M. Alabdullah (Vice-Chairman)
Mr Musaed Al Saleh
Mr Joseph Fenech
Mr Faisal J.S. Alessa
Mr Yousef A. Abdelmaula
Mr Joseph C. Caruana (resigned 9 February 2012)
Mr Tonio Depasquale (appointed 9 February 2012)

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:

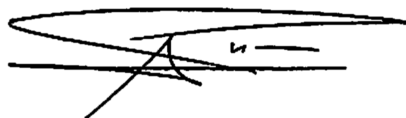
- adopt the going concern basis unless it is inappropriate to presume that the group and company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating 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.

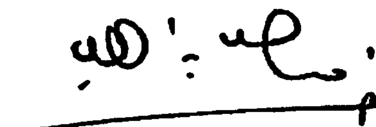
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, 1995. This 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

Khaleel E.A.M. Alabdullah
Vice-Chairman

Registered office:

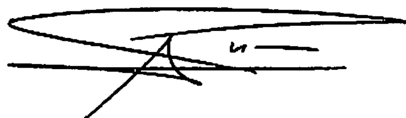
22, Europa Centre,
Floriana FRN 1400,
Malta

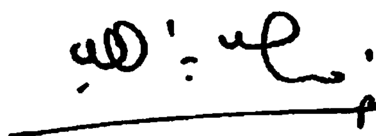
23 April 2012

Statement by the directors on the financial statements and other information included in the annual report

Pursuant to Listing Rule 5.68, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the Annual Report, and prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company, and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors on 23 April 2012 by:





Alfred Pisani
Chairman

Khaleel E.A.M. Alabdullah
Vice-Chairman

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

Listed companies are subject to The Code of Principles of Good Corporate Governance (the "Code"). The adoption of the Code is not mandatory, but listed companies are required under the Listing Rules issued by the Listing Authority to include a Statement of Compliance with the Code in their Annual Report, accompanied by a report of the independent auditors.

The board of directors (the "directors" or the "board") of Mediterranean Investments Holding p.l.c. ("MIH" or the "Company") restate their support for the Code and note that the adoption of the Code has resulted in positive effects to the Company.

The board considers that during the reporting period, the Company has been in compliance with the Code to the extent that was considered adequate with the size and operations of the Company. Instances of divergence from the Code are disclosed and explained below.

A. COMPLIANCE WITH THE CODE

Principles 1 and 4: The Board

The board of directors is entrusted with the overall direction and management of the Company, including the establishment of strategies for future development, and the approval of any proposed acquisitions by the Company in pursuing its investment strategies.

Its responsibilities also involve the oversight of the Company's internal control procedures and financial performance, and the review of business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. All the directors have access to independent professional advice at the expense of the Company, should they so require.

Principle 2: Chairman and Chief Executive

The roles of Chairman and Chief Executive Officer are carried out respectively by Mr Alfred Pisani and Mr Reuben Xuereb.

Principle 3: Composition of the Board

The board of directors consists of two executive directors and five non-executive executive directors. Three directors are appointed by each of the two major shareholders, that is Corinthia Palace Hotel Company Limited of Malta ("CPHCL") and National Real Estate Company of Kuwait ("NREC") and are officers of these two companies. The other is an independent director jointly appointed by the two major shareholders. The present mix of executive directors, non-executive directors and independent director is considered to create a healthy balance and serves to unite all shareholders' interests, whilst providing direction to the Company's management to help maintain a sustainable organisation.

The non-executive directors constitute a majority on the board and their main functions are to monitor the operations of the executive directors and their performance as well as to analyse any investment opportunities that are proposed by the executive directors. In addition, the non-executive directors have the role of acting as an important check on the possible conflicts of interest of the executive directors, which may exist as a result of their dual role as executive directors of the Company and their role as officers of MIH's 50%shareholder, CPHCL.

The board is made up as follows:

Executive directors	*Date of first appointment*
Mr Alfred Pisani – Chairman	5 December 2005
Mr Joseph Fenech – Managing Director	25 August 2006

Non-executive directors	*Date of first appointment*
Mr Musaed Al Saleh	5 December 2005
Mr Yousef Abdelmaula	14 January 2008
Mr Khaleel EAM Al Abdullah	5 December 2005
Mr Faisal J S Alessa	24 June 2009
Mr Joseph C Caruana	24 June 2009 (*Resigned on 9 February 2012)*
Mr Tonio Depasquale	9 February 2012

Company secretary	*Date of first appointment*
Mr Reginald Cuschieri	5 December 2005 (*Resigned on 18 April 2012)*
Mr Stephen Bajada	18 April 2012

In accordance with the Articles of Association, the directors are appointed for an indefinite period.

Principle 5: Board Meetings

During the period under review the first meeting of the board had been scheduled to be held in Tripoli on the 23 February 2011. The meeting was however cancelled because of the start of the unrest in Libya. For the rest of the year no formal meetings of the board were held. However, resolutions and other business were conducted by means of telephonic meetings or electronic equipment exchanges as provided for in Clause 40 of the Articles of Association.

Principle 6: Information and Professional Development

The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

Principle 8: Committees

Audit Committee

The audit committee's primary objective is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee is made up of a majority of non-executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audit and acts to facilitate communication between the board, management and, upon the direct request of the audit committee, the internal audit team and the external auditors.
During the year under review, the committee met four times. The internal and external auditors were invited to attend these meetings.

During the year under review, Mr Joseph C Caruana, a non-executive director, acted as Chairman, whilst Mr Joseph Fenech and Mr Khaleel Al Abdullah served as members. The Company Secretary, Mr Reginald Cuschieri, acted as secretary to the committee.

The board of directors, in terms of Listing Rule 5.118, has indicated Mr Joseph Caruana as the independent non-executive member of the audit committee who is considered to be competent in accounting and/or auditing in view of his considerable experience at a senior level in the banking field. Mr Caruana has now been substituted by Mr Tonio Depasquale who had occupied a senior position in one of the leading banks in Malta for a considerable number of years.

The audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the Company (as well as of its subsidiary) for the purpose of advising management and the board, through the audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation. During 2011, the internal audit function continued to advise the audit committee on aspects of the regulatory framework which affect the day-to-day operations of Palm City Residences.

The directors are fully aware that the close association of the Company with CPHCL and its other subsidiaries is central to the attainment by the Company of its investment objectives and implementation of its strategies. The audit committee ensures that transactions entered into between related parties are carried out on an arm's length basis and are for the benefit of the Company, and that the Company, and its subsidiary, accurately report all related party transactions in the notes to the financial statements.

Principle 12: Corporate Social Responsibility

The Company understands that it has an obligation towards society at large to put into practice sound principles of Corporate Social Responsibility (CSR). This responsibility is carried out by its Maltese shareholder, CPHCL.

B. NON-COMPLIANCE WITH THE CODE

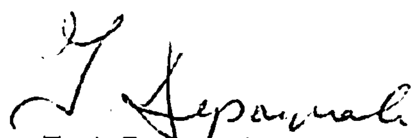
Principle 7: Evaluation of the Board's Performance

Under the present circumstances, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the board's performance is always under the scrutiny of the shareholders.

Principle 9: Relations with shareholders and with the market
Principle 10: Institutional shareholders
Principle 11: Conflicts of interest

These principles are not applicable to the Company since there are no public shareholders.

Approved by the board of directors on 23 April 2012 and signed on its behalf by:



Tonio Depasquale
Director and Chairman of Audit Committee

Joseph Fenech
Managing Director

Other disclosures in terms of listing rules

Statement by the Directors pursuant to Listing Rule 5.70.1

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 agreement are set out in the company's financial statements.

Loan agreements with shareholders

During the period under review the shareholders of the company have advanced funds to the company by way of shareholders' loans. The terms of the relevant agreement are set out in the company's financial statements.

Build – Operate – Transfer Agreement

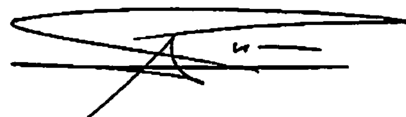
Palm City Ltd is party to a Build-Operate-Transfer agreement wherein it was engaged by Corinthia Palace Hotel Company Limited (CPHCL – holder of legal title to the Janzour land) to finalise the construction of the project in accordance with the specifications agreed upon by both parties. All costs and 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. 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 and Transfer agreement will be terminated.

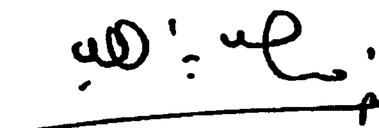
Pursuant to Listing Rule 5.70.2

Company Secretary and Registered Office

Stephen Bajada
22 Europa Centre, Floriana FRN 1400, Malta
Telephone (+356) 21 233 141

Signed on behalf of the Board of Directors on 23 April 2012 by:





Alfred Pisani
Chairman

Khaleel E.A.M. Alabdullah
Vice-Chairman

Remuneration statement

With the exception of the independent director who is jointly appointed by the shareholders, the other directors are officers of the shareholders and none is paid any remuneration. In the circumstances, the need for the appointment of a Remuneration Committee does not arise.

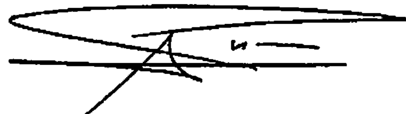
Remuneration of independent director and senior executive

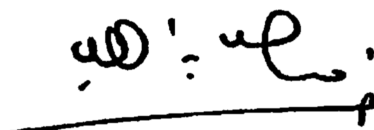
The remuneration of the independent director and senior executive for 2011 amounted to:

Mr Joseph C Caruana – Independent Director - € 5,000

Mr Karl Mallia – Chief Financial Officer - € 60,572

The foregoing amounts are all fixed remuneration. There are no variable remuneration considerations nor share options.





Alfred Pisani
Chairman

Khaleel E.A.M. Alabdullah
Vice-Chairman

Independent auditors' report on the directors' statement of compliance with the Code of Principles of Good Corporate Governance

Listing Rules 5.94 and 5.97 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 5.98, 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 Rule 5.97 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 4013
Malta

23 April 2012

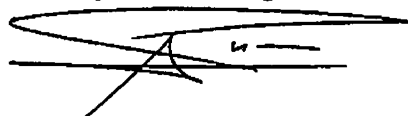
Income statements

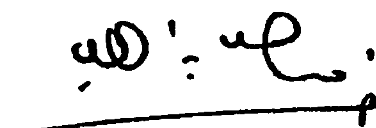
	Notes	Group 2011 €	Group 2010 €	Company 2011 €	Company 2010 €
Turnover		10,201,878	9,119,881	140,000	-
Operating expenses		(2,964,461)	(2,700,499)	-	-
Gross profit		**7,237,417**	**6,419,382**	140,000	-
Administrative expenses		(1,646,600)	(1,316,249)	(345,559)	(104,863)
Marketing expenses		(115,798)	(577,192)	(11,028)	(213,966)
Operating profit/(loss)		**5,475,019**	**4,525,941**	**(216,587)**	**(318,829)**
Finance income	6	509,220	280,745	1,142,956	365,862
Finance costs	6	(8,119,989)	(5,442,415)	(5,513,333)	(3,972,564)
Fair value loss on interest rate swap		(560,000)	-	-	-
Share of results of equity accounted investments		-	(151,307)	-	-
Loss before tax	7	**(2,695,750)**	**(787,036)**	**(4,586,964)**	**(3,925,531)**
Tax expense	8	-	(1,050)	-	-
Loss for the year		**(2,695,750)**	**(788,086)**	**(4,586,964)**	**(3,925,531)**
Loss per share	9	(0.06)	(0.02)	(0.10)	(0.08)

Statements of financial position

	Notes	Group 2011 €	Group 2010 €	Company 2011 €	Company 2010 €
Assets					
Non-current					
Intangible assets	10	2,258	2,258	-	-
Property, plant and equipment	11	503,035	701,609	922	1,383
Investment property	12	248,477,805	246,057,261	-	-
Financial assets	13	3,958,184	4,049,601	96,335,822	91,856,715
Lease prepayment	14	445,376	452,989	-	-
		253,386,658	**251,263,718**	**96,336,744**	**91,858,098**
Current					
Inventories	15	133,078	213,968	-	-
Trade and other receivables	16	8,069,810	8,411,911	4,002,615	1,915,362
Cash and cash equivalents	17	29,464,742	28,255,713	27,921,329	25,954,251
		37,667,630	**36,881,592**	**31,923,944**	**27,869,613**
Total assets		**291,054,288**	**288,145,310**	**128,260,688**	**119,727,711**
Equity					
Share capital	18	48,002,000	48,002,000	48,002,000	48,002,000
Retained earnings/(accumulated losses)		55,302,184	57,997,934	(8,969,531)	(4,382,567)
		103,304,184	**105,999,934**	**39,032,469**	**43,619,433**
Liabilities					
Non-current					
Bank borrowings	19	44,392,484	46,520,355	-	-
Bonds	20	72,992,993	73,618,635	72,992,993	73,618,635
Shareholders' loan	21	13,200,000	-	13,200,000	-
Deferred tax liability	22	29,923,910	29,923,910	-	-
Derivatives	26.6	560,000	-	-	-
		161,069,387	**150,062,900**	**86,192,993**	**73,618,635**
Current					
Bank borrowings	19	9,229,073	9,229,073	-	-
Trade and other payables	23	17,451,644	22,853,403	3,035,226	2,489,643
		26,680,717	**32,082,476**	**3,035,226**	**2,489,643**
Total liabilities		**187,750,104**	**182,145,376**	**89,228,219**	**76,108,278**
Total equity and liabilities		**291,054,288**	**288,145,310**	**128,260,688**	**119,727,711**

The financial statements on pages 13 to 42 were approved by the board of directors, authorised for issue on 23 April 2012 and signed on its behalf by:





Alfred Pisani
Chairman

Khaleel E.A.M. Alabdullah
Vice-Chairman

Statements of changes in equity

Group

	Share capital €	Retained earnings €	Total equity €
Balance at 1 January 2010	48,002,000	58,786,020	106,788,020
Loss for the year	-	(788,086)	(788,086)
Balance at 31 December 2010	**48,002,000**	**57,997,934**	**105,999,934**
Balance at 1 January 2011	48,002,000	57,997,934	105,999,934
Loss for the year	-	(2,695,750)	(2,695,750)
Balance at 31 December 2011	**48,002,000**	**55,302,184**	**103,304,184**

Company

	Share capital €	Accumulated losses €	Total equity €
Balance at 1 January 2010	48,002,000	(457,036)	47,544,964
Loss for the year	-	(3,925,531)	(3,925,531)
Balance at 31 December 2010	**48,002,000**	**(4,382,567)**	**43,619,433**
Balance at 1 January 2011	48,002,000	(4,382,567)	43,619,433
Loss for the year	-	(4,586,964)	(4,586,964)
Balance at 31 December 2011	**48,002,000**	**(8,969,531)**	**39,032,469**

Statements of cash flows

	Notes	Group		Company	
		2011	2010	2011	2010
		€	€	€	€
Operating activities					
Loss before tax		(2,695,750)	(787,036)	(4,586,964)	(3,925,531)
Adjustments	24	8,600,060	5,575,258	4,479,621	4,281,143
Net changes in working capital	24	(1,659,811)	94,378	(1,547,533)	769,467
Tax paid		-	(1,050)	-	-
		4,244,499	**4,881,550**	**(1,654,876)**	**1,125,079**
Investing activities					
Payments to acquire property, plant and equipment		(2,471,054)	(20,056,178)	-	(1,844)
Payments to acquire financial assets		-	(3,900,000)	-	(5,781,075)
Proceeds from liquidation of investment		73,741	-	73,741	-
Payments to capital creditors		(4,067,308)	-	-	-
Loans to subsidiary		-	-	(4,397,773)	(6,082,006)
Repayment of loans to associates		14,668	-	14,668	-
Interest received		278,706	232,318	278,162	367,040
		(6,171,247)	**(23,723,860)**	**(4,031,202)**	**(11,497,885)**
Financing activities					
Proceeds from bond issue		-	39,226,729	-	39,226,729
Proceeds from parent company loan		13,200,000	-	13,200,000	-
Proceeds from bank loan		-	5,000,000	-	-
Cancellation of bonds		(862,092)	-	(862,092)	-
Repayment of bank loan		(2,448,456)	(4,703,992)	-	-
Interest paid		(7,564,573)	(4,851,246)	(4,892,163)	(5,287,602)
		2,324,879	**34,671,491**	**7,445,745**	**33,939,127**
Net change in cash and cash equivalents		398,131	15,829,181	1,759,667	23,566,321
Cash and cash equivalents, beginning of year		28,195,307	13,025,410	25,904,274	2,997,237
Cash and cash equivalents, at end of year before the effect of foreign exchange rate changes		**28,593,438**	**28,854,591**	**27,663,941**	**26,563,558**
Effect of foreign exchange rate changes		250,688	(659,284)	250,688	(659,284)
Cash and cash equivalents, end of year	17	**28,844,126**	**28,195,307**	**27,914,629**	**25,904,274**

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

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 company is 50% owned by Corinthia Palace Hotel Company Limited of 22, Europa Centre, Floriana, 40% owned by National Real Estate Company of PO Box 64585, Shuwaikh B 70456, Kuwait, and 10% owned by Libya Projects General Trading and Contracting Co. of Office 16/Meezzanine Block 12, Al Asfour International Company, Al Manqaf, Kuwait.

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.

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

3 Change in accounting policies

3.1 Adoption of *Improvements to IFRSs* 2010

The *Improvements to IFRSs* 2010 made several minor amendments to a number of IFRSs. Such amendments have been applied by the group and the company but are not expected to have any significant impact on the financial position, results or classifications of assets and liabilities of the group and the company.

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

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

Management anticipates that all of the 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. Information on new standards, amendments and interpretations that are expected to be relevant to the group and company's financial statements is provided below. 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.

Consolidation standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The group's management have yet to assess the impact of these new and revised standards on the group's consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* (IFRS 10)

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

IFRS 11 *Joint Arrangements* (IFRS 11)

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28)

IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

IFRS 9 *Financial Instruments* (effective from 1 January 2013)

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the group and the company. However, they do not expect to implement the amendmens until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

IFRS 13 *Fair Value Measurement* (effective from 1 January 2013)

IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The group and the company's management have yet to assess the impact of this new standard.

Amendments to IAS 1 *Presentation of Financial Statements* (IAS 1 Amendments)

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in acccordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The group and company's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

4 Summary of accounting policies

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.

4.1 Basis of consolidation

The group financial statements consolidate those of the parent company and its subsidiary undertaking drawn up to 31 December 2011. Subsidiaries are all entities over which the group has power to control the financial and operating policies. MIH p.l.c. obtains and exercises control through voting rights. The subsidiary has a reporting date of 31 December.

Intra-group balances, transactions and unrealised gains and losses on transactions between the group companies are eliminated. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owner of the parent and the non-controlling interests based on their respective ownership interests.

4.2 Business combinations

The revised standard on business combinations (IFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in IFRS 3R are as follows:

- acquisition-related costs of the combination are recorded as an expense in the income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised only once its payment was probable and changes were recognised as an adjustment to goodwill.
- the measurement of assets acquired and liabilities assumed at their acquisition-date fair values is retained. However, IFRS 3R includes certain exceptions and provides specific measurement rules.

The group did not make any business acquisitions during 2011 and therefore the changes did not have any impact on the accounting treatment of business combinations.

4.3 Investments in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the acquisition method as explained above. However, any goodwill or fair value adjustment attributable to the group's share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are

reported within 'share of profit/loss of equity accounted investments' in profit or loss. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items recognised directly in the associate's equity are recognised in other comprehensive income or equity of the group, as applicable. However, when the group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

Unrealised gains and losses on transactions between the group and its associates are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the group.

4.4 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 accruals 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.

4.5 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 items in the statement of financial position at year-end exchange rates are recognised in the income statement.

4.6 Operating expenses

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

4.7 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..

4.8 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.

4.9 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 follows:

	%
- Computer equipment	25
- Computer software	20
- 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 re-valued.

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 other 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.

4.10 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.

4.11 Investment property

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

Investment property is re-valued annually and is included in the statement of financial position at its fair value. This is 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 ' fair value gain on investment property'.

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

4.12 Impairment testing 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 higher 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.

4.13 Investment in subsidiary

Investment in subsidiary is included in the company's statement of financial position 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.

At each reporting date the company reviews the carrying amount of its investment in subsidiary 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 the 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 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 and company become 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 and company 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/or expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs' or 'finance income' except for impairment of trade receivables which is presented within 'administrative 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.

Loans advanced by the company to its subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the company's net investment in those subsidiaries and included as part of the carrying amount of investments in subsidiaries.

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 and company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

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 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

4.16 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised directly in the statement of comprehensive income or 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 and any adjustment to tax payable in respect of previous years.

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 goodwill, or 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 group 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 are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only when the group 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 the statement of comprehensive income or equity (such as the revaluation of land) in which case the related deferred tax is also recognised in the statement of comprehensive income or equity respectively.

4.17 Cash and cash equivalents

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

4.18 Equity, reserves and dividend payments

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

Retained earnings/accumulated losses include all current and prior period results, 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.

4.19 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the group and company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the

most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Where the time value of money is material, provisions are discounted to their present values.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. In a business combination contingent liabilities are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Possible inflows of economic benefits to the group and company that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.20 Significant management judgement in applying accounting policies and estimation uncertainty

The following are significant management judgements in applying the accounting policies of the group and company that have the most significant effect on the financial statements.

Income taxes

In order to establish the taxation provisions, management exercises significant judgement in view of the fact that the group and company operate in various jurisdictions and as a result there are diverse transactions for which the ultimate tax determination is somewhat uncertain. In the event that the amount of actual tax due differs from the original amounts provided for, such variances will have an impact on the taxation charges for future periods.

Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the group and company. The carrying amounts are analysed in note 11. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Investment property

At each reporting date investment property is revalued by independent valuers based on managements' estimates of expected future cash flows. The value of the property is determined by applying a suitable discount rate to calculate the present value of these future cash flows.

Cash flows may vary due to a variety of factors affecting the group. In addition, the discount rate used may also be influenced by outside forces.

5 Staff costs

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Wages and salaries	1,396,314	1,420,684	60,573	20,110
Social security costs	46,855	41,632	1,840	559
	1,443,169	**1,462,316**	**62,413**	**20,669**

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

	2011	2010
	No.	No.
Operating	72	95
Administrative	18	21
	90	**116**

During the year under review the company employed an average of one person in the administrative category. (2010:1).

6 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Interest earned on short term deposits	287,993	232,318	287,492	209,522
Interest charged on loan to subsidiary company	-	-	642,900	156,340
Profit on cancellation of bonds	90,220	-	90,220	-
Difference on exchange	131,007	48,427	122,344	-
Finance income	**509,220**	**280,745**	**1,142,956**	**365,862**
Interest on bonds	5,347,531	3,922,064	5,347,531	3,922,064
Bank interest	2,359,364	2,433,658	-	-
Interest charged by related companies	-	4,139	-	-
Foreign exchange loss	202,396	429,829	-	7,349
Amortisation of borrowing costs	118,189	118,189	-	-
Amortisation of bond issue costs	89,544	43,151	89,544	43,151
Loss on liquidation of investment	2,965	-	76,258	-
	8,119,989	**6,951,030**	**5,513,333**	**3,972,564**
Interest capitalised	-	(1,508,615)	-	-
Finance costs	**8,119,989**	**5,442,415**	**5,513,333**	**3,972,564**

7 Loss before tax

The loss before tax is stated after charging:

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Directors' remuneration	66,296	56,000	-	-
Depreciation of property, plant and equipment	248,890	195,959	461	461
Operating lease rentals payable	7,613	7,613	-	-
Auditors' fees				
- Annual statutory audit	16,750	13,875	6,000	5,400
- Other assurance services	-	22,000	-	22,000
- Other non-audit services	-	1,678	-	678

8 Tax expense

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

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Loss before tax	(2,695,750)	(787,036)	(4,586,964)	(3,925,531)
Tax rate	18.75%	18.75%	18.75%	18.75%
Expected tax income	**505,453**	**147,569**	**860,056**	**736,037**
Income subject to tax at 15%	-	(1,050)	-	-
Adjustment for non-deductible expenses	(505,453)	(147,569)	(860,056)	(736,037)
Actual tax expense, net	-	**(1,050)**	-	-

9 Loss per share

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

10 Intangible assets

Trademarks

Group	2011	2010
	€	€
Carrying amount		
Balance at 1 January and 31 December	2,258	2,258

11 Property, plant and equipment

The group's property, plant and equipment comprise computer equipment, computer software, motor vehicles, office furniture and equipment, tools and machinery and equipment. The carrying amount can be analysed as follows:

	Computer equipment €	Computer software €	Motor vehicles €	Office furniture and equipment €	Tools €	Machinery and equipment	Total €
Gross carrying amount							
Balance at 1 January 2010	86,609	-	136,442	228,125	19,923	-	471,099
Additions	77,554	7,300	-	85,033	37,714	428,403	636,004
Balance at 31 December 2010	**164,163**	**7,300**	**136,442**	**313,158**	**57,637**	**428,403**	**1,107,103**
Depreciation							
Balance at 1 January 2010	58,592	-	83,606	62,198	1,472	-	205,868
Depreciation for the year	22,587	122	28,540	52,618	14,643	81,116	199,626
Balance at 31 December 2010	**81,179**	**122**	**112,146**	**114,816**	**16,115**	**81,116**	**405,494**
Carrying amount at 31 December 2010	**82,984**	**7,178**	**24,296**	**198,342**	**41,522**	**347,287**	**701,609**
Gross carrying amount							
Balance at 1 January 2011	164,163	7,300	136,442	313,158	57,637	428,403	1,107,103
Additions	1,608	7,200	-	27,596	7,059	10,511	53,974
Transfer to investment property	-	-	-	(28,668)	-	-	(28,668)
Disposals	(1,124)	-	-	-	-	-	(1,124)
Balance at 31 December 2011	**164,647**	**14,500**	**136,442**	**312,086**	**64,696**	**438,914**	**1,131,285**
Depreciation							
Balance at 1 January 2011	81,179	122	112,146	114,816	16,115	81,116	405,494
Depreciation released on disposal	(633)	-	-	-	-	-	(633)
Depreciation released on transfer to investment property	-	-	-	(26,137)	-	-	(26,137)
Depreciation for the year	25,304	2,510	14,404	68,935	20,629	117,744	249,526
Balance at 31 December 2011	**105,850**	**2,632**	**126,550**	**157,614**	**36,744**	**198,860**	**628,250**
Carrying amount at 31 December 2011	**58,797**	**11,868**	**9,892**	**154,472**	**27,952**	**240,054**	**503,035**

The company's property, plant and equipment was acquired in 2010 and comprises computer equipment having a cost of € 1,844. During the year an amount of €461 was charged as depreciation resulting in a carrying amount of € 922 (2010: € 1,383).

Borrowing costs and depreciation capitalised during 2010 amounted to €1,508,615 and €3,667 respectively. During the year under review none of these costs were capitalised.

12 Investment property

Group

Investment property includes the Palm City Residences in Janzour, Libya, which is held to earn rentals and for capital appreciation. Due to the lack of comparable properties in the market, the determination of fair value can be objectively established on the basis of current active market prices. Therefore the fair value 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:

	2011	2010
	€	€
Carrying amount as at 1 January	246,057,261	226,633,420
Transfer from property, plant and equipment	28,668	-
Capitalisation of project related expenses	2,391,876	19,423,841
Carrying amount as at 31 December	**248,477,805**	**246,057,261**

Investment property valued at €248,477,805 is pledged as security for related borrowings.

Rental income for 2011 amounting to €10,070,866 (2010: €8,736,317) is included within 'turnover'. No contingent rents were recognised. Direct operating expenses of €2,420,114 (2010: €2,571,057) was reported within 'operating expenses'.

All residences are intended to be 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.

The fair value was determined by discounting the forecast future cash flows generated by Palm City Residences for the remaining period of 62 years of the build, operate and transfer agreement signed between Corinthia Palace Hotel Company Limited and Palm City Limited in 2007. A pre-tax discount rate of 8.9 % in real terms was applied to the projected cash flows.

13 Financial assets

		Group		Company	
		2011	2010	2011	2010
	Notes	€	€	€	€
Shares in subsidiary company (unquoted)	13.1	-	-	81,499,998	81,499,998
Shares in associate companies (unquoted)	13.2	3,958,184	4,034,890	4,110,000	4,260,000
Loan to subsidiary company	13.3	-	-	10,725,824	6,082,006
Loans to associate companies		-	14,711	-	14,711
		3,958,184	**4,049,601**	**96,335,822**	**91,856,715**

13.1 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

13.2 Shares in associate companies (unquoted)

Associate company	Percentage holding in ordinary shares %	Nature of business	Capital and reserves 31.12.2011 €
Agility (Libya) Limited 22, Europa Centre, Floriana, Malta	10	Supply chain logistics	1,332,197
Medina Tower Joint Stock Company for Real Estate Investment and Development Suite 107, Tower 2, Level 10 Burj Al Fateh, Tripoli, Libya	25	Property development	15,299,857

The results of the associated companies for the year ended 31 December 2011 are not yet available but are not expected to have a material effect on the results of the group and the company.

At 31 December 2010, the company had a 30% shareholding in AGR Limited (formerly QP qpm-projacs Limited). This company was liquidated during the year under review.

13.3 Loan to subsidiary company

The loan to subsidiary company is unsecured, bears interest at 7.5% and has no fixed date of repayment.

14 Lease prepayment

Group

	2011 €	2010 €
Balance at beginning of year	460,664	468,277
Amount charged to profit and loss	(7,613)	(7,613)
Balance at end of year	**453,051**	**460,664**
Classified as:		
Non-current asset	445,376	452,989
Current asset (note 16)	7,675	7,675
	453,051	**460,664**

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 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 and Transfer agreement will be terminated.

15 Inventories

Inventories comprise mainly of food and beverage stocks used by the food and beverage department, together with stocks of consumables and spare parts used by the maintenance and technical departments of Palm City Limited.

Group	2011 €	2010 €
Food and beverage stocks	71,203	174,875
Stock of uniforms	9,313	22,251
Electrical materials and spare parts	52,562	16,842
Total inventories	**133,078**	**213,968**

16 Trade and other receivables

	Group		Company	
	2011 €	2010 €	2011 €	2010 €
Trade receivables, gross	1,925,534	2,132,139	-	-
Allowance for credit losses	(55,149)	-	-	-
Trade receivables	1,870,385	2,132,139	-	-
Amounts due by related parties	1,685,235	1,652,890	1,602,508	1,109,071
Accrued income	774,890	-	859,652	-
Financial assets	**4,330,510**	**3,785,029**	**2,462,160**	**1,109,071**
Advance payments to capital creditors	841,851	1,471,716	-	-
Advance payments to trade creditors	27,555	2,771	-	-
VAT refundable	9,155	29,819	-	9,923
Lease prepayment (note 14)	7,675	7,675	-	-
Deposits	104,639	119,529	-	-
Other prepayments	25,586	248,263	767	67,176
Other receivables	2,722,839	2,747,109	1,539,688	729,192
	3,739,300	**4,626,882**	**1,540,455**	**806,291**
Total trade and other receivables	**8,069,810**	**8,411,911**	**4,002,615**	**1,915,362**

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

The amounts due by related parties are unsecured, interest free and repayable on demand.

All of the group's trade and other receivables have been reviewed for indicators of impairment. One trade receivable was found to be impaired and an allowance for credit losses of €55,149 (2010: nil) has been recorded accordingly within 'administrative expenses'. The impaired trade receivable is with respect to rent receivable due.

16.1 Ageing of trade receivables

Group

The ageing of trade receivables at the reporting date was:

	2011	2010
	€	€
Not more than 30 days	807,794	270,662
More than 30 days but not more than 120 days	279,655	1,419,757
More than 120 days	782,936	441,720
Total	**1,870,385**	**2,132,139**

17 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position and statements of cash flows include the following components:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	€	**€**	**€**	**€**
Cash at bank and in hand:				
- euro	21,042,041	17,853,264	19,934,189	17,388,145
- Libyan dinar	430,360	1,831,680	-	-
- US dollar	4,344,166	4,652,946	4,338,964	4,648,283
- Pound Sterling	3,648,175	3,917,823	3,648,176	3,917,823
Cash and cash equivalents in the statement of financial position	**29,464,742**	**28,255,713**	**27,921,329**	**25,954,251**
Bank balance overdrawn	(620,616)	(60,406)	(6,700)	(49,977)
Cash and cash equivalents in the statement of cash flows	**28,844,126**	**28,195,307**	**27,914,629**	**25,904,274**

The group had a bank deposit amounting to € 320,627 which is specifically designated for security deposits from lessees. This is not available for general use by the group.

18 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	
	2011	2010	2011	2010
	€	€	€	€
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**

19 Bank borrowings

Borrowings include the following financial liabilities:

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Bank loans due within 2-5 years	44,392,484	46,520,355	-	-
Bank loans due within 1 year	9,229,073	9,229,073	-	-
	53,621,557	**55,749,428**	-	-

The group's banking facilities as at 31 December 2011 amounted to €53,621,557.

The bank borrowings are secured by a general hypothec over the assets of Palm City Ltd and by a guarantee by the company and its shareholders. These borrowings are subject to floating interest rates. As at 31 December 2011 the Libyan dinar bank borrowings amounting to €9,454,890 (2010: €9,638,317) were subject to an effective interest rate of 1.5% (2010: 1.5%) over the Central Bank of Libya discount rate, (2010 and 2011: 4%) whilst the euro bank borrowings amounting to €44,166,666 (2009: €46,111,111) were subject to an effective interest rate of 2.5% plus 3 month Euribor (2010: 2.5% plus 3 month Euribor). Loan repayments are made on a quarterly basis for both the Libyan dinar bank borrowings and for the euro bank borrowings amounting to €362,824 (LYD602,288) and €1,944,444 respectively. The next payment was scheduled for 6 February 2012, after a 9 month capital repayment sanctioned moratorium. The last moratorium extension was sanctioned by ABC International Bank p.l.c., as Facility Agent, by means of a formal Amendment and Waiver Letter dated 25 November 2011. Negotiations are still under way for a further extension of the moratorium. The outcome of these negotiations is as yet unknown.

20 Bonds

	Note	Interest rate	Group 2011 €	Group 2010 €	Company 2011 €	Company 2010 €
Bond I	20.1	7.5%	14,757,659	15,000,689	14,757,659	15,000,689
Bond II	20.2	7.5%	19,649,600	20,000,000	19,649,600	20,000,000
Bond III	20.3	7.15%	38,585,734	38,617,946	38,585,734	38,617,946
			72,992,993	**73,618,635**	**72,992,993**	**73,618,635**

In 2007, the company 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. The company reserves the right to redeem this bond 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.

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.

In 2010 the group successfully issued its third bond equivalent of €30 million subject to an over-allotment option for a further amount of €10 million. This bond was issued in a combination of euro, Pound Sterling and US Dollar redeemable in 2017, but which may be redeemed earlier, between 2015 and 2017. The over-allotment option was exercised thereby increasing the said bond to €40 million.

All of the 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. Redemption of the bonds shall be made at the face value of the bonds. The company also reserves the right to purchase from the market at any time after issue, bonds for cancellation.

During the year under review, in accordance with the provisions detailed in the prospectus of the relative bond issue, the company repurchased and cancelled from the market the bonds listed hereunder:

- 7.5% 2012-2014 — € 243,030
- 7.5% 2015 — € 350,400
- 7.15% 2015-2017 — € 247,800
- 7.15% 2015-2017 GBP — £ 34,800
- 7.15% 2015-2017 USD — $ 96,200

As from 2012 the company shall build a sinking fund the value of which, will by the redemption date be equivalent to 50% of the issued bonds.

20.1 Bond I

	Group €	Company €
Proceeds from issue	15,000,689	15,000,689
Transaction costs	(451,115)	(451,115)
Net proceeds	14,549,574	14,549,574
Capitalisation of transaction costs	451,115	451,115
Balance at 31 December 2008, 2009 and 2010	**15,000,689**	**15,000,689**
Bonds cancelled	(243,030)	(243,030)
Balance at 31 December 2011	**14,757,659**	**14,757,659**

20.2 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 and 2010	**20,000,000**	**20,000,000**
Bonds cancelled	(350,400)	(350,400)
Balance at 31 December 2011	**19,649,600**	**19,649,600**

20.3 Bond III

	Group	Company
	€	€
Proceeds from issue	39,999,997	39,999,997
Transaction costs	(758,570)	(758,570)
Net proceeds	39,241,427	39,241,427
Amortisation of transaction costs	43,152	43,152
Difference on exchange	(666,633)	(666,633)
Balance at 31 December 2010	**38,617,946**	**38,617,946**
Amortisation of transaction costs	89,544	89,544
Difference on exchange	237,126	237,126
Bonds cancelled	(358,882)	(358,882)
Balance at 31 December 2011	**38,585,734**	**38,585,734**

21 Shareholders' loan

The loan from shareholders is unsecured, bears interest at 5% per annum and is repayable between two and five years.

22 Deferred tax liability

Group

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

	2011	2010
	€	€
Non-current assets		
Investment property	**29,923,910**	**29,923,910**

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

23 Trade and other payables

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	€	**€**	**€**	**€**
Trade payables	702,618	1,056,500	424,818	442,026
Capital creditors	3,271,908	7,339,214	-	-
Amounts owed to related parties	5,101,890	5,719,358	-	-
Bank balance overdrawn	620,616	60,406	6,700	49,977
Accrued expenses	4,003,855	2,690,078	2,593,703	1,991,399
Financial liabilities	**13,700,887**	**16,865,556**	**3,025,221**	**2,483,402**
Other payables	3,750,757	5,987,847	10,005	6,241
Total trade and other payables	**17,451,644**	**22,853,403**	**3,035,226**	**2,489,643**

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

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

24 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 loss before tax to arrive at operating cash flow:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	€	**€**	**€**	**€**
Adjustments:				
Fair value adjustment on derivative instrument	560,000	-	-	-
Depreciation	248,890	195,959	461	461
Operating lease	7,613	7,613	-	-
Interest receivable	(287,993)	(232,319)	(930,391)	(365,862)
Interest payable	7,706,895	4,851,245	5,347,531	4,596,043
Share of results of equity accounted investments	-	151,307	-	-
Amortisation of borrowing costs	207,733	161,522	89,544	43,152
Loss on disposal of equity accounted investment	2,965	-	76,258	-
Gain on cancellation of bonds	(90,220)	-	(90,220)	-
Difference on exchange	188,834	439,931	(13,562)	7,349
Increase in allowance for credit losses	55,149	-	-	-
Loss on disposal of property, plant and equipment	194	-	-	-
Total adjustments	**8,600,060**	**5,575,258**	**4,479,621**	**4,281,143**
Net changes in working capital:				
Change in trade and other receivables	355,782	(454,711)	(1,681,024)	(921,937)
Change in trade and other payables	(2,096,483)	549,089	133,491	1,691,404
Change in inventories	80,890	-	-	-
Total changes in working capital	**(1,659,811)**	**94,378**	**(1,547,533)**	**769,467**

25 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 we given or received. Outstanding balances are usually settled in cash.

25.1 Transactions with related parties

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Consultancy and other services	112,647	1,926,021	-	-
Consultancy and other services charged by shareholder	140,000	220,500	140,000	220,500
Consultancy and other services charged to subsidiary	-	-	(110,250)	(110,250)
Consultancy and other services charged to associate	(29,750)	-	(29,750)	-
Interest charged to subsidiary	-	-	(642,900)	(156,240)
Purchases of construction materials	1,712,656	4,891,314	-	-

Balances with related parties are disclosed in notes 13, 16 and 23.

26 Risk management objectives and policies

The group and company are exposed to various risks in relation to financial instruments. The group and company's financial assets and liabilities by category are summarised in note 26.5. The main types of risks are credit risk, liquidity risk and market risk.

The group and company'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 and company'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 and company are exposed are described below.

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

26.1 Credit risk

The group and company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	Group 2011 €	Group 2010 €	Company 2011 €	Company 2010 €
Classes of financial assets – carrying amounts					
Loan to subsidiary company	13	-	-	10,725,824	6,082,006
Loans to associate companies	13	-	14,711	-	14,711
Trade and other receivables	16	4,330,510	3,785,029	2,462,160	1,109,071
Cash and cash equivalents	17	29,464,742	28,255,713	27,921,329	25,954,251
		33,795,252	**32,055,453**	**41,109,313**	**33,160,039**

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. None of the group's assets is secured by collateral or other credit enhancements.

26.2 Liquidity risk

Management manages the group and company'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 and company maintain cash to meet their 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 2011, the group and company'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 2011	€	€	€	€
Bank loan	4,614,536	4,614,537	44,392,484	-
Interest on bank loan	1,152,104	1,078,764	5,326,131	-
Bonds in issue	-	-	34,407,259	38,585,734
Interest on bonds in issue	-	5,339,424	16,979,973	1,534,391
Bank balance overdrawn	620,616	-	-	-
Trade and other payables	13,080,271	-	-	-
Shareholders' loan	-	-	13,200,000	-
Derivatives	141,115	129,022	254,547	-
	19,608,642	**11,161,747**	**114,560,394**	**40,120,125**

Company

	Current	Non-current		
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2011	€	€	€	€
Bonds in issue	-	-	34,407,259	38,585,734
Interest on bonds in issue	-	5,339,424	16,979,973	1,534,391
Bank balance overdrawn	6,700	-	-	-
Trade and other payables	3,018,521	-	-	-
Shareholders' loan	-	-	13,200,000	-
	3,025,221	**5,339,424**	**64,587,232**	**40,120,125**

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

Group

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2010	€	€	€	€
Bank loan	4,614,536	4,614,537	46,520,355	-
Interest on bank loan	1,071,545	1,020,011	5,069,414	-
Bonds in issue	-	-	15,000,689	59,999,997
Interest on bonds in issue	-	5,485,052	21,940,208	8,186,357
Bank balance overdrawn	60,406	-	-	-
Trade and other payables	16,805,151	-	-	-
	22,551,638	**11,119,600**	**88,530,666**	**68,186,354**

Company

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2010	€	€	€	€
Bonds in issue	-	-	15,000,689	59,999,997
Interest on bonds in issue	-	5,485,052	21,940,208	8,186,357
Bank balance overdrawn	49,977	-	-	-
Trade and other payables	2,433,425	-	-	-
	2,483,402	**5,485,052**	**36,940,897**	**68,186,354**

26.3 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.

26.4 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 + / – 100 basis points (2010: +/-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 reporting date. All other variables are held constant.

	2011 €		2010 €	
	+ 100 basis points	-100 basis points	+ 100 basis points	-100 basis points
Net result for the year	(227,049)	227,049	(553,851)	553,851

26.5 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:

	Notes	Group 2011 €	Group 2010 €	Company 2011 €	Company 2010 €
Investments					
- Loan to subsidiary company	13	-	-	10,725,824	6,082,006
- Loans to associate companies	13	-	14,711	-	14,711
		-	**14,711**	**10,725,824**	**6,096,717**
Loans and receivables					
- Trade and other receivables	16	4,330,510	3,785,029	2,462,160	1,109,071
- Cash and cash equivalents	17	29,464,742	28,255,713	27,921,329	25,954,251
		33,795,252	**32,040,742**	**30,383,489**	**27,063,322**
Financial liabilities					
Financial liabilities measured at amortised cost					
Non-current					
- Bank loans	19	44,392,484	46,520,355	-	-
- Bonds	20	73,618,867	74,334,053	73,618,867	74,334,053
- Shareholders' loan	21	13,200,000	-	13,200,000	-
- Derivatives	26.6	560,000	-	-	-
		131,771,351	**120,854,408**	**86,818,867**	**74,334,053**
Current					
- Bank loans	19	9,229,073	9,229,073	-	-
- Trade and other payables	23	13,700,887	16,865,556	3,025,221	2,483,402
		22,929,960	**26,094,629**	**3,025,221**	**2,483,402**

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 26.

26.6 Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the group's statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2011	Level 1	Level 2	Level 3
Interest rate swap	-	(€ 560,000)	-

Measurement of fair value

Where derivatives are traded either on exchanges or liquid over-the-counter markets the company uses the closing price at the reporting date. Normally, the derivatives entered into by the group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates (level 2). Derivatives entered into by the group are included in level 2 and consist of an interest rate swap agreement.

There have been no transfers into or out of level 2 in the reporting period under review.

27 Commitments

	Group	
	2011	2010
	€	€
Capital expenditure		
Capital expenditure that has been authorised by the directors but has not yet been contracted for	-	883,095

28 Contingent Liability

An administrative penalty amounting to € 30,000 was imposed on the company by the Malta Financial Services Authority in respect of breach of the Listing Rules. The imposition of this penalty has been appealed before the Financial Services Tribunal. No final decision has yet been taken by the Tribunal as at the date of signing of these financial statements.

29 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.

30 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the board.

Independent auditors' report

To the shareholders of

Mediterranean Investments Holding p.l.c.

Report on the financial statements

We have audited the accompanying financial statements of Mediterranean Investments Holding p.l.c. and the consolidated financial statements of its group set out on pages 13 to 42, which comprise the statements of financial position as at 31 December 2011, and the income statements, 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 information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of financial statements that give a true and fair view 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 policies 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 audit opinion.

Opinion

In our opinion, the group's consolidated financial statements and the company's financial statements give a true and fair view of their financial position as at 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386.

Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- the information given in the director's report is not consistent with the financial statements.
- the company has not kept proper accounting records.
- the company's financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations, we require for our audit.
- certain information required by the Act regarding directors' remuneration is not disclosed in the financial statements, in which case we are required to include the required particulars in a statement in our report.

We have nothing to report to you in respect of these responsibilities.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre
Tower Street, Suite 3
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Malta

23 April 2012