Mediterranean Investments Holding p.l.c.

Report & Consolidated Financial Statements

31 December 2014

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 2014. 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 activities of the group are 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

2014 has been a year of mixed experiences, with the first half proving to be a record performing period for the MIH Group through its operations of Palm City, whilst the second half of the year was overshadowed with the political conflict that developed in Libya. The Group's wholly owned subsidiary, Palm City Ltd, remained resolute in ensuring primarily the safety of its clients and staff, but also relentless in its efforts to maintain Palm City Residences open and operational at all times.

During the first six months of the year under review, the MIH Group registered an excellent performance with revenue reaching €16.3 million. Compared to the corresponding period the year before, this represents a 4% increase. Equally noteworthy is the conversion of revenue to EBITDA which has been maintained at 74%, signifying a strong performance and a sound ability to retain low costs of operation.

The performance, both in terms of revenue generation and EBITDA, started to decline towards the latter part of 2014, following the political unrest that unravelled in July, 2014. Occupancy levels at Palm City reduced to 66% by year's end from 95% in July. When one considers that by this time most of the tenants at Palm City Residences had evacuated their staff, it is meaningful to note that paying occupancy has remained fairly strong, signifying a commitment by the tenants that they would wish to return in the short to medium term. This could only take place once Palm City continued to operate uninterruptedly, whilst firming up security measures to give the necessary comfort and assurance to the tenants that Palm City Ltd is committed to the well-being of its clients. Management once again demonstrated its abilities to operate under strenuous conditions by continuing to offer its services to its existing clientele whilst also taking bold decisions to cut down on operating costs.

Notwithstanding the challenges that the Palm City operation continued to face during the latter part of 2014, it still registered a strong financial performance, which at year end, was close to the levels achieved in 2013 when MIH registered record revenue and profitability levels.

Results

The MIH Group registered an operating profit of €21.76 million in 2014 which compares very well with the results achieved the year before of €22.89 million, considering the challenging operating conditions for the year under review.

The profit after tax for 2014, before impairment charges, amounted to €12 million.

Customary to practice adopted in previous years, the Group annually revalues its investment properties. IAS 36, requires that the value of the Group's properties be tested for impairment as at the reporting date. In view of the unstable situation in Libya, such a test would necessarily need to take into account a number of alternative scenarios, which given the extremely fluid and volatile situation in the country does not allow a reliable quantification of the anticipated decrease.

Nonetheless, the directors have run a number of tests to establish what the impairment on the property could be when taking into account a number of different scenarios established to be possible outcomes on the future of the country. In this regard, the directors make reference to an appraisal report submitted by PricewaterhouseCoopers for 2013, which valued the Palm City property at €315 million, against a reported value of €310 million. In consideration of the various scenarios considered in the current circumstances, the directors have prudently opted to reduce the value of the investment property by €60 million on the reported value the year before. Accordingly a reduction in value amounting to €60 million has been charged to the income statement in consequence of a considerable increase in the discount rate triggered by the uncertainty in Libya.

In the light of what has been stated above, the operating performance for the year, after the impairment charge on the revaluation of the property resulted in a loss for the year after tax of €28.09 million. This impairment charge on the Palm City Residences amounted to a gross value of €60.87 million whilst a corresponding deferred tax provision amounting to €20.75 million was reversed, resulting into a net charge of €40.12 million to the income statement.

The loss after tax for the year of the Group is also net of a fair value gain on interest rate swap amounting to €84,752 which was charged to the income statement in terms of the provisions of IAS 39. The fair value liability as per the statement of financial position, amounting to €658,506, will continue to 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 group's assets stand at €290.81 million as at 31 December 2014 from €350.90 million as at the corresponding date in the previous year. This reduction mainly reflects the impairment of the investment property mentioned earlier.

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)
Mr Yousef A. Abdelmaula
Mr Joseph Fenech
Mr Faisal J S Alessa
Ms Khadija Oubala
Mr. Mario P. Galea (appointed 15 January 2014)
Mr Tonio Depasquale (resigned 15 January 2014)

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 he/she 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 the company as at the end of the financial year and of the profit or loss of the group and the company for that year. In preparing these financial statements, the directors are required to:

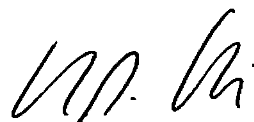
- adopt the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating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

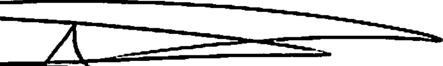
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap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

Auditor

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

By order of the board





Alfred Pisani	**Samuel Dean Sidiqi**
Chairman	Vice Chairman

Registered office:

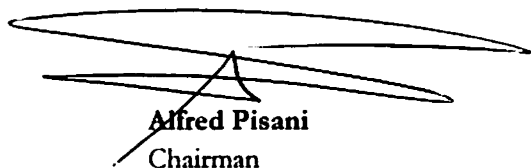
22, Europa Centre,
Floriana FRN 1400,
Malta

8 April 2015

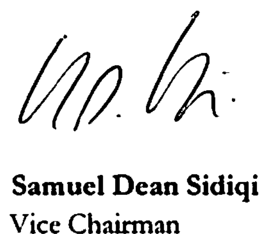
Statement by the directors on the financial statements and other information included in the annual report

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 European Union, 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 8 April 2015 by:



Alfred Pisani
Chairman



Samuel Dean Sidiqi
Vice Chairman

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 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 Yousef A. Abdelmaula	14 January 2008
Mr Faisal J S Alessa	24 June 2009
Mr Samuel Dean Sidiqi – Vice Chairman	6 July 2012
Ms Khadija Oubala	1 January 2014
Mr Mario P. Galea	15 January 2014
Mr Tonio Depasquale	9 February 2012 *(Resigned 15 January 2014)*
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 year under review the board of directors met four times 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 four times. The internal and external auditors were invited to attend these meetings.

During the year under review, Mr Tonio Depasquale served as Chairman. Mr Tonio Depasquale was replaced on 15 January 2014 by Mr Mario P. Galea. Mr Joseph Fenech and Mr Samuel Dean Sidiqi served as members whilst Mr Stephen Bajada acted as secretary to the committee. Ms. Khadija Oubala replaced Mr Samuel Dean Sidiqi during the year under review.

The board of directors, in terms of Listing Rule 5.118, has indicated Mr Mario P. Galea 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 audit and advisory 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 2014, 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. This responsibility is carried out by its Maltese shareholder, CPHCL.

B. NON-COMPLIANCE WITH THE CODE

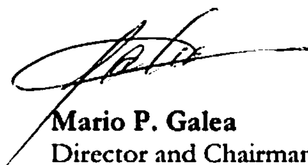
Principle 7: Evaluation of the Board's Performance

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 8 April 2015 and signed on its behalf by:



Mario P. Galea
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 agreement with Palm Waterfront Ltd

The company has advanced amounts to its subsidiary, Palm Waterfront Ltd. The term of the relevant agreement are set out in the company's financial statements.

Loan agreements with shareholders

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 Agreements

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.

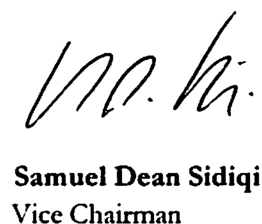
On 5 December 2013, Palm Waterfront Ltd entered into a Build-Operate-Transfer agreement with Corinthia Palace Hotel Company Limited. The arrangement gives Palm Waterfront Ltd the right to develop a site located in Shuhada Sidi Abuljalil, Janzour in Libya. It also gives it the right to construct, implement, manage and operate the project to be developed on said site at its discretion. The term of the Build-Operate-Transfer agreement is for a period of 80 years from date of signing of said agreement.

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 8 April 2015 by:



Alfred Pisani
Chairman

Samuel Dean Sidiqi
Vice Chairman

Remuneration statement

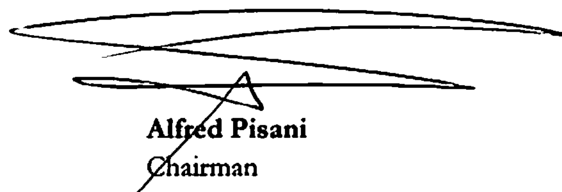
With the exception of the independent director who is jointly appointed by the shareholders, the other directors are officers of the shareholders and none is paid any remuneration. In the circumstances, the need for the appointment of a Remuneration Committee does not arise.

Remuneration of senior executives

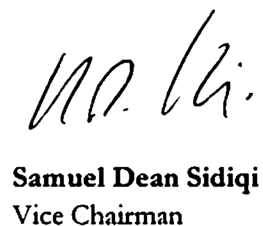
The total remuneration of the senior executives of the company and its subsidiaries for the year ended 31 December 2014 amounted to € 187,179.

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

Signed on behalf of the Board of Directors on 8 April 2015 by:



Alfred Pisani
Chairman



Samuel Dean Sidiqi
Vice Chairman

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

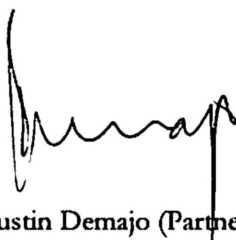
Listing Rules 5.94 and 5.97 issued by the Listing Authority, require the directors of Mediterranean Investments Holding p.l.c. (the "company") to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the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



Austin Demajo (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

8 April 2015

Statements of total comprehensive income

	Notes	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Revenue	6	30,090,649	30,875,081	5,609,087	5,586,058
Operating expenses		(5,137,751)	(5,468,327)	-	-
Gross profit		**24,952,898**	**25,406,754**	**5,609,087**	**5,586,058**
Other income	8	29,671	86,464	317	23,607
Administrative expenses		(2,898,190)	(2,419,764)	(834,877)	(567,392)
Marketing expenses		(327,257)	(188,205)	(291,197)	(64,297)
Operating profit		**21,757,122**	**22,885,249**	**4,483,330**	**4,977,976**
Finance income	9	97,188	1,109,534	204,896	990,712
Finance costs	9	(9,064,555)	(7,907,948)	(6,917,211)	(5,814,008)
Fair value gain on interest rate swap		84,752	248,742	-	-
Share of profit of equity accounted investment		4,644	47,225	-	-
Loss on fair value of investment property		(60,866,651)	-	-	-
(Loss) profit before tax	10	**(47,987,500)**	**16,382,802**	**(2,228,985)**	**154,680**
Tax (expense) income					
- Current tax	11	(1,391,249)	(873,018)	(1,564,050)	(1,553,372)
- Deferred tax on loss on fair value of investment property	11	20,750,691	-	-	-
- Deferred tax – other	11	536,201	(1,717,223)	536,201	(77,068)
(Loss) profit for the year		**(28,091,857)**	**13,792,561**	**(3,256,834)**	**(1,475,760)**
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss					
Available-for-sale financial assets					
- current year (losses) gains		-	-	(24,657,420)	15,043,477
- reclassification to profit or loss		-	(46,320)	-	(14,280)
Income tax relating to components of other comprehensive income	27	-	-	8,629,397	(5,265,217)
Other comprehensive income for the year, net of tax		-	(46,320)	(16,028,023)	9,763,980
Total comprehensive (loss) income for the year		**(28,091,857)**	**13,746,241**	**(19,284,857)**	**8,288,220**
(Loss) earnings per share (basic and diluted)	12	**(0.59)**	**0.29**	**(0.07)**	**(0.03)**

Statements of financial position

	Notes	Group 2014	Group 2013	Company 2014	Company 2013
		€	€	€	€
Assets					
Non-current					
Intangible assets	13	2,258	2,258	-	-
Property, plant and equipment	14	8,750,836	8,581,028	527	1,005
Investment property	15	250,000,000	310,675,580	-	-
Investment accounted for using the equity method	16	12,700,810	12,696,166	-	-
Investment in subsidiaries and associate	17	-	-	210,500,484	239,604,442
Lease prepayment	19	422,537	430,150	-	-
		271,876,441	332,385,182	210,501,011	239,605,447
Current					
Inventories	20	647,282	395,173	-	-
Trade and other receivables	21	7,392,121	7,528,822	2,825,722	3,905,775
Cash and cash equivalents	22	10,285,857	10,298,838	880,441	1,182,183
Taxation recoverable		611,069	298,938	611,069	298,938
		18,936,329	18,521,771	4,317,232	5,386,896
Total assets		290,812,770	350,906,953	214,818,243	244,992,343
Equity					
Share capital	23	48,002,000	48,002,000	48,002,000	48,002,000
Other components of equity		-	-	71,040,055	87,068,078
Retained earnings (accumulated losses)		90,045,674	118,137,531	(19,140,116)	(15,883,282)
Total equity		138,047,674	166,139,531	99,901,939	119,186,796
Liabilities					
Non-current					
Bank borrowings	24	23,566,577	32,208,360	-	-
Bonds	25	49,915,272	58,127,541	51,622,980	58,127,541
Shareholders' loan	26	2,655,355	3,200,000	2,655,355	3,200,000
Deferred tax liability	27	29,469,177	50,756,059	37,612,770	46,778,368
Derivative financial instrument	28	658,506	743,258	-	-
		106,264,887	145,035,218	91,891,105	108,105,909
Current					
Bank borrowings	24	9,908,424	8,736,009	-	-
Bonds	25	19,649,600	14,757,659	19,649,600	14,757,659
Trade and other payables	29	15,052,649	15,540,169	3,375,599	2,941,979
Current taxation		1,889,536	698,367	-	-
		46,500,209	39,732,204	23,025,199	17,699,638
Total liabilities		152,765,096	184,767,422	114,916,304	125,805,547
Total equity and liabilities		290,812,770	350,906,953	214,818,243	244,992,343

The financial statements on pages 13 to 52 were approved by the board of directors, authorised for issue on 8 April 2015 and signed on its behalf by:

Alfred Pisani
Chairman

Samuel Dean Sidiqi
Vice Chairman

Statements of changes in equity

Group

	Share capital €	Other components of equity €	Retained earnings €	Total equity €
Balance at 1 January 2013	48,002,000	46,320	104,344,970	152,393,290
Profit for the year	-	-	13,792,561	13,792,561
Other comprehensive income	-	(46,320)	-	(46,320)
Total comprehensive income for the year	-	(46,320)	13,792,561	13,746,241
Balance at 31 December 2013	**48,002,000**	**-**	**118,137,531**	**166,139,531**
Balance at 1 January 2014	48,002,000	-	118,137,531	166,139,531
Loss for the year	-	-	(28,091,857)	(28,091,857)
Total comprehensive loss for the year	-	-	(28,091,857)	(28,091,857)
Balance at 31 December 2014	**48,002,000**	**-**	**90,045,674**	**138,047,674**

Company

	Share capital €	Other components of equity €	Accumulated losses €	Total equity €
Balance at 1 January 2013	48,002,000	77,304,098	(14,407,522)	110,898,576
Loss for the year	-	-	(1,475,760)	(1,475,760)
Other comprehensive income	-	9,763,980	-	9,763,980
Total comprehensive income for the year	-	9,763,980	(1,475,760)	8,288,220
Balance at 31 December 2013	**48,002,000**	**87,068,078**	**(15,883,282)**	**119,186,796**
Balance at 1 January 2014	48,002,000	87,068,078	(15,883,282)	119,186,796
Loss for the year	-	-	(3,256,834)	(3,256,834)
Other comprehensive income	-	(16,028,023)	-	(16,028,023)
Total comprehensive loss for the year	-	(16,028,023)	(3,256,834)	(19,284,857)
Balance at 31 December 2014	**48,002,000**	**71,040,055**	**(19,140,116)**	**99,901,939**

Statements of cash flows

	Notes	Group		Company	
		2014	2013	2014	2013
		€	€	€	€
Operating activities					
(Loss) profit before tax		(47,987,500)	16,382,802	(2,228,985)	154,680
Adjustments	30	69,952,921	6,894,849	1,183,255	(814,010)
Net changes in working capital	30	(691,885)	(377,842)	1,758,065	(2,808,242)
Tax paid		(512,211)	(473,589)	-	-
Net cash from (used in) operating activities		**20,761,325**	**22,426,220**	**712,335**	**(3,467,572)**
Investing activities					
Payments to acquire property, plant and equipment		(360,731)	(8,426,762)	-	(195)
Payments to acquire investment property		(191,071)	(269,580)	-	-
Payments to acquire long term financial assets		(575,000)	-	-	-
Proceeds from disposal of financial assets		604,354	1,911,214	-	427,106
Payments to capital creditors		(1,798)	(3,592,651)	-	-
Loan to subsidiary company		-	-	-	(7,000,000)
Interest received		87,556	435,850	1,856	636,714
Net cash (used in) from investing activities		**(436,690)**	**(9,941,929)**	**1,856**	**(5,936,375)**
Financing activities					
Proceeds from bank loan		-	1,500,000	-	-
Repayment of bank loan		(7,766,000)	(9,399,970)	-	-
Repayment of loan to subsidiary		-	-	8,139,946	10,057,645
Repayment of shareholders' loan		(535,013)	-	(535,013)	-
Repayment of bonds		(4,691,984)	-	(2,984,276)	-
Interest paid		(7,354,523)	(7,210,954)	(5,647,381)	(4,974,177)
Net cash (used in) from financing activities		**(20,347,520)**	**(15,110,924)**	**(1,026,724)**	**5,083,468**
Net change in cash and cash equivalents		(22,885)	(2,626,633)	(312,533)	(4,320,479)
Cash and cash equivalents, beginning of year		10,289,455	12,814,754	1,178,972	5,398,117
Cash and cash equivalents, at end of year before the effect of foreign exchange rate changes		**10,266,570**	**10,188,121**	**866,439**	**1,077,638**
Effect of foreign exchange rate changes		10,638	101,334	10,638	101,334
Cash and cash equivalents, end of year	22	**10,277,208**	**10,289,455**	**877,077**	**1,178,972**

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 and statement of compliance with IFRSs

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. FRN 1400, 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 the 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 its subsidiaries.

3 Going concern

The going concern basis underlying the preparation of these financial statements assumes that the company's and the group's lenders and creditors will continue to provide the financial support necessary to enable the company and the group to finance their investments and to meet their debts as they fall due.

At the reporting date the group and the company had a working capital deficiency of € 27.6 million and € 18.7 million respectively. This has principally been brought about by the significant repayment of a long-term loan and a maturing bond taken in previous years to finance the Palm City project.

The directors have taken and are still taking various measures to ensure that the group will continue to have adequate levels of cash to sustain its operations and investments. These include discussions with lenders to re-schedule the syndicated loan of Palm City Limited and also to issue another bond, the purpose of which is to finance the redemption of the bond maturing in 2015. These measures, together with a cost curtailment exercise that had been undertaken in order to ensure the best profitability levels in the circumstances, will help to generate sufficient funds to enable the group and the company to meet its financial obligations as and when they fall due.

On the basis of their assessment of the financial position of the group and the company, the directors anticipate that these will continue to operate within the banking limits currently agreed. The directors are also confident that the group will be able to operate within the renewed limits that will be sanctioned when the existing facilities are reviewed.

The directors have also obtained assurances that the shareholders of the company will continue to financially support the company on an ongoing basis, to enable it to meet its liabilities as and when they fall due.

4 Change in accounting policies

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on the new standards relevant to the company is presented below.

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

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

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

The amendments have been applied retrospectively in accordance with their transitional provisions. As the group and company do not currently present any of their financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the financial statements for any period presented.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made.
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions.

IAS 39 (Amendment) 'Financial Instruments: Recognition and Measurements – Novation of Derivatives and Continuation of Hedge Accounting'

The Amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counter party resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. The Amendment is effective for annual periods beginning on or after 1 January 2014 and is required to be applied retrospectively.

This Amendment has not had a significant impact on the group and the company's financial statements.

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

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the group and the company. Information on those expected to be relevant to the group and the company's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the group and the company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the group and the company's financial statements.

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The group and the company's management have yet to assess the impact of IFRS 9 on these separate and consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The group and the company's management have not yet assessed the impact of IFRS 15 on these separate and consolidated financial statements.

Annual Improvements to IFRS

Annual Improvements to IFRS (2010-2012 Cycle)

IAS 16 (Amendment) 'Property, Plant and Equipment' and IAS 38 (Amendment), 'Intangible Assets'

The Amendment clarifies that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

IAS 24 (Amendment) 'Related Party Disclosures'

The Amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

IFRS 3 (Amendment) 'Business Combinations'

The Amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

IFRS 13 (Amendment), 'Fair Value Measurement' (IFRS 13)

The Amendment, through a revision only in the basis of conclusion of IFRS 13, clarifies that issuing IFRS 13 and amending certain provisions of IFRS 9 and IAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. However, the improvements will not legally come into force until January 2015 as indicated by the EU. Management does not anticipate a material impact on the group's consolidated and the company's separate financial statements from these Amendments.

5 Summary of accounting policies

5.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below. The accounting policies have been consistently applied by the group and the company and are consistent with those in previous years.

5.2 Presentation of financial statements

The consolidated and separate financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements* (Revised 2007). The group and the company have elected to present the 'statement of total comprehensive income' in one statement.

5.3 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2014. 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.

5.4 Revenue

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

Interest and dividends

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.

5.5 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.

5.6 Foreign currency translation

Functional and presentation currency

The consolidated and separate financial statements are presented in euro, which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.7 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

5.8 Property, plant and equipment

All items of property, plant and equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. They are subsequently measured at acquisition cost or manufacturing 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

Assets in the course of construction are not depreciated.

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'.

5.9 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.

5.10 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.

5.11 Operating 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.

5.12 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', and are recognised as described in notes 5.4 and 5.7 respectively.

5.13 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.

5.14 Investment in subsidiaries

Investment in subsidiaries is included in the company's financial statements at fair value (refer to note 5.15).

5.15 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 investment in subsidiaries and investment in associate. The group does not have any available-for-sale financial assets.

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 the company's financial liabilities include borrowings, trade and other payables and a 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.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

For the reporting periods under review, the group did not have derivative financial instruments designated as cash flow hedges, as they did not meet the criteria to quality for hedge accounting.

5.16 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.

5.17 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.

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.

5.18 Cash and cash equivalents

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

5.19 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.

5.20 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.

5.21 Significant management judgement in applying accounting policies and estimation uncertainty

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

Significant management judgement

The following are significant management judgements in applying the accounting policies of the group and the 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 the 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.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the group's and the company's future taxable income against which the deductible temporary differences can be utilised.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

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 14. 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 expiry, obsolescence, 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.

Fair value of investment properties

At each reporting date investment properties are revalued by an independent valuer based either on management's estimates of expected future cash flows or market values. The group has recognised fair value adjustments to investment properties of € 60.9 million (2013: nil). When based on management's estimates of expected future cash flows the value of each property is determined by applying a suitable discount rate. If the discount rate is changed by 1%, the fair value of investment property would change by € 24 million (2013: € 28 million).

6 Revenue

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Dividend receivable from subsidiary	-	-	5,376,181	5,297,431
Income from management fees	67,531	131,127	232,906	288,627
Income from residential leases	27,493,463	29,193,577	-	-
Income from commercial leases	584,802	422,244	-	-
Increase from food and beverage operations	314,228	449,138	-	-
Administration fees	343,667	566	-	-
Water, electricity, internet and telephone recharges	1,046,663	541,663	-	-
Miscellaneous income	240,295	136,766	-	-
	30,090,649	**30,875,081**	**5,609,087**	**5,586,058**

7 Staff costs

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Wages and salaries	2,672,858	2,921,673	70,512	61,027
Social security costs	161,907	173,845	2,143	2,097
	2,834,765	**3,095,518**	**72,655**	**63,124**

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

	2014	2013
	No.	No.
Operating	106	122
Administrative	18	21
	124	**143**

During the year under review the company employed an average of one person in the administrative category (2013: 1).

8 Other income

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Gain on disposal of financial assets	29,354	86,464	-	23,607
Write off of old balance	317	-	317	-
	29,671	**86,464**	**317**	**23,607**

9 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Interest receivable on short term deposits	76,684	111,789	1,856	955
Interest receivable on financial assets	10,872	8,491	-	8,491
Interest charged on loan to parent company	9,632	278,466	9,632	272,957
Interest charged on loan to subsidiary company	-	-	193,408	377,605
Interest charged on loan to related party	-	37,104	-	37,104
Difference on exchange	-	673,684	-	293,600
Finance income	**97,188**	**1,109,534**	**204,896**	**990,712**
Interest on bonds	5,356,323	5,362,183	5,402,836	5,362,183
Interest charged on loan from shareholders	153,356	119,672	153,356	119,672
Bank interest	1,590,810	2,082,513	-	-
Difference on exchange	1,609,853	-	1,249,754	-
Amortisation of borrowing costs	242,948	196,476	-	-
Amortisation of bond issue costs	111,265	103,495	111,265	103,495
Other finance costs	-	43,609	-	-
Impairment of available-for-sale financial asset	-	-	-	228,658
Finance costs	**9,064,555**	**7,907,948**	**6,917,211**	**5,814,008**

10 (Loss) profit before tax

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Depreciation of property, plant and equipment	190,923	260,412	478	939
Operating lease charge	7,613	7,613		-
Auditor's fees				
- Annual statutory audit	29,850	22,500	9,000	8,600

11 Tax income (expense)

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
(Loss) profit before tax	(47,987,500)	16,382,802	(2,228,985)	154,680
Tax rate	18.75%	18.75%	35%	35%
Expected tax income (expense)	**8,997,656**	**(3,071,775)**	**780,145**	**(54,138)**
Adjustment for non-deductible expenses	(108,612)	-	(48,582)	(116,582)
Adjustment for tax rate differences	45,937	481,534	40,979	290,463
Other temporary differences	10,960,662	-	(1,800,391)	(1,750,183)
Actual tax income (expense), net	**19,895,643**	**(2,590,241)**	**(1,027,849)**	**(1,630,440)**
Comprising:				
Current tax	(1,391,249)	(873,018)	(1,564,050)	(1,553,372)
Deferred tax on loss on fair value of investment property	20,750,691	-	-	-
Deferred tax on unabsorbed capital allowances and unused tax losses	536,201	(1,717,223)	536,201	(77,068)
Tax income (expense)	**19,895,643**	**(2,590,241)**	**(1,027,849)**	**(1,630,440)**
Deferred tax income (expense), recognised directly in other comprehensive income	-	-	8,629,397	(5,265,217)

See note 27 for information on the group's and company's deferred tax liability.

12 (Loss) earnings per share

The calculation of (loss) earnings per share is based on the net (loss) profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares (2014 and 2013: 48,002,000) outstanding during the year. There was no dilution of share capital during the reporting periods presented.

13 Intangible assets

Trademarks

Group	2014	2013
	€	€
Carrying amount		
Balance at 1 January and 31 December	2,258	2,258

14 Property, plant and equipment

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

Group

	Asset in the course of construction	Computer equipment	Computer software	Motor vehicles	Office furniture and equipment	Tools	Machinery and equipment	Total
	€	€	€	€	€	€	€	€
Gross carrying amount								
Balance at 1 January 2013	-	176,785	96,640	136,442	344,483	106,073	399,023	1,259,446
Additions	8,114,562	35,396	67,918	-	126,557	8,639	73,690	8,426,762
Disposals	-	-	-	(5,089)	-	-	-	(5,089)
Balance at 31 December 2013	8,114,562	212,181	164,558	131,353	471,040	114,712	472,713	9,681,119
Depreciation								
Balance at 1 January 2013	-	130,712	6,581	135,545	227,650	60,508	283,772	844,768
Depreciation released on disposal	-	-	-	(5,089)	-	-	-	(5,089)
Depreciation for the year	-	28,877	13,890	897	87,166	22,812	106,770	260,412
Balance at 31 December 2013	-	159,589	20,471	131,353	314,816	83,320	390,542	1,100,091
Carrying amount at 31 December 2013	**8,114,562**	**52,592**	**144,087**	**-**	**156,224**	**31,392**	**82,171**	**8,581,028**
Gross carrying amount								
Balance at 1 January 2014	8,114,562	212,181	164,558	131,353	471,040	114,712	472,713	9,681,119
Additions	192,435	7,874	38,001	-	25,142	3,995	93,284	360,731
Balance at 31 December 2014	8,306,997	220,055	202,559	131,353	496,182	118,707	565,997	10,041,850
Depreciation								
Balance at 1 January 2014	-	159,589	20,471	131,353	314,816	83,320	390,542	1,100,091
Depreciation for the year	-	26,452	37,105	-	67,380	18,895	41,091	190,923
Balance at 31 December 2014	-	186,041	57,576	131,353	382,196	102,215	431,633	1,291,014
Carrying amount at 31 December 2014	**8,306,997**	**34,014**	**144,983**	**-**	**113,986**	**16,492**	**134,364**	**8,750,836**

Company

	Computer equipment €
Gross carrying amount	
Balance at 1 January 2013	3,564
Additions	195
Balance at 31 December 2013	3,759
Depreciation	
Balance at 1 January 2013	1,815
Depreciation for the year	939
Balance at 31 December 2013	2,754
Carrying amount at 31 December 2013	**1,005**
Gross carrying amount	
Balance at 1 January 2014 and 31 December 2014	3,759
Depreciation	
Balance at 1 January 2014	2,754
Depreciation for the year	478
Balance at 31 December 2014	3,232
Carrying amount at 31 December 2014	**527**

The group's property, plant and equipment comprises an asset that is being constructed on land located in Shuhada Sidi Abuljalil, Janzour in Libya. This land is earmarked for development for residential units, tourism, leisure and restaurant facilities by one of the subsidiaries, Palm Waterfront Ltd. Costs directly associated with the development of the land have also been included.

The right to construct the asset was acquired by means of a Build, Operate and Transfer (BOT) agreement with Corinthia Palace Hotel Company Limited which was signed on 5 December 2013 The arrangement gives Palm Waterfront Ltd. the right to develop the site, construct, implement, manage and operate the project at its discretion. The term of the BOT agreement is for a period of 80 years from date of signing of said agreement.

14.1 Leases

Group and company

The company and the group lease out office space from a related company under an operating lease. This agreement was valid until the end of the current reporting period. From 2015 onwards no rent is being charged.

15 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:

	2014	2013
	€	€
Carrying amount as at 1 January	310,675,580	310,406,000
Capitalisation of project related expenses	191,071	292,892
Disposals	-	(23,312)
Loss on fair value of investment property	(60,866,651)	-
Carrying amount as at 31 December	**250,000,000**	**310,675,580**

Investment property valued at € 250,000,000 (2013: € 310,675,580) is pledged as security for related borrowings.

Rental income for 2014 amounting to € 28,078,265 (2013: € 29,615,821) is included within 'revenue'. No contingent rents were recognised. Direct operating expenses of € 4,852,300 (2013: € 5,290,668) 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 57 years of the Build-Operate-Transfer agreement signed between Corinthia Palace Hotel Company Limited and Palm City Ltd in 2007. In the previous 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.

During the current reporting period, an exercise was carried out by the same independent professional valuer to help the directors determine the fair value of the investment property. The valuation arrived at was a result of various premia being applied including country risk, property risk and projection risk premium.

Due to the uncertainty and the civil strife that has characterised Libya during the current reporting period, the country risk premium used by the independent valuer was increased from 4.5% in 2013, to a pre-tax rate of 6.88% (equivalent to 5.5% post-tax) in the current exercise. The valuation also assumes a gradual linear reduction in country risk as from 2021, to settle at 4% by 2023.

With respect to property risk premium, this is incorporated in the discount rate to reflect the risk associated with the quality of the rental cash flow streams.. The previous valuations of the property had all applied a property risk premium of 1.25%. The valuers are of the opinion that the considerations underlying the previous assessments still hold and therefore the property risk premium has been kept at the same level of the previous valuations i.e. 1.25%.

Previous valuations of the property had also factored in a BOT premium of 1% in the computation of the discount rate. This has been kept at the same level for the current valuation.

Based on their knowledge of the business and the conditions that the subsidiary is currently operating in, the directors have decided to factor in a projection risk premium of 1.125% (2013: 0.50%).

The aggregate pre-tax discount rate for the year under review, for all the above inputs, including a risk free rate of 1.49%, is 11.75%.

The valuation arrived at when using all the above inputs, combined with the projected income streams amounts to € 250 million.

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:

	2014 %	2013 %
Within 1 year	3	15
1-5 years	97	85
	100	**100**

16 Investment accounted for using the equity method

Group

	Note	2014 €	2013 €
Shares in associate company (unquoted)	17.2	**12,700,810**	**12,696,166**

17 Investments in subsidiaries and associate

Company

	Notes	2014 €	2013 €
Shares in subsidiary companies (unquoted)	17.1	190,514,938	215,452,885
Shares in associate company (unquoted)	17.2	12,700,810	12,420,283
Loan to subsidiary companies	17.3	7,284,736	11,731,274
		210,500,484	**239,604,442**

17.1 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 acquired in 2013. 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 24).

17.2 Shares in associate company (unquoted)

Associate company	Percentage holding in ordinary shares %	Nature of business	Capital and reserves 31.12.2014 €
Medina Tower Joint Stock Company for Real Estate Investment and Development (MTJSC) Suite 107, Tower 2, Level 10 Tripoli Towers, Tripoli, Libya	25	Property development	50,803,240 (LYD 84,966,805)

Summarised financial information for MTJSC is as follows:

	2014 €	2013 €
Total assets	51,323,762	51,107,946
Total liabilities	(520,522)	(323,282)
Profit for the year	18,576	188,900

A reconciliation of the above summarised financial information to the carrying amount of the investment is set out below:

	2014 €	2013 €
Total net assets	50,803,240	50,784,664
Proportion of ownership held by group	25%	25%
Carrying amount of investment	12,700,810	12,696,166

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.

17.3 Loan to subsidiary companies

The loan to Palm City Ltd is unsecured, bears interest at 7.5% per annum and has no fixed date of repayment. The loan to Palm Waterfront Ltd is unsecured, bears interest at 7.15% per annum and is repayable after more than 5 years. The carrying amount of the loans is considered a reasonable approximation of fair value.

18 Financial assets

The group and the company did not possess any financial assets at the end of the current and previous reporting periods.

During the year under review the group had the following investment activity.

	2014 €
Purchase of 6% Island Hotels Group Bonds 2024	125,000
Purchase of 6% Pendergardens Bonds 2022	150,000
Purchase of 5.5% Pendergardens Bonds 2022	300,000
	575,000

These bonds were subsequently disposed of during the year under review for a total consideration of €604,354, resulting in a gain on disposal of €29,354 (see note 8).

18.1 Malta Government Stocks

In 2013, the group held Malta Government Stocks which were denominated in euro and were publicly traded on the Malta Stock Exchange. Both the group's and the company's long term financial assets were shown in the financial statements at their fair value which is the market price at the reporting date. These stocks were purchased in 2013 at a cost of € 1,824,750, resulting in a gain on fair value of € 46,320.

The group's Malta Government Stocks were disposed of in 2013 at a price of € 1,911,214, resulting in a gain of € 86,464.

In 2013, the company held Malta Government Stocks which were disposed of during that year at a price of € 427,107, resulting in a gain of € 23,607 (see note 8).

19 Lease prepayment

Group

	2014 €	2013 €
Balance at beginning of year	437,825	445,438
Amount charged to profit and loss	(7,613)	(7,613)
Balance at end of year	**430,212**	**437,825**
Classified as:		
Non-current asset	422,537	430,150
Current asset (note 21)	7,675	7,675
	430,212	**437,825**

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

	2014 €	2013 €
Within 1 year	7,613	7,613
1-5 years	38,065	38,065
After 5 years	384,534	392,147
	430,212	**437,825**

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.

20 Inventories

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

Group	2014	2013
	€	€
Food and beverage stocks	253,438	16,610
Electrical materials and spare parts	393,844	378,563
Total inventories	**647,282**	**395,173**

In 2014, a total of € 285,536 (2013: € 939,551) of inventories was included in profit and loss as an expense.

21 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Trade receivables, gross	3,980,012	3,190,290	-	-
Allowance for credit losses	(149,540)	(290,831)	-	-
Trade receivables	**3,830,472**	**2,899,459**	**-**	**-**
Amount due by shareholder	-	1,159,635	-	1,159,635
Amount due by subsidiary	-	-	1,310,187	1,115,962
Amounts due by associate company	99,192	215,634	99,192	215,634
Amounts due by other related companies	290,373	133,986	193,074	16,617
Accrued income	316,694	92,884	193,408	-
Other receivables	1,755,714	1,736,031	1,000,115	1,371,703
Financial assets	**6,292,445**	**6,237,629**	**2,795,976**	**3,879,551**
Advance payments to capital creditors	51,641	49,845	-	-
Advance payments to trade creditors	11,572	1,044	11,572	-
VAT refundable	81,494	64,286	18,174	26,224
Lease prepayment (note 19)	7,675	7,675	-	-
Deposits	101,028	101,028	-	-
Other prepayments	158,600	183,173	-	-
Other receivables	687,666	884,142	-	-
Non-financial assets	**1,099,676**	**1,291,193**	**29,746**	**26,224**
Total trade and other receivables	**7,392,121**	**7,528,822**	**2,825,722**	**3,905,775**

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 group and 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 € 149,540 (2013: € 290,831) has been recorded accordingly within 'administrative expenses'. The impaired trade receivables were with respect to rent receivable due.

	2014	2013
	€	€
Balance 1 January	290,831	206,128
Amounts written off	(290,831)	(26,500)
Impairment loss	149,540	111,203
Balance 31 December	**149,540**	**290,831**

An analysis of unimpaired trade receivables that are past due is given in note 32.1.

22 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	
	2014	2013	2014	2013
	€	€	€	€
Cash at bank and in hand:				
- euro	8,864,651	9,879,175	644,912	957,343
- Libyan dinar	1,185,345	192,241	-	-
- US dollar	74,457	73,926	74,126	71,344
- Pound sterling	161,404	153,496	161,403	153,496
Cash and cash equivalents in the statement of financial position	**10,285,857**	**10,298,838**	**880,441**	**1,182,183**
Bank balance overdrawn	(8,649)	(9,383)	(3,364)	(3,211)
Cash and cash equivalents in the statement of cash flows	**10,277,208**	**10,289,455**	**877,077**	**1,178,972**

The group has a bank deposit amounting to € 46,919 (2013: € 1,799,487) 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 € 3,692,766 (2013: € 2,012,722) which are pledged as security against bank borrowings (note 24).

23 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	
	2014	2013	2014	2013
	€	€	€	€
Shares issued and fully paid				
24,001,000 ordinary 'A' shares of €1 each	24,001,000	24,001,000	24,001,000	24,001,000
24,001,000 ordinary 'B' shares of €1 each	24,001,000	24,001,000	24,001,000	24,001,000
	48,002,000	**48,002,000**	**48,002,000**	**48,002,000**
Shares authorised				
50,000,000 ordinary 'A' shares of €1 each	50,000,000	50,000,000	50,000,000	50,000,000
50,000,000 ordinary 'B' shares of €1 each	50,000,000	50,000,000	50,000,000	50,000,000
	100,000,000	**100,000,000**	**100,000,000**	**100,000,000**

24 Bank borrowings

Borrowings include the following financial liabilities:

	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Bank loans due within 2-5 years	23,566,577	32,208,360	-	-
Bank loans due within 1 year	9,908,424	8,736,009	-	-
	33,475,001	**40,944,369**	-	-

The company had no bank borrowings in 2013 and 2014.

The group's banking facilities as at 31 December 2014 amounted to € 33,475,001 (2013: € 40,944,369).

The bank borrowings are secured by a general hypothec over Palm City Ltd's assets, by a guarantee by Mediterranean Investments Holding p.l.c. and by a pledge over part of its shareholding in Palm City Ltd (note 17.1) and by pledges over part of Palm City Ltd's bank deposits (note 22). These borrowings are subject to floating interest rates. As at 31 December 2014 the Libyan dinar bank borrowings amounting to €6,711,111 (2013: € 6,819,369) were subject to an effective interest rate of 1.5% (2013: 1.5%) over the Central Bank of Libya discount rate, (2013 and 2014: 4%) whilst the euro bank borrowings amounting to €26,763,890 (2013: €33,125,000) were subject to an effective interest rate of 2.6% plus 6 months Euribor (2013: 2.60% plus 6 months Euribor). Loan repayments are currently made on a semi-annual basis (2013: semi-annual basis) for both the euro bank borrowings and the Libyan dinar bank borrowings, amounting to €3,680,556, being capital repayment on euro portion, and €922,763 (LYD 1,496,721) (2013: €3,680,556 and € 865,657(LYD 1,496,721 (using end of 2013 exchange rate)) being capital and interest repayment on Libyan dinar portion.

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

25 Bonds

	Notes	Interest rate	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Bond I	25.1	7.50%	-	14,757,659	-	14,757,659
Bond II	25.2	7.50%	19,649,600	19,649,600	19,649,600	19,649,600
Bond III	25.3	7.15%	37,915,272	38,477,941	39,622,980	38,477,941
Bond IV	25.4	6%	12,000,000	-	12,000,000	-
			69,564,872	**72,885,200**	**71,272,580**	**72,885,200**

Comprising:

	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Current	19,649,600	14,757,659	19,649,600	14,757,659
Non-current	49,915,272	58,127,541	51,622,980	58,127,541
	69,564,872	**72,885,200**	**71,272,580**	**72,885,200**

In 2007, the company issued bonds of €15 million (Bond I) which were redeemed on 4 December 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.

During 2014 the company issued a €12 million 6% seven year bond maturing in 2021 (Bond IV).

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.

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

25.1 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, 2012 and 2013	**14,757,659**	**14,757,659**
Bonds redeemed	(14,757,659)	(14,757,659)
Balance at 31 December 2014	-	-

25.2 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, 2012, 2013 and 2014	**19,649,600**	**19,649,600**

25.3 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**
Amortisation of transaction costs	103,495	103,495
Difference on exchange	(326,765)	(326,765)
Balance at 31 December 2013	**38,477,941**	**38,477,941**
Amortisation of transaction costs	111,265	111,265
Difference on exchange	1,033,774	1,033,774
Bonds held by subsidiary	(1,707,708)	-
Balance at 31 December 2014	**37,915,272**	**39,622,980**

25.4 Bond IV

	Group €	Company €
Proceeds from issue	12,000,000	12,000,000
Balance at 31 December 2014	**12,000,000**	**12,000,000**

Transaction costs in connection with the Bond IV issue were expensed in the period under review.

26 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 the shareholders' loan is considered a reasonable approximation of fair value.

27 Deferred tax liability

Group

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

	2014	2013
	€	€
Non-current assets		
Investment property	29,906,910	50,657,601
Unabsorbed capital allowances	(329)	(802)
Unused tax losses	-	(3,500)
Other temporary differences	(437,464)	102,760
	29,469,177	**50,756,059**

The movement can be analysed as follows:		
Movement for the year	(21,286,882)	1,717,223
Recognised in profit or loss		
Deferred tax on loss on fair value of investment property	(20,750,691)	-
Deferred tax on unabsorbed capital allowances and unused tax losses	(536,191)	1,717,223
	(21,286,882)	**1,717,223**

Company

	2014	2013
	€	€
Available-for-sale financial assets	38,050,513	46,679,910
Unused tax losses	-	(4,302)
Other temporary differences	(437,743)	102,760
	37,612,770	**46,778,368**

	2014	2013
	€	€
The movement can be analysed as follows:		
Movement for the year	9,165,598	(5,342,285)
Recognised directly in equity		
Deferred tax on gain on fair value of available-for-sale financial asset	8,629,397	(5,265,217)
Recognised in profit or loss	**536,201**	**(77,068)**

See note 11 for information on the group's and the company's tax income (expense).

28 Derivative financial instrument

Group

	2014	2013
	€	€
Interest rate swap		
Non-current	**658,506**	**743,258**

28.1 Terms

	2014	2013
	€	€
Notional amount:		
Maturing in 2018 (2013: 2018)	19,322,917	24,843,750

Interest rates (2013 and 2014):

Maturing in 2018	
Receive interest at the rate of	6 month Euribor
Pay fixed interest at the rate of	1.9% per annum

29 Trade and other payables

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Trade payables	1,160,909	946,783	52,355	148,190
Capital creditors (note)	453,231	455,029		-
Amounts owed to associate company	-	317	-	317
Amounts owed to parent company	330,863	175,439	330,863	175,439
Amounts owed to subsidiary company	-	-	297	297
Amounts owed to shareholder	13,300	20,164	13,300	20,164
Amounts owed to other related companies	234,899	53,519	2,084	1,628
Bank balances overdrawn	8,649	9,383	3,364	3,211
Accrued expenses	4,642,054	4,749,898	2,361,110	2,579,738
Financial liabilities	**6,843,905**	**6,410,532**	**2,763,373**	**2,928,984**
Deferred income	3,946,884	5,641,457	-	-
Security deposits	3,576,673	3,427,167	-	-
Social security contributions	55,116	30,135	-	-
Other payables	630,071	30,878	612,226	12,995
Non-financial liabilities	**8,208,744**	**9,129,637**	**612,226**	**12,995**
Total trade and other payables	**15,052,649**	**15,540,169**	**3,375,599**	**2,941,979**

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

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

Note: included in capital creditors is an amount of € 200,000 (2013: € 200,000) withdrawn by one of the subsidiaries, Palm City Ltd. These monies were a guarantee for defective works which may have been carried out by a supplier at Palm City Residences (refer also to note 35).

30 Cash flow adjustments and changes in working capital

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Adjustments:				
Loss on fair value of investment property	60,866,651	-	-	-
Fair value gain on derivative financial instrument	(84,752)	(248,742)	-	-
Fair value adjustment on available-for-sale financial asset	-	-	-	228,658
Share of gain on equity accounted investment	(4,644)	(47,225)	-	-
Depreciation	190,923	260,412	478	939
Operating lease	7,613	7,613	-	-
Interest receivable	(97,188)	(435,850)	(204,896)	(1,014,319)
Interest payable	6,993,646	7,444,696	5,402,836	5,481,855
Dividend receivable	-	-	(5,376,181)	(5,297,431)
Amortisation of borrowing costs	242,948	196,476	-	-
Amortisation of bond issue costs	111,265	103,495	111,265	103,495
Gain on disposal of investment in Malta Government Stocks	-	(86,464)	-	(23,607)
Gain on disposal of financial assets	(29,354)	-	-	-
Difference on exchange	1,606,273	(410,765)	1,249,753	(293,600)
Increase in allowance for credit losses	149,540	111,203	-	-
Total adjustments	**69,952,921**	**6,894,849**	**1,183,255**	**(814,010)**
Net changes in working capital:				
Change in trade and other receivables	(257,813)	(676,445)	1,080,053	(2,408,231)
Change in trade and other payables	(181,963)	420,776	678,012	(400,011)
Change in inventories	(252,109)	(122,173)	-	-
Total changes in working capital	**(691,885)**	**(377,842)**	**1,758,065**	**(2,808,242)**

31 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.

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.

31.1 Transactions with related parties

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Consultancy and other services charged by shareholder	300,000	231,000	300,000	231,000
Consultancy and other services charged to subsidiary	-	-	(165,375)	(157,500)
Interest charged by shareholder	153,354	119,672	153,354	119,672
Interest charged to shareholder	(9,631)	(278,466)	(9,631)	(278,466)
Consultancy and other services charged to associate	(67,530)	(131,127)	(67,530)	(131,127)
Interest charged to subsidiary	-	-	(193,408)	(377,605)
Purchase of consultancy and other services from other related companies	285,047	146,141	-	-
Sales of services to other related companies	93,846	60,283	-	-

Balances with related parties are disclosed in notes 17, 21, 26 and 29.

32 Financial instrument risk

Risk management objectives and policies

Credit risk is the risk that a counterparty fails to discharge an obligation to the group and the company. 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 32.4. The main types of risks are credit risk, liquidity risk and market risk.

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

The group and the 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.

32.1 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the group and the company. The group and the 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:

		Group		Company	
		2014	2013	2014	2013
	Notes	€	€	€	€
Classes of financial assets – carrying amounts					
Shares in subsidiary companies	17	-	-	190,514,938	215,452,885
Shares in associate company	17	12,700,810	12,696,166	12,700,810	12,420,283
Loan to subsidiary companies	17	-	-	7,284,736	11,731,274
Trade and other receivables	21	6,292,445	6,237,629	2,795,976	3,879,551
Cash and cash equivalents	22	10,285,857	10,298,838	880,441	1,182,183
		29,279,112	**29,232,633**	**214,176,901**	**244,666,176**

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:

	2014	2013
	€	€
Not more than 30 days	411,951	1,385,088
More than 30 days but not more than 120 days	1,281,768	1,097,343
More than 120 days	2,136,753	417,028
Total	**3,830,472**	**2,899,459**

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.

32.2 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 the 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 2014, the group and the company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Group

	Current		Non-current	
31 December 2014	**within 6 months €**	**6 to 12 months €**	**2 to 5 years €**	**later than 5 years €**
Bank loan	4,954,212	4,954,212	13,658,153	-
Interest on bank loan	577,754	507,274	1,439,694	-
Bonds in issue	-	19,649,600	37,.915,272	12,000,000
Interest on bonds in issue	-	736,860	10,292,826	2,880,000
Bank balance overdrawn	8,649	-	-	-
Trade and other payables	-	6,843,905	-	-
Shareholders' loan	-	-	2,655,355	-
Derivative financial instrument	141,272	104,808	136,672	-
	5,681,887	**32,796,659**	**66,097,972**	**14,880,000**

Company

	Current		Non-current	
31 December 2014	**within 6 months €**	**6 to 12 months €**	**2 to 5 years €**	**later than 5 years €**
Bonds in issue	-	19,649,600	37,915,272	12,000,000
Interest on bonds in issue	-	736,860	10,292,826	2,880,000
Bank balance overdrawn	3,364	-	-	-
Trade and other payables	-	2,763,373	-	-
Shareholders' loan	-	-	2.655,355	-
	3,364	**23,149,833**	**50,863,453**	**14,880,000**

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	
31 December 2013	**within 6 months €**	**6 to 12 months €**	**2 to 5 years €**	**later than 5 years €**
Bank loan	4,858,680	4,877,329	31,208,360	-
Interest on bank loan	653,418	592,169	2,134,095	-
Bonds in issue	-	14,757,659	58,127,541	-
Interest on bonds in issue	-	5,485,000	10,080,000	-
Bank balance overdrawn	9,383	-	-	-
Trade and other payables	6,401,149	-	-	-
Shareholders' loan	-	-	3,200,000	
Derivative financial instrument	170,104	146,343	268,589	-
	12,092,734	**25,858,500**	**105,018,585**	**-**

Company

	Current		Non-current	
	within 6 months	6 to 12 Months	2 to 5 years	later than 5 years
31 December 2013	€	€	€	€
Bonds in issue	-	14,757,659	58,127,541	-
Interest on bonds in issue	-	5,485,000	10,080,000	-
Bank balance overdrawn	3,211	-	-	-
Trade and other payables	2,785,726	-	-	-
Shareholders' loan	-	-	3,200,000	-
	2,788,937	**20,242,659**	**71,407,541**	**-**

32.3 Market risk analysis

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	Long term exposure	
	LYD	USD	GBP
	€	€	€
31 December 2014			
Financial liabilities	6,711,111	5,857,918	5,560,511
Total exposure	**6,711,111**	**5,857,918**	**5,560,511**
31 December 2013			
Financial liabilities	6,819,369	5,172,381	5,212,271
Total exposure	**6,819,369**	**5,172,381**	**5,212,271**

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 +/- 6.19% change of the LYD/euro exchange rate at year end (2013: 4%). A change of +/- 12.19% (2013: +/- 4%) is considered for the USD/euro exchange rate and a change of +/- 6.65% (2013: +/- 2%) 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 6.19% (2013: 4%), against the USD by 12.19% (2013: 4%) and against the GBP by 6.65% (2013: 2%) 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 2014	+/- 415,418	+/- 714,080	+/- 369,774
31 December 2013	+/- 272,775	+/- 206,895	+/- 104,245

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

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 (2013: +/-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.

	2014		2013	
	€		€	
	+ 100 basis points	-100 basis points	+ 100 basis points	-100 basis points
Net result for the year	(260,340)	260,340	(316,631)	316,631

32.4 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:

		Group		Company	
		2014	2013	2014	2013
	Notes	€	€	€	€
Investments					
- Shares in subsidiary company	17	-	-	190,514,938	215,452,885
- Shares in associate company	17	12,700,810	12,696,166	12,700,810	12,420,283
- Loan to subsidiary companies	17	-	-	7,284,736	11,731,274
		12,700,810	**12,696,166**	**210,500,484**	**239,604,442**
Loans and receivables					
- Trade and other receivables	21	6,292,445	6,237,629	2,795,976	3,879,551
- Cash and cash equivalents	22	10,285,857	10,298,838	880,441	1,182,183
		16,578,302	**16,536,467**	**3,676,417**	**5,061,734**
Financial liabilities					
Financial liabilities measured at amortised cost					
Non-current					
- Bank borrowings	24	23,566,577	32,208,360	-	-
- Bonds	25	49,915,272	58,127,541	51,622,980	58,127,541
- Shareholders' loan	26	2,655,355	3,200,000	3,200,000	3,200,000
Financial liabilities measured at fair value through profit and loss					
Non-current					
- Derivative financial instrument	28	658,506	743,258	-	-
		76,795,710	**94,279,159**	**54,822,980**	**61,327,541**
Current					
- Bank borrowings	24	9,908,424	8,736,009	-	-
- Bonds	25	19,649,600	14,757,659	19,649,600	14,757,659
- Trade and other payables	29	6,843,905	6,410,532	2,763,373	2,928,984
		36,401,929	**29,904,200**	**22,412,973**	**17,686,643**

See note 5.15 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 32.

33 Fair value measurement

33.1 Fair value measurement of financial instruments

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 2013	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Financial liabilities			
Interest rate swap (a)	-	(743,258)	-

31 December 2014	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Financial liabilities			
Interest rate swap (a)	-	(658,506)	-

Company

31 December 2013	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Financial assets			
Available-for-sale financial assets (b)	-	-	227,873,168

31 December 2014	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Financial assets			
Available-for-sale financial assets (b)	-	-	203,215,748

Measurement of fair value

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

Interest rate swap

a) 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 28).

Available-for-sale financial assets

b) 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:

Company	**2014**	**2013**
	€	**€**
Balance at 1 January	227,873,168	213,058,349
(Loss) gain recognised in:		
- Profit or loss	-	(228,658)
- Other comprehensive income	(24,657,420)	15,043,477
Balance at 31 December	**203,215,748**	**227,873,168**

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.

33.2 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2014 and 31 December 2013.

Group

31 December 2014	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Investment property	-	-	**250,000,000**

Group

31 December 2013	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Investment property	-	-	**310,675,580**

The fair value of the subsidiary's investment property is estimated based on an appraisal by an independent professionally-qualified valuer. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors at each reporting date. During the year under review the valuation arrived at when using these inputs amounted to € 250,000,000 (see note 15).

34 Commitments

Group	2014	2013
	€	€
Capital expenditure		
Capital expenditure that has been authorised by the directors but has not yet been contracted for	-	2,291,579
Capital expenditure that has been authorised by the directors and has been contracted for	-	227,000

35 Contingent liabilities

The company, together with a related company, is a co-defendant in court proceedings against them for unpaid professional fees. The company's share of this claim is estimated at € 0.8 million. 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.

One of the subsidiaries is involved in two court cases, instituted by a supplier, as defendant in court proceedings against it amounting in total to € 250,000. These proceedings are still in the very early stages and as a result it is not possible to predict a possible outcome.

36 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.

37 Comparative figures

Certain amounts have been reclassified to conform with the current year's presentation.

38 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 52, which comprise the statements of financial position as at 31 December 2014, 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

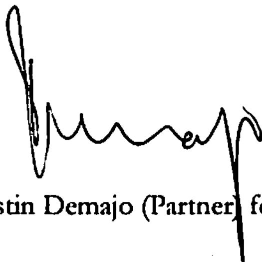
In our opinion, the group's consolidated financial statements and the company's financial statements give a true and fair view of their financial position as at 31 December 2014, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting 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.



Austin Demajo (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre
Tower Street, Suite 3
Swatar BKR 4013
Malta

8 April 2015