Mediterranean Investments Holding p.l.c.

Report & Consolidated Financial Statements

31 December 2012

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 2012. The group comprises the company, its two subsidiaries, Palm City Ltd and Palm Waterfront Ltd, and its associate, Medina Tower Joint Stock Company for Real Estate Investment and Development.

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, develop and operate real estate projects in Libya and invest in any related trade or business venture.

Review of the business

Throughout 2012 the company, remained focused on two principal aims. The first being that of re-organizing and re-deploying a management and operations team to ramp up the facilities management team together with all the necessary resources after the ill effects of the 2011 civil uprising in Libya, and re-establish Palm City Residences as the leading provider of high-end residential properties for rent in the Libyan market. The second company objective was to push forward on the commencement of the construction of the Medina Towers project in Tripoli, Libya.

The Directors are particularly pleased to report that there has been a significant increase in signed lease agreements at Palm City Residences and that for the period under review 91% occupancy had been achieved at year's end. The actual occupancy, spread across various residential term contracts, also reveals a significant decrease in reliance on short-term rentals, which featured predominantly at the end of 2011.

The Oil and Gas sector, at 46% effective tenancy, takes up the largest portion of the actual occupancy mix, followed by NGOs at 27%, Embassies 9%, Banking Institutions 4% and Airlines at 3%, with the remaining 11% spread across Hospitality, Energy, Beverage and Construction, amongst others. The persistent and fast growing demand from the Oil and Gas Sector will be progressively met during the course of the ensuing year, as the presence of NGOs starts to decline. The Directors acknowledge the fact that the presence of NGOs at Palm City has so far been considered as a short to medium term transient trade. That said, the extended presence of NGOs has actually contributed, in no small way, to the group's success over the past financial year. Be that as it may, the Directors still believe that the ensuing shift from medium to long term tenancy will offer added stability and further develop market position.

Given the force majeure situation that the group endured throughout 2011, and the resulting impact on its cash flow, the shareholders of MIH supported this temporary gap in cash flow by extending to the company €13.2 million by way of shareholders' loan in 2011. This was necessary principally for the company to meet its bond interest costs and for Palm City Ltd to meet its commitments with capital creditors.

In view of the change in the timing of the funding requirements for the Medina Tower project and the commitments of the shareholders of MIH, on 11 June 2012, the Board of Directors of the company called upon the bond holders of Bond III of €40 million, for a meeting during which they have been requested to approve a temporary change to the original use of bond proceeds section from that set out in the Prospectus of the said bond.

The prospectus of the said bond required that a meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. The quorum was in fact reached and 81.73% voted in favour of the resolution and therefore the proposed €8 million out of the bond proceeds have been applied in partial reduction of this loan. The loan was reduced by a further €2 million through proceeds received by the company from its subsidiary in settlement of the parent company loan. The shareholders' loan currently stands at €3.2 million at year's end.

Significant progress has also been registered on various aspects of the Medina Tower project. The sub and superstructure design has now been completed. A number of design coordination meetings have been organized over the last months during which the project team, composed of the executive committee, the project's consultants, the contractor and his sub-contractors and consultants, discussed a number of design issues which were rigorously analysed, options assessed and final decisions taken with a view to either improve the original concept or materials used, or with the objective of achieving the same quality of build and finish but identifying alternative materials to lower the cost.

Medina Tower will comprise 238 luxury apartments, 10,400 m^2 of retail space, 22,600 m^2 of office space and over 8,400 m^2 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 Joint Stock Company for Real Estate Investment and Development, the joint venture company registered in Libya that owns and will be developing the Medina Tower project, had invested a total of €13 million.

Results

Profit for the year after tax amounted to €49 million (2011 — loss of €2.7 million). This result includes a fair value uplift recognised on the Palm City Residences amounting to €56.8 million and a corresponding deferred tax provision amounting to €20.7 million with a net effect of €36.1 million on the said results. The residual difference of the profit after tax amounts to €12.9 million. This is a significant improvement in performance when compared to the corresponding period last year and is a result of the increased income generated from the leasing out of units at Palm City Residences.

Furthermore, the profit after tax figure of the group is also net of a fair value loss on interest rate swap amounting to €432,000 which was charged to the income statement in terms of the provisions of IAS 39. 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.

The board of directors of Palm City Ltd commissioned PricewaterhouseCoopers to update the valuation report on the Palm City Residences. The valuation, which has been made on the basis of a Build-Operate-Transfer (BOT) agreement, showed an open market value of Palm City Residences at €310.4 million at year's end. The directors of the company have decided to take this new value for Palm City Residences and recognise the fair value gain in the current year's financial statements.

The group's asset base grew to €346 million as at 31 December 2012 from €291 million at the end of the corresponding date in the previous year which resulted mainly from the fair value gain on Palm City Residences and the profit after tax realised on the operation of its subsidiary company, Palm City Ltd.

Directors

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

Mr Alfred Pisani (Chairman)
Mr Samuel Dean Sidiqi (Vice Chairman) (appointed 6 July 2012)
Mr Yousef A. Abdelmaula
Mr Joseph Fenech
Mr Faisal J S Alessa
Mr Tonio Depasquale
Ms Khadija Oubala (appointed 1 January 2013)
Mr Musaed Al Saleh (resigned 5 July 2012)
Mr Khalil E. A. M. Alabdullah (resigned 1 January 2013)

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

Disclosure of information to the auditor

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 auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that s/he ought to have taken as a director in order to make him/herself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap 386 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:

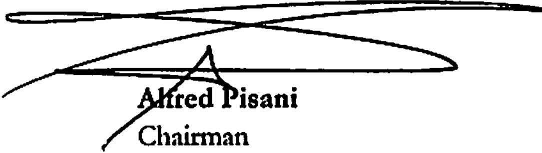
- adopt the going concern basis unless it is inappropriate to presume that the group and company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating 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, Cap 386. 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.

Auditor

A resolution to appoint Grant Thornton as auditor of the company and group will be proposed at the forthcoming Annual General Meeting.

By order of the board



Alfred Pisani
Chairman

Faisal J S Alessa
Director

Registered office:

22, Europa Centre,
Floriana FRN 1400,
Malta

19 April 2013

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 19 April 2013 by:

Alfred Pisani
Chairman

Faisal J S Alessa
Director

Directors' statement of compliance with the Code of Principles Of Good Corporate 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 auditor.

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 – Executive Director	25 August 2006

Non-executive directors	*Date of first appointment*
Mr Musaed Al Saleh	5 December 2005 *(Resigned 5 July 2012)*
Mr Yousef A. Abdelmaula	14 January 2008
Mr Khalil E.A.M. Alabdullah	5 December 2005 *(Resigned 1 January 2013)*
Mr Faisal J S Alessa	24 June 2009
Mr Tonio Depasquale	9 February 2012
Mr Samuel Dean Sidiqi	6 July 2012
Ms Khadija Oubala	1 January 2013

Company secretary	*Date of first appointment*
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 board of directors met twice to discuss the operations and strategy of the company.

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 three times. The internal and external auditors were invited to attend these meetings.

During the year under review, Mr Joseph C Caruana, who previously acted as committee Chairman was replaced by Mr Tonio Depasquale, whilst Mr Joseph Fenech and Mr Samuel Dean Sidiqi served as members. Mr Reginald Cuschieri, who acted as secretary to the committee was replaced by Mr Stephen Bajada.

The board of directors, in terms of Listing Rule 5.118, has indicated Mr Tonio Depasquale 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.

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 2012, 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 19 April 2013 and signed on its behalf by:

Tonio Depasquale
Director and Chairman of Audit Committee

Joseph Fenech
Executive 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

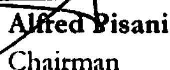
Palm City Ltd is party to a Build-Operate-Transfer agreement wherein it was engaged by Corinthia Palace Hotel Company Limited (CPHCL – holder of legal title to the Janzour land) to finalise the construction of the project in accordance with the specifications agreed upon by both parties. All costs and 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-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 19 April 2013 by:



Alfred Pisani
Chairman

Faisal J S Alessa
Director

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 senior executive

The remuneration of the senior executive for 2012 amounted to:

Mr Karl Mallia – Chief Financial Officer - € 60,785

The above amount represents fixed remuneration. There are no variable remuneration considerations nor share options.

Signed on behalf of the Board of Directors on 19 April 2013 by:

Alfred Pisani
Chairman

Faisal J S Alessa
Director

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

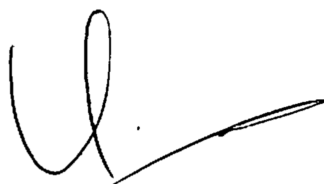
Listing Rules 5.94 and 5.97 issued by the Listing Authority, require the directors of Mediterranean Investments Holding p.l.c. (the "company") to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the "statement of compliance"), and the effective measures they have taken to ensure compliance with these principles.

Our responsibility, as the auditor 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, Suite 3
Tower Street
Swatar BKR 4013
Malta

19 April 2013

Statements of total comprehensive income

	Notes	Group		Company	
		2012	2011	2012	2011 (restated)
		€	€	€	€
Revenue	5	27,315,392	10,201,878	413,596	140,000
Operating expenses		(4,561,751)	(2,964,461)	-	-
Gross profit		**22,753,641**	**7,237,417**	**413,596**	**140,000**
Gain on fair value of investment property	13	56,803,885	-	-	-
Administrative expenses		(2,278,804)	(1,646,600)	(539,520)	(345,559)
Marketing expenses		(177,333)	(115,798)	(62,506)	(11,028)
Operating profit (loss)		**77,101,389**	**5,475,019**	**(188,430)**	**(216,587)**
Finance income	7	456,712	509,220	1,081,524	1,142,956
Finance costs	7	(8,692,366)	(8,119,989)	(6,390,947)	(5,559,945)
Fair value loss on interest rate swap		(432,000)	(560,000)	-	-
Share of loss of equity accounted investment		(276,023)	-	-	-
Profit (loss) before tax	8	**68,157,712**	**(2,695,750)**	**(5,497,853)**	**(4,633,576)**
Tax (expense) income					
- Deferred tax on gain on fair value of investment property	9	(20,733,691)	-	-	-
- Deferred tax – other	9	1,618,765	-	138,933	16,314
Profit (loss) for the year		**49,042,786**	**(2,695,750)**	**(5,358,920)**	**(4,617,262)**

Other comprehensive income:
Items that will be reclassified subsequently to profit or loss

	Notes	Group 2012 €	Group 2011 €	Company 2012 €	Company 2011 (restated) €
Available-for-sale financial assets					
- current year gains		46,320	-	54,498,156	1,817,923
Income tax relating to components of other comprehensive income	25	-	-	(19,069,357)	(636,273)
Other comprehensive income for the year, net of tax		46,320	-	35,428,799	1,181,650
Total comprehensive income for the year		**49,089,106**	**(2,695,750)**	**30,069,879**	**(3,435,612)**
Earnings (loss) per share (basic and diluted)	10	**1.02**	**(0.06)**	**(0.11)**	**(0.10)**

Statements of financial position

	Notes	Group 2012	Group 2011	Group 2010	Company 2012	Company 2011 (restated)	Company 2010 (restated)
		€	€	€	€	€	€
Assets							
Non-current							
Intangible assets	11	2,258	2,258	2,258	-	-	-
Property, plant and equipment	12	414,678	503,035	701,609	1,749	922	1,383
Investment property	13	310,406,000	248,477,805	246,057,261	-	-	-
Investments accounted for using the equity method	14	12,648,941	3,958,184	4,049,601	-	-	-
Investment in subsidiaries and associates	15	-	-	-	223,225,081	160,637,710	154,387,292
Financial assets	16	1,871,070	-	-	417,780	-	-
Lease prepayment	17	437,763	445,376	452,989	-	-	-
		325,780,710	**253,386,658**	**251,263,718**	**223,644,610**	**160,638,632**	**154,388,675**
Current							
Inventories	18	273,000	133,078	213,968	-	-	-
Trade and other receivables	19	7,169,786	8,069,810	8,411,911	2,678,838	4,002,615	1,915,362
Cash and cash equivalents	20	13,086,298	29,464,742	28,255,713	5,405,392	27,921,329	25,954,251
		20,529,084	**37,667,630**	**36,881,592**	**8,084,230**	**31,923,944**	**27,869,613**
Total assets		**346,309,794**	**291,054,288**	**288,145,310**	**231,728,840**	**192,562,576**	**182,258,288**
Equity							
Share capital	21	48,002,000	48,002,000	48,002,000	48,002,000	48,002,000	48,002,000
Other components of equity		46,320	-	-	77,304,098	41,875,299	40,693,649
Retained earnings (accumulated losses)		104,344,970	55,302,184	57,997,934	(14,407,522)	(9,048,602)	(4,431,340)
		152,393,290	**103,304,184**	**105,999,934**	**110,898,576**	**80,828,697**	**84,264,309**
Liabilities							
Non-current							
Bank borrowings	22	40,240,684	44,392,484	46,520,355	-	-	-
Bonds	23	73,108,470	72,992,993	73,618,635	73,108,470	72,992,993	73,618,635
Shareholders' loan	24	3,200,000	13,200,000	-	3,200,000	13,200,000	-
Deferred tax liability	25	49,038,836	29,923,910	29,923,910	41,436,084	22,505,660	21,885,701
Derivative financial instrument	26	992,000	560,000	-	-	-	-
		166,579,990	**161,069,387**	**150,062,900**	**117,744,554**	**108,698,653**	**95,504,336**
Current							
Bank borrowings	22	8,719,985	9,229,073	9,229,073	-	-	-
Trade and other payables	27	18,616,529	17,451,644	22,853,403	3,085,710	3,035,226	2,489,643
		27,336,514	**26,680,717**	**32,082,476**	**3,085,710**	**3,035,226**	**2,489,643**
Total liabilities		**193,916,504**	**187,750,104**	**182,145,376**	**120,830,264**	**111,733,879**	**97,993,979**
Total equity and liabilities		**346,309,794**	**291,054,288**	**288,145,310**	**231,728,840**	**192,562,576**	**182,258,288**

The financial statements on pages 13 to 53 were approved by the board of directors, authorised for issue on 19 April 2013 and signed on its behalf by:

Alfred Pisani
Chairman

Faisal J S Alessa
Director

Statements of changes in equity

Group

	Share capital €	Other components of equity €	Retained earnings €	Total equity €
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**
Balance at 1 January 2012	48,002,000	-	55,302,184	103,304,184
Profit for the year	-	-	49,042,786	49,042,786
Other comprehensive income	-	46,320	-	46,320
Total comprehensive income for the year	-	46,320	49,042,786	49,089,106
Balance at 31 December 2012	**48,002,000**	**46,320**	**104,344,970**	**152,393,290**

Company

	Share capital €	Other components of equity (restated) €	Accumulated losses €	Total equity (restated) €
Balance at 1 January 2010	48,002,000	38,555,960	(457,036)	86,100,924
Loss for the year	-	-	(3,974,304)	(3,974,304)
Other comprehensive income (see note 33)	-	2,137,689	-	2,137,689
Total comprehensive income for the year	-	2,137,689	(3,974,304)	(1,836,615)
Balance at 31 December 2010	**48,002,000**	**40,693,649**	**(4,431,340)**	**84,264,309**
Balance at 1 January 2011	48,002,000	40,693,649	(4,431,340)	84,264,309
Loss for the year	-	-	(4,617,262)	(4,617,262)
Other comprehensive income (see note 33)	-	1,181,650	-	1,181,650
Total comprehensive income for the year	-	1,181,650	(4,617,262)	(3,435,612)
Balance at 31 December 2011	**48,002,000**	**41,875,299**	**(9,048,602)**	**80,828,697**
Balance at 1 January 2012	48,002,000	41,875,299	(9,048,602)	80,828,697
Loss for the year	-	-	(5,358,920)	(5,358,920)
Other comprehensive income	-	35,428,799	-	35,428,799
Total comprehensive income for the year	-	35,428,799	(5,358,920)	30,069,879
Balance at 31 December 2012	**48,002,000**	**77,304,098**	**(14,407,522)**	**110,898,576**

Statements of cash flows

	Notes	Group 2012	Group 2011	Company 2012	Company 2011 (restated)
		€	€	€	€
Operating activities					
Profit (loss) before tax		68,157,712	(2,695,750)	(5,497,853)	(4,633,576)
Adjustments	28	(48,070,002)	8,600,060	5,310,313	4,526,233
Net changes in working capital	28	1,945,070	(1,659,811)	1,392,112	(1,547,533)
		22,032,780	**4,244,499**	**1,204,572**	**(1,654,876)**
Investing activities					
Payments to acquire property, plant and equipment		(169,325)	(2,471,054)	(1,718)	-
Payments to acquire long term financial assets		(10,924,727)	-	(8,098,055)	-
Proceeds from liquidation of investment		-	73,741	-	73,741
Proceeds from disposal of property, plant and equipment		35,001	-	-	-
Payments to capital creditors		(5,124,310)	(4,067,308)	-	-
Loans to subsidiary company		-	-	-	(4,397,773)
Repayment of loans to associate companies		-	14,668	-	14,668
Interest received		295,428	278,706	233,195	278,162
		(15,887,933)	**(6,171,247)**	**(7,866,578)**	**(4,031,202)**
Financing activities					
Proceeds from parent company loan		-	13,200,000	-	13,200,000
Repayment of parent company loans		(10,000,000)	-	(10,000,000)	-
Cancellation of bonds		-	(862,092)	-	(862,092)
Repayment of bank loan		(4,502,420)	(2,448,456)	-	-
Interest paid		(7,662,576)	(7,564,573)	(5,845,283)	(4,892,163)
		(22,164,996)	**2,324,879**	**(15,845,283)**	**7,445,745**
Net change in cash and cash equivalents		(16,020,149)	398,131	(22,507,289)	1,759,667
Cash and cash equivalents, beginning of year		28,844,126	28,195,307	27,914,629	25,904,274
Cash and cash equivalents, at end of year before the effect of foreign exchange rate changes		**12,823,977**	**28,593,438**	**5,407,340**	**27,663,941**
Effect of foreign exchange rate changes		(9,223)	250,688	(9,223)	250,688
Cash and cash equivalents, end of year	20	**12,814,754**	**28,844,126**	**5,398,117**	**27,914,629**

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 limited liability 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, Cap 386.

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 'Presentation of items of other comprehensive income' (Amendments to IAS 1)

The group has early adopted 'Presentation of Items of Other Comprehensive Income' (Amendments to IAS 1). The Amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012 and require entities to group items presented in other comprehensive income (OCI) into those that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. The existing option to present items of OCI either before tax or net of tax remains unchanged; however, if the items are presented before tax, then the Amendments to IAS 1 require the tax related to each of the two groups of OCI to be shown separately.

3.2 Change in valuation of investment in subsidiary and investment in associate

During the current reporting period the company effected a change in accounting policy whereby the investment in subsidiary and the investment in associate started being treated as available-for-sale financial assets, with changes in fair value being taken to 'other comprehensive income'. It is the opinion of the directors that this change in accounting policy will better reflect the financial performance of the subsidiary and associate in the results of the parent company.

This change in accounting policy was applied retrospectively from the beginning of the earliest period presented i.e. 1 January 2010.

The effects of this change on current and previous years are more fully described in note 33.

3.3 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 (except for the Amendments to IAS 1 noted above in 3.1).

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

IFRS 9 'Financial Instruments' (IFRS 9)

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. 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 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The group's and company's management have yet to assess the impact of this new standard on the group's and company's consolidated financial statements. However, management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

Consolidation standards

A package of new consolidation standards is effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below. Management has not yet completed its assessment of 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'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the group's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the group's existing investees at 31 December 2012.

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 'Separate Financial Statements' (IAS 27) and IAS 28 'Investments in

Associates and Joint Ventures' (IAS 28)

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

IFRS 13 'Fair Value Measurement' (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the group's and the company's consolidated financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the group's and the company's consolidated financial statements from these Amendments.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. Management does not anticipate a material impact on the group's consolidated financial statements from these amendments.

Annual Improvements 2009-2011 (the Annual Improvements)

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the group and the company are summarised below:

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Tax effect of distribution to holders of equity instruments:

- addresses a perceived inconsistency between IAS 12 'Income Taxes' (IAS 12) and IAS 32 'Financial Instruments: Presentation' (IAS 32) with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction
- clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate a material impact on the group and the company's financial statements from these Amendments.

4 Summary of accounting policies

4.1 Overall considerations

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

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

The accounting policies have been consistently applied by the group and the company and are consistent with those in previous years except for a change in accounting policy adopted by the company during the current reporting period (note 3.2).

4.2 Presentation of financial statements

The consolidated and the company's financial statements are presented in accordance with IAS 1 *(Presentation of Financial Statements)* (Revised 2007).

IAS 1 requires two comparative periods to be presented for the statement of financial position when an entity makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. Since the company has effected a change in accounting policy and adopted this change retrospectively, it is presenting an additional statement of financial position (note 33).

Since the change does not affect the group results or statement of financial position, only two periods are being presented for the group's notes to items in the statement of financial position, however a third statement of financial position is being presented for the group for presentation purposes.

4.3 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2012. 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. All subsidiaries have 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.

4.4 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 Investments in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

The carrying amount of the investments in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustment of assets and liabilities.

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.

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

4.6 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the company and 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.

4.7 Operating expenses

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

4.8 Property, plant and equipment

Items of property, plant and equipment are initially recognised at acquisition cost or manufacturing cost. Subsequently, they are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is calculated, using the straight-line method, to write off or write down the cost or valuation of assets over their estimated useful lives on the following bases:

	%
- Computer equipment	25
- Computer software	20
- Office furniture and equipment	25
- Motor vehicles	25
- Tools	33

- Machinery and equipment 25

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within 'other income' or 'administrative expenses'.

4.9 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.

4.10 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.

4.11 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.

4.12 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 revalued 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 'gain on fair value of investment property'.

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

4.13 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.

4.14 Investment in subsidiary

Investment in subsidiary is included in the company's financial statements at fair value (refer to note 4.15).

4.15 Financial instruments

Recognition, initial measurement and derecognition

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

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets of the group and company are classified into loans and receivables and available-for-sale financial assets 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.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The company's available-for-sale financial assets include listed government bonds, investment in subsidiaries and investment in associates.

Available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within 'other components of equity', except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within 'other comprehensive income'. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses for financial assets that are debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments, impairment reversals are not recognised in profit or loss and any subsequent changes in fair value are recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities

The group and company's financial liabilities include borrowings, trade and other payables and derivative financial instrument.

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 derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

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' except for changes in fair value of derivative financial instrument which are disclosed separately, for presentation purposes, in the statement of total comprehensive income.

4.16 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.

4.17 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 other comprehensive income or equity (such as the revaluation of land) in which case the related deferred tax is also recognised in the statement of other comprehensive income or equity respectively.

4.18 Cash and cash equivalents

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

4.19 Equity, reserves and dividend payments

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

Other components of equity include movements in fair value of AFS financial assets.

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.

4.20 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.

4.21 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

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about the recoverability of certain trade receivables

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 12. 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.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market

quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5 Revenue

	Group		Company	
	2012	**2011**	**2012**	**2011**
	€	**€**	**€**	**€**
Income from management fees	263,594	29,750	413,596	140,000
Income from residential leases	25,716,682	10,035,064	-	-
Income from commercial leases	288,406	35,802	-	-
Increase from food and beverage operations	390,301	90,501	-	-
Income from supermarket concession	-	7,410	-	-
Administration fees	11,735	274	-	-
Water, electricity, internet and telephone recharges	581,781	65	-	-
Miscellaneous income	45,902	3,012	-	-
Other revenue	16,991	-	-	-
	27,315,392	**10,201,878**	**413,596**	**140,000**

6 Staff costs

	Group		Company	
	2012	**2011**	**2012**	**2011**
	€	**€**	**€**	**€**
Wages and salaries	2,263,932	1,396,314	60,785	60,573
Social security costs	106,472	46,855	2,006	1,840
	2,370,404	**1,443,169**	**62,791**	**62,413**

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

	2012	**2011**
	No.	**No.**
Operating	92	72
Administrative	21	18
	113	**90**

During the year under review the company employed an average of one person in the administrative category. (2011: 1).

7 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

	Group		Company	
	2012	2011	2012	2011 (restated)
	€	€	€	€
Interest earned on short term deposits	200,518	287,993	155,705	287,492
Interest earned on long term investment	29,599	-	12,179	-
Interest charged on loan to parent company	65,311	-	65,311	-
Interest charged on loan to subsidiary company	-	-	848,329	642,900
Profit on cancellation of bonds	-	90,220	-	90,220
Difference on exchange	161,284	131,007	-	122,344
Finance income	**456,712**	**509,220**	**1,081,524**	**1,142,956**
Interest on bonds	5,385,548	5,347,531	5,385,548	5,347,531
Interest charged on loan from shareholders	441,287	-	441,287	-
Bank interest	2,471,374	2,359,364	-	-
Difference on exchange	28,434	202,396	28,434	-
Amortisation of borrowing costs	136,236	118,189	-	-
Amortisation of bond issue costs	96,267	89,544	96,267	89,544
Loss on liquidation of investment in associate	133,220	2,965	210,000	76,258
Impairment of available-for-sale financial asset	-	-	229,411	46,612
Finance costs	**8,692,366**	**8,119,989**	**6,390,947**	**5,559,945**

8 Profit (loss) before tax

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

	Group		Company	
	2012	2011	2012	2011
	€	€	€	€
Director's remuneration	56,092	66,296	-	-
Depreciation of property, plant and equipment	239,672	249,523	890	461
Operating lease charge	7,613	7,613	-	-
Auditor's fees				
- Annual statutory audit	20,800	16,750	8,000	6,000

9 Tax (expense) income

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

	Group		Company	
	2012	2011	2012	2011 (restated)
	€	€	€	€
Profit (loss) before tax	68,157,712	(2,695,750)	(5,497,853)	(4,633,576)
Tax rate	18.75%	18.75%	18.75%	18.75%
Expected tax (expense) income	**(12,779,571)**	**505,453**	**1,030,847**	**868,796**
Adjustment for non-deductible expenses	-	(505,453)	(129,157)	-
Adjustment for tax rate differences	(6,335,355)	-	(762,757)	(852,482)
Actual tax (expense) income, net	**(19,114,926)**	**-**	**138,933**	**16,314**
Comprising:				
Deferred tax on gain on fair value of investment property	(20,733,691)	-	-	-
Deferred tax on unabsorbed capital allowances and unused tax losses	1,618,765	-	138,933	16,314
Deferred tax (expense) income	**(19,114,926)**	**-**	**138,933**	**16,314**

See note 25 for information on the group's and company's deferred tax liability.

10 Earnings (loss) per share

The calculation of earnings (loss) per share is based on the net profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares (2012 and 2011: 48,002,000) outstanding during the year. There was no dilution of share capital during the reporting periods presented.

11 Intangible assets

Trademarks

Group	2012	2011
	€	€
Carrying amount		
Balance at 1 January and 31 December	2,258	2,258

12 Property, plant and equipment

The group and company'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:

Group	Computer equipment €	Computer software €	Motor vehicles €	Office furniture and equipment €	Tools €	Machinery and equipment €	Total €
Gross carrying amount							
Balance at 1 January 2012	164,647	14,500	136,442	312,086	64,696	438,914	1,131,285
Additions	12,138	82,140	-	32,397	41,377	1,273	169,325
Disposals	-	-	-	-	-	(41,164)	(41,164)
Balance at 31 December 2012	176,785	96,640	136,442	344,483	106,073	399,023	1,259,446
Depreciation							
Balance at 1 January 2012	105,850	2,632	126,550	157,614	36,744	198,860	628,250
Depreciation for the year	24,862	3,949	8,995	70,036	23,764	108,066	239,672
Depreciation released on disposal	-	-	-	-	-	(23,154)	(23,154)
Balance at 31 December 2012	130,712	6,581	135,545	227,650	60,508	283,772	844,768
Carrying amount at 31 December 2012	**46,073**	**90,059**	**897**	**116,833**	**45,565**	**115,251**	**414,678**
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
Disposals	(1,124)	-	-	-	-	-	(1,124)
Transfer to investment property	-	-	-	(28,668)	-	-	(28,668)
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**

Company	Computer equipment €
Gross carrying amount	
Balance at 1 January 2012	1,847
Additions	1,717
Balance at 31 December 2012	3,564
Depreciation	
Balance at 1 January 2012	925
Depreciation for the year	890
Balance at 31 December 2012	1,815
Carrying amount at 31 December 2012	**1,749**
Gross carrying amount	
Balance at 1 January 2011 and 31 December 2011	1,847
Depreciation	
Balance at 1 January 2011	464
Depreciation for the year	461
Balance at 31 December 2011	925
Carrying amount at 31 December 2011	**922**

In 2010 the company's property, plant and equipment comprised computer equipment having a cost of €1,847. Depreciation of €464 was charged for the year, leaving a carrying amount of €1,383.

13 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 cannot 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:

	2012 €	2011 €
Carrying amount as at 1 January	248,477,805	246,057,261
Transfer from property, plant and equipment	-	28,668
Capitalisation of project related expenses	5,124,310	2,391,876
Gain on fair value of investment property	56,803,885	-
Carrying amount as at 31 December	**310,406,000**	**248,477,805**

Investment property valued at € 310,406,000 (2011: €248,477,805) is pledged as security for related borrowings.

Rental income for 2012 amounting to € 26,005,088 (2011: € 10,070,866) is included within 'revenue'. No contingent rents were recognised. Direct operating expenses of € 4,369,346 (2011: € 2,920,114) 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 group has no minimum lease payments.

The fair value of the investment property was determined by discounting the forecast future cash flows generated by Palm City Residences for the remaining period of 60 years of the Build-Operate-Transfer agreement signed between Corinthia Palace Hotel Company Limited and Palm City Ltd in 2007. In the current reporting period, a valuation exercise was carried out by an independent professional valuer with expertise in this field, to determine the fair value of the investment property, and a pre-tax discount rate of 8.77% in real terms was applied to the projected cash flows.

There are no material contractual obligations pertaining to investment property at the end of the reporting periods presented, except for repairs and maintenance expenses incurred in the normal running of the operation.

Leasing arrangements for residential units at the end of the reporting periods presented are as follows:

	2012 %	2011 %
Within 1 year	57	62
1-5 years	43	38
	100	**100**

14 Investments accounted for using the equity method

Group

	Note	2012 €	2011 €
Shares in associate companies (unquoted)	15.2	**12,648,941**	**3,958,184**

15 Investments in subsidiaries and associates

		Group		Company		
	Notes	**2012 €**	**2011 €**	**2012 €**	**2011 €**	**2010 €**
Shares in subsidiary companies (unquoted)	15.1	-	-	200,409,408	145,923,534	144,105,611
Shares in associate companies (unquoted)	15.2	-	-	12,648,941	3,988,352	4,184,964
Loan to subsidiary company	15.3	-	-	10,166,732	10,725,824	6,082,006
Loan to associate companies	15.4	-	-	-	-	14,711
		-	-	**223,225,081**	**160,637,710**	**154,387,292**

15.1 Shares in subsidiary companies (unquoted)

Subsidiary company	Percentage holding in ordinary shares	Nature of business
Palm City Ltd 22, Europa Centre, Floriana, Malta	100%	Property development
Palm Waterfront Ltd 22, Europa Centre, Floriana, Malta	99.9%	Property development

The shares in Palm Waterfront Ltd were aquired during the current reporting period. Shares in subsidiary

company are being shown at fair value based on the latest available financial statements.

On 10 May 2011 the company pledged 116,490,000 of its ordinary shares in Palm City Ltd as security for the bank borrowings of said company (note 22).

15.2 Shares in associate companies (unquoted)

Associate company	Percentage holding in ordinary shares %	Nature of business	Capital and reserves 31.12.2012 €
Agility (Libya) Limited 22, Europa Centre, Floriana, Malta	10	Supply chain logistics	-
Medina Tower Joint Stock Company for Real Estate Investment and Development (MTJSC) Suite 107, Tower 2, Level 10 Burj Al Fateh, Tripoli, Libya	25	Property development	50,595,764

In the group financial statements, the investment in MTJSC is accounted for using the equity method. In the financial statements of the company, these shares are being shown as available-for-sale financial assets. Their fair value has been derived based on the latest financial information available.

Both associates had a reporting date of 31 December.

Agility (Libya) Limited was liquidated in the current reporting period.

15.3 Loan to subsidiary company

The loan to subsidiary company is unsecured, bears interest at 7.5% and has no fixed date of repayment. The carrying amount of the loan to subsidiary company is considered a reasonable approximation of fair value.

15.4 Loan to associate companies

The loan to associate companies was unsecured, interest free and had no fixed date of repayment. The carrying amount of the loan to associate companies is considered a reasonable approximation of fair value.

16 Financial assets

		Group		Company		
		2012	2011	2012	2011	2010
	Note	€	€	€	€	€
Malta Government Stocks	16.1	1,871,070	-	417,780	-	-

16.1 Malta Government Stocks

The group's Malta Government Stocks were designated as available-for-sale on initial recognition and consist of the following:

	2012
	€
4.3% Malta Government Stock 2022	936,480
4.8% Malta Government Stock 2028	620,400
5.20% Malta Government Stock 2031	314,190
	1,871,070

The group's Malta Government Stocks are denominated in euro and are publicly traded on the Malta Stock Exchange. Both the group's and the company's long term financial assets are shown in the financial statements at their fair value which is the market price at the reporting date. These stocks were purchased in 2012 at a cost of € 1,824,750, resulting in a gain on fair value of € 46,320.

The company's Malta Government Stocks were acquired in 2012 at cost of € 403,500 resulting in a gain on fair value amounting to € 14,280. Their fair value at the end of the reporting period amounted to € 417,780 and consisted of:

	2012
	€
4.3% Malta Government Stock 2022	208,320
5.2% Malta Government Stock 2031	209,460
	417,780

17 Lease prepayment

Group

	2012	2011
	€	€
Balance at beginning of year	453,051	460,664
Amount charged to profit and loss	(7,613)	(7,613)
Balance at end of year	**445,438**	**453,051**
Classified as:		
Non-current asset	437,763	445,376
Current asset (note 19)	7,675	7,675
	445,438	**453,051**

Lease prepayment amounts to be charged to profit and loss of the group in future years are as follows:

	2012	2011
	€	€
Within 1 year	7,613	7,613
1-5 years	38,065	38,065
After 5 years	399,760	407,373
	445,438	**453,051**

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-Transfer agreement will be terminated.

18 Inventories

Inventories comprise mainly of food and beverage stocks used by the food and beverage department, together with stock of uniforms and electrical materials and spare parts used by the maintenance and technical department of Palm City Ltd.

Group	**2012**	**2011**
	€	**€**
Food and beverage stocks	56,513	71,203
Stock of uniforms	-	9,313
Electrical materials and spare parts	216,487	52,562
Total inventories	**273,000**	**133,078**

In 2012, a total of € 334,802 (2011: € 44,346) of inventories was included in profit and loss as an expense.

19 Trade and other receivables

	Group		Company		
	2012	2011	2012	2011	2010
	€	€	€	€	€
Trade receivables, gross	2,508,783	1,925,534	-	-	-
Allowance for credit losses	(206,128)	(55,149)	-	-	-
Trade receivables	**2,302,655**	**1,870,385**	**-**	**-**	**-**
Amounts due by associate company	113,336	1,602,058	113,336	1,602,508	1,026,053
Amounts due by other related companies	81,816	83,177	-	-	83,018
Accrued income	657,870	774,890	616,368	859,652	-
Financial assets	**3,155,677**	**4,330,510**	**729,704**	**2,462,160**	**1,109,071**
Advance payments to capital creditors	158,307	841,851	-	-	-
Advance payments to trade creditors	651	27,555	-	-	-
VAT refundable	85,539	9,155	64,800	-	9,923
Lease prepayment (note 17)	7,675	7,675	-	-	-
Deposits	101,028	104,639	-	-	-
Other prepayments	201,669	25,586	7,071	767	67,176
Other receivables	3,459,240	2,722,839	1,877,263	1,539,688	729,192
Non-financial assets	**4,014,109**	**3,739,300**	**1,949,134**	**1,540,455**	**806,291**
Total trade and other receivables	**7,169,786**	**8,069,810**	**2,678,838**	**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. Certain trade receivable were found to be impaired and an allowance for credit losses of € 206,128 (2011: € 55,149) has been recorded accordingly within 'administrative expenses'. The impaired trade receivables were with respect to rent receivable due.

	2012	2011
	€	€
Balance 1 January	55,149	-
Impairment loss	150,979	55,149
Balance 31 December	**206,128**	**55,149**

An analysis of unimpaired trade receivables that are past due is given in note 30.1.

20 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		
	2012	2011	2012	2011	2010
	€	€	€	€	€
Cash at bank and in hand:					
- euro	8,331,287	21,042,041	1,159,416	19,934,189	17,388,145
- Libyan dinar	508,366	430,360	-	-	-
- US dollar	3,820,379	4,344,166	3,819,710	4,338,964	4,648,283
- Pound Sterling	426,266	3,648,175	426,266	3,648,176	3,917,823
Cash and cash equivalents in the statement of financial position	**13,086,298**	**29,464,742**	**5,405,392**	**27,921,329**	**25,954,251**
Bank balance overdrawn	(271,544)	(620,616)	(7,275)	(6,700)	(49,977)
Cash and cash equivalents in the statement of cash flows	**12,814,754**	**28,844,126**	**5,398,117**	**27,914,629**	**25,904,274**

The group had a bank deposit amounting to € 644,898 (2011: € 320,627) which is specifically designated for security deposits from lessees. This is not available for general use by the group. The group also has bank deposits amounting to € 2,747,371 which are pledged as security against bank borrowings (note 22).

21 Share capital

The share capital of Mediterranean Investments Holding p.l.c. consists of fully paid ordinary 'A' shares and 'B' shares 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		
	2012	2011	2012	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
24,001,000 ordinary 'B' shares of €1 each	24,001,000	24,001,000	24,001,000	24,001,000	24,001,000
	48,002,000	**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
50,000,000 ordinary 'B' shares of €1 each	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
	100,000,000	**100,000,000**	**100,000,000**	**100,000,000**	**100,000,000**

22 Bank borrowings

Borrowings include the following financial liabilities:

	Group		Company	
	2012	2011	2012	2011
	€	€	€	€
Bank loans due within 2-5 years	40,240,684	44,392,484	-	-
Bank loans due within 1 year	8,719,985	9,229,073	-	-
	48,960,669	**53,621,557**	-	-

The company had no bank borrowings in 2011 and 2012.

The group's banking facilities as at 31 December 2012 amounted to € 48,960,669 (2011: € 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 and by a pledge over part of its shareholding in Palm City Ltd and by pledges over part of Palm City Ltd's bank deposits. These borrowings are subject to floating interest rates. As at 31 December 2012 the Libyan dinar bank borrowings amounting to € 8,474,558 (2011: € 9,454,890) were subject to an effective interest rate of 1.5% (2011: 1.5%) over the Central Bank of Libya discount rate, (2011 and 2012: 4%) whilst the euro bank borrowings amounting to € 40,486,111 (2011: € 44,166,667) were subject to an effective interest rate of 3.25% plus 3 month Euribor (2011: 2.5% plus 3 month Euribor). Loan repayments are currently made on a semi-annual basis for both the euro bank borrowings and the Libyan dinar bank borrowings, amounting to € 3,680,556 and € 2,953,682 (LYD 1,782,548) respectively. In 2011 loan repayments were made on a quarterly basis for both the euro bank borrowings and the Libyan dinar bank borrowings amounting to € 1,944,444 and € 362,824 (LYD 602,288) respectively.

The carrying amount of bank borrowings is considered a reasonable approximation of fair value.

23 Bonds

	Note	Interest rate	Group 2012 €	Group 2011 €	Company 2012 €	Company 2011 €	Company 2010 €
Bond I	23.1	7.5%	14,757,659	14,757,659	14,757,659	14,757,659	15,000,689
Bond II	23.2	7.5%	19,649,600	19,649,600	19,649,600	19,649,600	20,000,000
Bond III	23.3	7.15%	38,701,211	38,585,734	38,701,211	38,585,734	38,617,946
			73,108,470	**72,992,993**	**73,108,470**	**72,992,993**	**73,618,635**

In 2007, the company issued bonds of €15 million (Bond I) 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 between 2012 and 2014.

During the year 2008, the group issued a €15 million 7.5% seven-year bond (Bond II) 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 (Bond III) 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.

In 2011, 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

The carrying amount of bonds issued by the company is considered a reasonable approximation of fair value.

23.1 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 2007, 2008, 2009 and 2010	**15,000,689**	**15,000,689**
Bonds cancelled	(243,030)	(243,030)
Balance at 31 December 2011 and 2012	**14,757,659**	**14,757,659**

23.2 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 and 2012	**19,649,600**	**19,649,600**

23.3 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**
Amortisation of transaction costs	96,267	96,267
Difference on exchange	19,210	19,210
Balance at 31 December 2012	**38,701,211**	**38,701,211**

24 Shareholders' loan

The loan from shareholders is unsecured, bears interest at 5% per annum and is repayable between two and five years. The carrying amount of shareholders' loan is considered a reasonable approximation of fair value.

25 Deferred tax liability

Group

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

	2012	2011
	€	€
Non-current assets		
Investment property	50,657,601	29,923,910
Unabsorbed capital allowances	(1,266,746)	-
Unused tax losses	(352,019)	-
	49,038,836	**29,923,910**
The movement can be analysed as follows:		
Movement for the year	19,114,926	-
Recognised in profit or loss		
Deferred tax on gain on fair value of investment property	20,733,691	-
Deferred tax on unabsorbed capital allowances and unused tax losses	(1,618,765)	-
	19,114,926	-

Company

	2012	2011 (restated)	2010 (restated)
	€	€	€
Available-for-sale financial assets	41,494,723	22,505,660	21,885,701
Unused tax losses	(58,639)	-	-
	41,436,084	**22,505,660**	**21,885,701**

	2012	2011
	€	€
The movement can be analysed as follows:		
Movement for the year	(18,930,424)	(619,959)
Recognised directly in equity		
Deferred tax on gain on fair value of available-for-sale financial asset	19,069,357	636,273
Recognised in profit or loss	**138,933**	**16,314**

See note 9 for information on the group's and the company's tax expense.

26 Derivative financial instrument

	2012	2011
	€	€
Interest rate swap		
Non-current	**992,000**	**560,000**

26.1 Terms

	2012	2011
	€	€
Notional amount:		
Maturing in 2018 (2011: 2014)	**30,364,583**	**15,555,556**

Interest rates (2012):	
Maturing in 2018	
Receive interest at the rate of	6 month Euribor
Pay fixed interest at the rate of	1.9% per annum
Interest rates (2011):	
Maturing in 2014	
Receive interest at the rate of	3 month Euribor
Pay fixed interest at the rate of	3% per annum

27 Trade and other payables

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

		Group		Company	
	2012	2011	2012	2011	2010
	€	€	€	€	€
Trade payables	766,271	702,618	56,838	424,818	442,026
Capital creditors	4,047,680	3,271,908	-	-	-
Amounts owed to associate company	6,305	-	6,305	-	-
Amounts owed to parent company	540,334	187,176	338,432	-	-
Amounts owed to shareholder	65,271	-	65,271	-	-
Amounts owed to other related companies	2,071,110	4,914,714	99,346	-	-
Bank balances overdrawn	271,544	620,616	7,275	6,700	49,977
Accrued expenses	4,553,258	4,003,855	2,512,243	2,593,703	1,991,399
Financial liabilities	**12,321,773**	**13,700,887**	**3,085,710**	**3,025,221**	**2,483,402**
Deferred income	3,404,987	1,680,901	-	-	-
Security deposits	2,857,622	1,849,909	-	-	-
Social security contributions	23,614	8,764	-		
Other payables	8,533	211,183	-	10,005	6,241
Non-financial liabilities	**6,294,756**	**3,750,757**	**-**	**10,005**	**6,241**
Total trade and other payables	**18,616,529**	**17,451,644**	**3,085,710**	**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.

28 Cash flow adjustments and changes in working capital

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

	Group		Company	
	2012	2011	2012	2011
	€	€	€	€
Adjustments:				
Gain on fair value of investment property	(56,803,885)	-	-	-
Fair value loss on derivative financial instrument	432,000	560,000	-	-
Fair value adjustment on available-for-sale financial asset	-	-	229,411	46,612
Share of loss on equity accounted investment	276,023	-	-	-
Depreciation	239,672	248,890	890	461
Operating lease	7,613	7,613	-	-
Interest receivable	(295,428)	(287,993)	(1,081,524)	(930,391)
Interest payable	7,705,630	7,706,895	5,826,835	5,347,531
Amortisation of borrowing costs	232,504	207,733	96,267	89,544
Loss on disposal of investment in associated company	133,220	2,965	210,000	76,258
Gain on cancellation of bonds	-	(90,220)	-	(90,220)
Difference on exchange	(131,339)	188,834	28,434	(13,562)
Increase in allowance for credit losses	150,979	55,149	-	-
(Gain) loss on disposal of property, plant and equipment	(16,991)	194	-	-
Total adjustments	**(48,070,002)**	**8,600,060**	**5,310,313**	**4,526,233**
Net changes in working capital:				
Change in trade and other receivables	606,666	355,782	1,323,777	(1,681,024)
Change in trade and other payables	1,478,326	(2,096,483)	68,335	133,491
Change in inventories	(139,922)	80,890	-	-
Total changes in working capital	**1,945,070**	**(1,659,811)**	**1,392,112**	**(1,547,533)**

29 Related party transactions

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

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

Director's remuneration for the group is disclosed in note 8.

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

29.1 Transactions with related parties

	Group		Company	
	2012	2011	2012	2011
	€	€	€	€
Consultancy and other services charged by shareholder	220,000	140,000	220,000	140,000
Consultancy and other services charged to subsidiary	-	-	(150,000)	(110,250)
Interest charged by shareholder			441,288	-
Interest charged to shareholder			(65,311)	
Consultancy and other services charged to associate	(263,596)	(29,750)	(263,596)	(29,750)
Interest charged to subsidiary	-	-	(848,329)	(642,900)
Purchases of construction materials from related company	-	1,712,656	-	-
Purchase of consultancy and other services from other related companies	236,345	112,647	-	-
Sales of services to other related companies	254,779	-	-	-

Balances with related parties are disclosed in notes 15, 19, 24 and 27.

30 Risk management objectives and policies

Credit risk is the risk that a counterparty fails to discharge an obligation to the group. 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 30.5. 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 and company do 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 and company are exposed to market risk through their use of financial instruments and specifically to currency risk and interest rate risk, which result from their operating, investing and financing activities.

30.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the group and the company. 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		Company		
		2012	2011	2012	2011	2010
		€	€	€	€	€
Classes of financial assets – carrying amounts						
Shares in subsidiary companies	15	-	-	200,409,408	145,923,534	144,105,611
Shares in associate companies	15	12,648,941	3,958,184	12,648,941	3,988,352	4,184,964
Loan to subsidiary company	15	-	-	10,166,732	10,725,824	6,082,006
Loans to associate companies	15	-	-	-	-	14,711
Malta Government Stocks	16	1,871,070	-	417,780	-	-
Trade and other receivables	19	3,155,677	4,330,510	729,704	2,462,160	1,109,071
Cash and cash equivalents	20	13,086,298	29,464,742	5,405,392	27,921,329	25,954,251
		30,761,986	**37,753,436**	**229,777,957**	**191,021,199**	**181,450,614**

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.

At 31 December the group had certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 31 December, analysed by the length of time past due, are:

	2012	2011
	€	€
Not more than 30 days	603,428	807,794
More than 30 days but not more than 120 days	1,234,705	279,655
More than 120 days	464,522	782,936
Total	**2,302,655**	**1,870,385**

In respect of trade and other receivables 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.

30.2 Liquidity risk

Liquidity risk is that the group and company may be unable to meet their obligations.

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 2012, 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 2012	€	€	€	€
Bank loan	4,350,777	4,369,208	35,681,032	4,559,652
Interest on bank loan	1,041,522	890,052	3,989,853	92,838
Bonds in issue	-	14,757,657	58,350,813	-
Interest on bonds in issue	-	5,339,424	18,514,174	-
Bank balance overdrawn	271,544	-	-	-
Trade and other payables	12,050,229	-	-	-
Derivative financial instrument	192,910	208,181	917,156	21,163
	17,906,982	**25,564,522**	**117,453,028**	**4,673,653**

Company

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2012	€	€	€	€
Bonds in issue	-	14,757,659	58,350,813	-
Interest on bonds in issue	-	5,339,424	18,514,174	-
Bank balance overdrawn	7,275	-	-	-
Trade and other payables	3,078,435	-	-	-
Shareholders' loan	-	-	3,200,000	-
	3,085,710	**20,097,083**	**80,064,987**	**-**

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 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	-
Derivative financial instrument	141,115	129,022	254,547	-
	19,608,642	**11,161,747**	**114,560,394**	**40,120,125**

Company

31 December 2011	Current within 6 months €	Current 6 to 12 months €	Non-current 2 to 5 years €	Non-current later than 5 years €
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**

30.3 Foreign currency risk

Group

Exposure to currency exchange rates mainly arises from the group's borrowings denominated in Libyan dinars and the portion of Bond III which was issued by the company in Pound Sterling and US dollar. Cash inflows and cash outflows in foreign currency are matched at subsidiary level, hence, the group is only exposed to foreign currency risk as shown below.

Foreign currency denominated financial liabilities, translated into euro at the closing rate, are as follows:

	Short term exposure LYD €	Long term exposure USD €	Long term exposure GBP €
31 December 2012			
Financial liabilities	8,474,558	5,388,125	5,323,293
Total exposure	**8,474,558**	**5,388,125**	**5,323,293**
31 December 2011			
Financial liabilities	9,454,890	5,498,725	5,193,483
Total exposure	**9,454,890**	**5,498,725**	**5,193,483**

The following table illustrates the sensitivity of the net result for the year in regards to the group's financial liabilities and the LYD/euro exchange rate, the USD/euro exchange rate and the GBP/euro exchange rate 'all other things being equal'.

The following table assumes a +/- 2% change of the LYD/euro exchange rate at year end (2011: 2%). A change of +/- 2% (2011: +/- 3%) is considered for the USD/euro exchange rate and a change of +/- 3% (2011: +/- 3%) in respect of the GBP/euro exchange rate. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the group's foreign currency financial instruments held at the end of the reporting period.

If the euro had strengthened or weakened against the LYD by 2% (2011: 2%), against the USD by 2% (2011: 3%) and against the GBP by 3% (2011: 3%) then this would have had the following impact on the net result for the year.

	Net result for the year		
	LYD	USD	GBP
	€	€	€
31 December 2012	+/- 169,491	+/- 107,763	+/- 159,699
31 December 2011	+/- 189,098	+/- 164,962	+/- 155,804

The analysis above is considered to be representative of the group's exposure to currency risk.

30.4 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 (2011: +/-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.

	2012		2011	
	€		€	
	+ 100 basis points	-100 basis points	+ 100 basis points	-100 basis points
Net result for the year	(388,391)	388,391	(227,049)	227,049

30.5 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 2012 €	Group 2011 €	Company 2012 €	Company 2011 €	Company 2010 €
Investments						
- Shares in subsidiary company	15	-	-	200,409,408	145,923,534	144,105,611
- Shares in associate companies	15	12,648,941	3,958,184	12,648,941	3,988,352	4,184,964
- Loan to subsidiary company	15	-	-	10,166,732	10,725,824	6,082,006
- Loans to associate companies	15	-	-	-	-	14,711
- Malta Government Stocks	16	1,871,070	-	417,780	-	-
		14,520,011	**3,958,184**	**223,642,861**	**160,637,710**	**154,387,292**
Loans and receivables						
- Trade and other receivables	19	3,155,677	4,330,510	729,704	2,462,160	1,109,071
- Cash and cash equivalents	20	13,086,298	29,464,742	5,405,392	27,921,329	25,954,251
		16,241,975	**33,795,252**	**6,135,096**	**30,383,489**	**27,063,322**
Financial liabilities						
Financial liabilities measured at amortised cost						
Non-current						
- Bank borrowings	22	40,240,684	44,392,484	-	-	-
- Bonds	23	73,108,470	72,992,993	73,108,470	72,992,993	73,618,635
- Shareholders' loan	24	3,200,000	13,200,000	3,200,000	13,200,000	-
Financial liabilities measured at fair value through profit and loss						
Non-current						
- Derivative financial instrument	26	992,000	560,000	-	-	-
		117,541,154	**131,145,477**	**76,308,470**	**86,192,993**	**73,618,635**
Current						
- Bank borrowings	22	8,719,985	9,229,073	-	-	-
- Trade and other payables	27	12,321,773	13,700,887	3,085,710	3,025,221	2,483,402
		21,041,758	**22,929,960**	**3,058,710**	**3,025,221**	**2,483,402**

See note 4.15 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 30.

30.6 Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the group's and the company'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:

Group

31 December 2012	Level 1	Level 2	Level 3
	€	€	€
Malta Government Stocks (a)	1,871,070	-	-
Interest rate swap (b)	-	(992,000)	-
	1,871,070	**(992,000)**	**-**

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

Company

31 December 2012	Level 1	Level 2	Level 3
	€	€	€
Malta Government Stocks (a)	417,780	-	-
Available-for-sale financial assets (c)	-	-	213,058,349
	417,780	**-**	**213,058,349**

31 December 2011	Level 1	Level 2	Level 3
	€	€	€
Available-for-sale financial assets (c)	-	-	**149,911,886**

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

Malta Government Stocks

a) All the Malta Government Stocks are actively traded on a recognised stock exchange. Fair values have been determined by reference to their quoted bid prices at the reporting date (note 16).

Interest rate swap

b) Where derivatives are traded either on exchanges or liquid over-the-counter markets the group 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 (note 26).

Available-for-sale financial assets

c) Fair value information for these financial assets has been obtained from the latest available financial information.

Level 3 fair value measurements

The reconciliation of the carrying amounts of financial instruments (available for sale financial assets) classified within Level 3 is as follows:

Group	**2012**	**2011**
	€	**€**
Balance at 1 January	149,911,886	148,290,575
Gain recognised in:		
- Profit or loss	(229,411)	(46,612)
- Other comprehensive income	54,485,874	1,817,923
Liquidated	(210,000)	(150,000)
Acquired	9,100,000	-
Balance at 31 December	**213,058,349**	**149,911,886**

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

31 Commitments

Group	**2012**	**2011**
	€	**€**
Capital expenditure		
Capital expenditure that has been authorised by the directors but has not yet been contracted for	938,000	-
Capital expenditure that has been authorised by the directors and has been contracted for	618,500	-

32 Contingent Liability

The company, together with a related company, is a co-defendant in court proceedings against them, for unpaid professional fees amounting to € 3,247,879. The company believes that it has a strong defence in respect of this claim, which it is vigorously defending in court. Court proceedings are still at an early stage and therefore a possible outcome cannot be foreseen.

In 2011 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 had been appealed before the Financial Services Tribunal. However, the matter was resolved by the payment of said penalty during the current reporting period.

33 Prior year adjustment for change in accounting policy

During the current reporting period, the company effected a change in accounting policy, whereby the investment in subsidiary and associates was recognised as an available-for-sale financial asset. Previously, these investments were shown at cost in the company's financial statements.

This change in accounting policy is being applied retrospectively. As a result these financial statements reflect this change from the beginning of the earliest accounting presented, i.e. 1 January 2011.

The effects of the above change in the company's financial statements are as follows:

	2010 As originally reported €	Adjustments €	2010 Restated €
Statement of other comprehensive income			
Other comprehensive income :			
Items that will be reclassified subsequently to profit and loss:			
Available-for-sale financial assets			
- current year gains (net of tax)	-	2,137,689	2,137,689
Other comprehensive income for the year, net of tax	-	2,137,689	2,137,689
Total comprehensive income for the year	**-**	**2,137,689**	**2,137,689**
Loss per share (basic and diluted)	**(0.08)**	**-**	**(0.08)**
Statement of financial position			
Financial assets:			
Shares in subsidiary companies	81,499,998	62,605,613	144,105,611
Shares in associate companies	4,260,000	(75,036)	4,184,964
Total assets	**119,727,711**	**62,530,577**	**182,258,288**
Equity			
Other components of equity	-	40,693,649	40,693,649
Total equity	**43,619,433**	**40,644,876**	**84,264,309**
Total equity and liabilities	**119,727,711**	**62,530,577**	**182,258,288**

	2011 As originally reported €	Adjustments €	2011 Restated €
Statement of total comprehensive income			
Income statement			
Finance costs	(5,513,333)	(46,612)	(5,559,945)
Loss before tax	**(4,586,964)**	**(46,612)**	**(4,633,576)**
Tax income	-	16,314	16,314
Loss per share (basic and diluted)	**(0.10)**	**-**	**(0.10)**

	2011 As originally reported	Adjustments	2011 Restated
Statement of comprehensive income			
Other comprehensive income :			
Items that will be reclassified subsequently to profit and loss			
Available-for-sale financial assets			
- current year gains	-	1,817,923	1,817,923
Other comprehensive income for the year, net of tax	-	**1,181,650**	**1,181,650**
Total comprehensive income for the year	-	**1,181,650**	**1,181,650**
Statement of financial position			
Financial assets:			
Shares in subsidiary companies	81,499,998	64,423,536	145,923,534
Shares in associate companies	4,110,000	(121,648)	3,988,352
Total assets	**128,260,688**	**64,301,888**	**192,562,576**
Equity:			
Other components of equity	-	41,875,299	41,875,299
Total equity	**39,032,469**	**41,796,228**	**80,828,697**
Total equity and liabilities	**128,260,688**	**64,301,888**	**192,562,576**

34 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 and the company's approach to capital management during the year. Neither the company nor any of its subsidiaries is subject to externally imposed capital requirements.

35 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 auditor's 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 53, which comprise the statements of financial position as at 31 December 2012, and the statements of total comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.

Auditor's 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

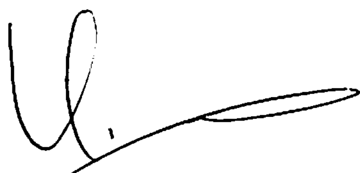
In our opinion, the group's consolidated financial statements and the company's financial statements give a true and fair view of their financial position as at 31 December 2012, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting 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 directors' 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
Swatar BKR 4013
Malta

19 April 2013