Mediterranean Investments Holding p.l.c.

Report and Consolidated Financial Statements

For the year ended 31 December 2010

Company Registration Number: C 37513

Contents

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 2010. The group comprises the company, its only subsidiary, Palm City Limited, and its three associates, AGR Limited (formerly QP qpm-projacs Limited), Agility (Libya) Limited and Medina Tower Joint Stock Company.

Principal activities

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

Review of the business

In 2010 MIH successfully issued its third bond equivalent to €40,000,000 in a combination of euro, Sterling and US Dollar redeemable in 2017, but which may be redeemed earlier, between 2015 and 2017. The proceeds raised were mainly intended for the investment in Medina Tower and for general corporate funding.

During 2010, MIH continued to provide financial support to the Palm City Residences development in Libya amounting to €6 million by way of a shareholders' loan. These are the only shareholders' loans existing to date since other amounts that were advanced during 2009 were converted into equity by end of 2009.

Palm City Residences, MIH's first major real estate investment in Libya, is today fully completed and fully operational. During 2010, 276 out of a total of 413 units, had been leased with another 109 units awaiting confirmation by other clients. Negotiations of the contracts in respect of these units are at a very advanced stage and the tenants of 90 units are expected to move between February and June. Managements' objective is to achieve a 95% occupancy by the second quarter of 2011. The directors are pleased to report that, notwithstanding that most of the units where in fact handed over to management during the latter part of 2010, a substantial number of units have been rented out by the end of 2010. This is the result of the uniqueness of the development and the high level of finish that Palm City has successfully achieved in creating an unparalleled lifestyle.

The directors are particularly pleased to report that the companies and clients that have signed up lease agreements and others that are in the process to do so represent varied businesses involved in different industries in Libya. With less than 50% of the units leased to companies involved in the hydrocarbon industry, most of the new clients that have taken up residence at Palm City are involved in construction and infrastructure, financial services, tourism, airline and other various industries. All of the above has contributed towards the profitability and liquidity of Palm City to make it through the difficult initial year of operations, a challenge inherent to a start-up business.

During 2009 MIH had announced its intention to start its second major development project through the signing of a shareholders' agreement with the Economic Development Real Estate Company (EDREICO). On the 22nd May 2010 Medina Tower Joint Stock Company for Real Estate Investment and Development (MTJSC) was successfully registered in Libya. MIH has joined forces with International Hotel Investments p.l.c. ("IHI") and the Economic Development Real Estate Company (EDREICO) to develop this landmark project located in the heart of Tripoli's business district. The shareholding of MTJSC is made up of MIH holding 25%, IHI holding 25% and EDREICO holding 50%. MTJSC has now acquired the title to the land as well as secured full development approvals for the project.

During the last quarter of 2010 the first tranche of an equity injection amounting to €3.9m was transferred by MIH and the balance will be transferred in terms of the shareholders' agreement signed in 2010 or as the project so necessitates.

Works on the 40-storey Medina Tower are expected to commence during the first quarter of 2011 and are expected to be completed by 2014. The cost of the Medina Tower project is estimated to be in the region of €303 million (excluding interest during construction) and is expected to be funded as to 45% through equity contributions and 55% through bank funding. In the past months management have been actively engaged in discussions with a number of local and international banks to secure bank funding for this project. The loan will be predominantly denominated in Libyan Dinar with the balance to be denominated in other currencies namely euro and /or US Dollar.

Negotiations with contractors are also at a very advanced and final stage and relatively within project estimates. The main contract, which will cover the diaphragm wall, piling and dewatering, sub and super structure, external glazing, and external works is expected to be concluded by the end of February 2011 whilst the building services contract will be awarded by the end of April 2011

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

Results

The loss for the year under review amounted to € 0.79 million which is € 19.4 million lower that the projected results contained in the latest set of projections that were published by way of annex in the company's prospectus issued in June 2010. It must, however, be noted that the projected results in the prospectus included a property uplift, net of tax, of € 19.1 million based on the valuation of the Palm City project on a 99 year lease basis. Since as at the reporting date the transfer of the lease in favour of Palm City was not yet concluded, the underlying valuation of Palm City residences was based on the existing 65-year build-operate-transfer agreement. In consequence of the shorter tenure of use, and the higher discount rate applied in arriving at the fair value of the project at the reporting date, the projected uplift in value did not materialize. Furthermore, turnover for the year was shy of the projected turnover by €4.3m principally due to the fact that although leases have been signed, tenants had not yet moved in and therefore income from these tenancies could not be accrued.

Due the fact that the IPO was not concluded during the year under review the associated issue costs of €4.6m have not been incurred. The directors have decided, in the best interest of the public offering, to postpone the issue temporarily. Finally, the directors report that its wholly owned subsidiary company has provided for an unrealized loss on exchange amounting to €430,000 in respect of the Libyan Dinar portion of the loan converted at the applicable rate of exchange as at balance sheet date which amount could not have been anticipated when the forecasts were prepared

During the year more units were handed over to the management of the Principal Subsidiary to enable it to continue accepting tenants and generate an operating profit of €6,419,382 from such leases. Administrative expenses amounted to €1,316,249 (2009 – €429,594) and marketing costs amounted to €577,192 (2009 – €523,938). The comparatively higher costs incurred in 2010 are directly attributable to the increased number of employees that by year-end numbered 117 along with increased marketing activities in gearing up for the operations of the village subsequent to completion as well as the increased exposure to the leasing of the units under development.

During the final quarter of the financial year ended 31st December 2010 the board of directors of the Palm City Ltd commissioned PricewaterhouseCoopers and DeMicoli and Associates to prepare an expert valuation report on the Palm City Residences. The valuation, which has been made on the basis of a 65 year Build Operate and Transfer (BOT) agreement, showed an open market value of Palm City Residences at €248 million. On maturity of the project, that is once 95% (or 392) of the units are leased out, the valuation increases to €259 million. This is a very significant value since the implied developer's profit, amounts to 40% of the revaluation amount, which is significantly higher than one would expect from similar projects. Furthermore, once the land is successfully transferred in the name of Palm City the valuation would increase further to €306 million.

The group's asset base grew to €288 million as at 31st December 2010 from €249 million at the end of the corresponding date in the previous year. This mainly resulted from the finalisation of construction works amounting to €19 million, the investment in financial assets (Medina Towers) together with an increase in property, plant and equipment of a further € 0.43 million. Current assets in the form of cash balances have increased mainly due to the proceeds from the bond issue by MIH, cash reserves being used in finalising the development, the paying of capital creditors and the aforementioned investment financial assets.

Directors

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

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

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

Disclosure of information to auditors

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

- As far as each director is aware, there is no relevant information needed by the independent auditors in connection with preparing their report of which the independent auditors are unaware, and

- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditors in connection with preparing their report and to establish that the independent auditors are aware of that information.

Statement of directors' responsibilities

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

- adopt the going concern basis unless it is inappropriate to presume that the group and company will continue in business;
- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

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

Auditors

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

By order of the board

Alfred Pisani
Chairman

Khalil E.A.M. Alabdullah
Vice-Chairman

Registered office:

22, Europa Centre,
Floriana FRN 1400,
Malta

24th February 2011

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

Introduction

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

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

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

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

The board

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

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

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

The directors' did not receive any remuneration during the year under review.

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

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

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

Audit committee

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

Mr Joseph Caruana acts as chairman of the audit committee, whilst Mr Joseph Fenech and Mr Khalil E.A.M. Alabdullah act as members and Mr Reginald Cuschieri as secretary. In terms of Listing Rule 8.56a, the chairman, Mr Joseph Caruana, has been indicated by the Board as the independent non-executive member of the audit committee who is considered to be competent in accounting and auditing. Since its appointment on 12th August 2009, this committee has held 6 meetings.

Approved by the board on the 24th February 2011 and signed on its behalf by:

Alfred Pisani
Chairman

Khalil E.A.M. Alabdullah
Vice-Chairman

Shareholders and other information

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

Number of shareholders

Range	Total shareholders at 31 December 2010	Total shareholders at 31 December 2009
1 to 1000	-	-
1001 to 5000	-	-
5001 and over	3	3

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

Shareholders holding 5% or more of the share capital at

	31 December 2010		31 December 2009	
	Number of shares	Percentage holding %	Number of shares	Percentage holding %
Corinthia Palace Hotel Company Limited	24,001,000	50	24,001,000	50
National Real Estate Company	19,200,800	40	19,200,800	40
Libya Projects Trading and Contracting Company	4,800,200	10	4,800,200	10

Directors' interest in the shareholding of the company

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

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

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

Contracts of significance

Loan agreements with Palm City Ltd

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

Build – Operate – Transfer Agreement

Palm City Ltd is party to a Build-Operate-Transfer agreement wherein it was engaged by Corinthia Palace Hotel Company Limited (CPHCL – holder of legal title to the Janzour Land) to finalise the construction of the project in accordance with the specifications agreed upon by both parties. All costs and expenses related to the completion of the project, construction and development shall be borne by Palm City Ltd. In return Palm City Ltd will operate the project for its own benefit for a specific period of 65 years. Upon expiry of this 65 year term, Palm City is bound to transfer the operation back to CPHCL. The company and Corinthia Palace Hotel Company Limited have applied to the competent authorities in Libya, for approval of the assignment of the 99-year lease (which expires on 4th July 2105), from Corinthia Palace Hotel Company Limited to Palm City Ltd. Both parties have agreed that upon such approval being granted, the Build, Operate and Transfer agreement will be terminated.

Company secretary and registered office

Mr Reginald Cuschieri
22, Europa Centre
Floriana FRN 1400
Malta

Report of the independent auditors to the shareholders

Pursuant to Listing Rule 8.39 by the Listing Authority

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

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

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

We are not required to, and we do not, consider whether the board's statements on internal control included in the statement of compliance covers all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

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

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

24th February 2011

Income statements

	Notes	Group 2010 €	Group 2009 €	Company 2010 €	Company 2009 €
Turnover		9,119,881	1,076,021	-	-
Operating expenses		(2,700,499)	(334,318)	-	-
Gross profit		**6,419,382**	**741,703**	**-**	**-**
Fair value gain on investment property		-	90,200,180	-	-
Administrative expenses		(1,316,249)	(429,594)	(104,863)	(100,198)
Marketing expenses		(577,192)	(523,938)	(213,966)	-
Operating profit/(loss)		**4,525,941**	**89,988,351**	**(318,829)**	**(100,198)**
Finance income	6	280,745	537,022	365,862	1,866,551
Finance costs	6	(5,442,415)	(1,145,187)	(3,972,564)	(2,622,899)
Share of results of equity accounted investments		(151,307)	-	-	-
(Loss)/profit before tax	7	**(787,036)**	**89,380,186**	**(3,925,531)**	**(856,546)**
Tax expense	8	(1,050)	(29,923,926)	-	-
(Loss)/profit for the year		**(788,086)**	**59,456,260**	**(3,925,531)**	**(856,546)**
(Loss)/earnings per share	9	(0.02)	1.24	(0.08)	(0.02)

Statements of financial position

	Notes	Group 2010 €	Group 2009 €	Company 2010 €	Company 2009 €
Assets					
Non-current					
Intangible assets	10	2,258	2,258	-	-
Property, plant and equipment	11	701,609	265,231	1,383	-
Investment property	12	246,057,261	226,633,420	-	-
Financial assets	13	4,049,601	300,906	91,856,715	79,934,759
Lease prepayment	14	452,989	460,785	-	-
		251,263,718	**227,662,600**	**91,858,098**	**79,934,759**
Current					
Inventory	15	213,968	-	-	-
Trade and other receivables	16	8,411,911	8,205,590	1,915,362	1,053,477
Cash and cash equivalents	17	28,255,713	13,109,178	25,954,251	3,059,918
		36,881,592	**21,314,768**	**27,869,613**	**4,113,395**
Total assets		**288,145,310**	**248,977,368**	**119,727,711**	**84,048,154**
Equity					
Share capital	18	48,002,000	48,002,000	48,002,000	48,002,000
Retained earnings/(accumulated losses)		57,997,934	58,786,020	(4,382,567)	(457,036)
		105,999,934	**106,788,020**	**43,619,433**	**47,544,964**
Liabilities					
Non-current					
Bank borrowings	19	46,520,355	50,820,840	-	-
Bonds	20	73,618,635	35,000,689	73,618,635	35,000,689
Deferred tax liability	21	29,923,910	29,923,910	-	-
		150,062,900	**115,745,439**	**73,618,635**	**35,000,689**
Current					
Bank borrowings	19	9,229,073	4,200,000	-	-
Trade and other payables	22	22,853,404	22,243,909	2,489,643	1,502,501
		32,082,477	**26,443,909**	**2,489,643**	**1,502,501**
Total liabilities		**182,145,377**	**142,189,348**	**76,108,278**	**36,503,190**
Total equity and liabilities		**288,145,310**	**248,977,368**	**119,727,711**	**84,048,154**

The financial statements on pages 11 to 39 were approved by the board of directors, authorised for issue on 24th February 2011 and signed on its behalf by:

Alfred Pisani
Chairman

Khalil E.A.M. Alabdullah
Vice-Chairman

Statements of changes in equity

Group

	Share capital	Retained earnings/ (accumulated losses)	Total equity
	€	€	€
Balance at 1 January 2009	48,002,000	(670,240)	47,331,760
Profit for the year	-	59,456,260	59,456,260
Balance at 31 December 2009	**48,002,000**	**58,786,020**	**106,788,020**
Balance at 1 January 2010	48,002,000	58,786,020	106,788,020
Loss for the year	-	(788,086)	(788,086)
Balance at 31 December 2010	**48,002,000**	**57,997,934**	**105,999,934**

Company

	Share capital	Retained earnings/ (accumulated losses)	Total equity
	€	€	€
Balance at 1 January 2009	48,002,000	399,510	48,401,510
Loss for the year	-	(856,546)	(856,546)
Balance at 31 December 2009	**48,002,000**	**(457,036)**	**47,544,964**
Balance at 1 January 2010	48,002,000	(457,036)	47,544,964
Loss for the year	-	(3,925,531)	(3,925,531)
Balance at 31 December 2010	**48,002,000**	**(4,382,567)**	**43,619,433**

Statements of cash flows

		Group		Company	
	Notes	2010	2009	2010	2009
		€	€	€	€
Operating activities					
(Loss)/profit before tax		(787,036)	89,380,186	(3,925,532)	(856,546)
Adjustments	23	5,575,258	(88,067,025)	4,281,143	756,348
Net changes in working capital	23	94,378	3,957,343	769,468	(447,167)
Tax paid		(1,050)	-	-	-
		4,881,550	**5,270,504**	**1,125,079**	**(547,365)**
Investing activities					
Payments to acquire property, plant and equipment		(20,056,178)	(58,335,767)	(1,844)	-
Payments to acquire financial assets		(3,900,000)	(2,785)	(5,781,075)	(18,582,653)
Payments to acquire intangible assets		-	(426)	-	-
Loans to subsidiary		-	-	(6,082,006)	-
Interest received		232,318	415,850	367,040	1,603,499
		(23,723,860)	**(57,923,128)**	**(11,497,885)**	**(16,979,154)**
Financing activities					
Proceeds from bond issue		38,567,445	-	38,567,445	-
Proceeds from bank loan		5,000,000	-	-	-
Repayment of bank loan		(4,703,992)	42,400,213	-	-
Interest paid		(4,851,246)	(2,436,263)	(5,287,602)	(2,650,343)
		34,012,207	**39,963,950**	**33,279,843**	**(2,650,343)**
Net change in cash and cash equivalents		**15,169,897**	**(12,688,674)**	**22,907,037**	**(20,176,862)**
Cash and cash equivalents, at 1 January		13,025,410	25,714,084	2,997,237	23,174,099
Cash and cash equivalents, at 31 December	17	**28,195,307**	**13,025,410**	**25,904,274**	**2,997,237**

Notes to the financial statements

1 Nature of operations

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

2 General information

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

Mediterranean Investments Holding p.l.c. is a public company and is incorporated and domiciled in Malta. The address of the company's registered office is 22, Europa Centre, Floriana FRN 1400, Malta. The company is 50% owned by Corinthia Palace Hotel Company Limited of 22, Europa Centre, Floriana, 40% owned by National Real Estate Company of PO Box 64585, Shuwaikh B 70456, Kuwait, and 10% owned by Libya Projects General Trading and Contracting Co. of Office 16/Meezzanine Block 12, Al Asfour International Company, Al Manaf, Kuwait.

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

3 Change in accounting policies

3.1 Standards, amendments and interpretations to existing standards that have been adopted by the group

The group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the group's financial statements for the annual period beginning 1 January 2010.

- IFRS 3 *Business Combinations* (Revised 2008)
- IAS 27 *Consolidated and Separate Financial Statements* (Revised 2008)
- *Improvements to IFRSs 2009*

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

Adoption of IFRS 3 *Business Combinations* (Revised 2008)
The revised standard on business combinations (IFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in IFRS 3R are as follows:

- acquisition-related costs of the combination are recorded as an expense in the income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised only once its payment was probable and changes were recognised as an adjustment to goodwill.

- the measurement of assets acquired and liabilities assumed at their acquisition-date fair values is retained. However, IFRS 3R includes certain exceptions and provides specific measurement rules.

The group did not make any business acquisitions during 2010 and therefore the changes did not have any impact on the accounting treatment of business combinations. Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

Adoption of IAS 27 *Consolidated and Separate Financial Statements* (Revised 2008)

The adoption of IFRS 3R required that the revised IAS 27 (IAS 27R) is adopted at the same time. IAS 27R introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. These changes are applied prospectively. During the current period, the group had no transactions with non-controlling interests.

Adoption of *Improvements to IFRSs 2009* (Issued in April 2009)

The *Improvements to IFRSs 2009* made several minor amendments to IFRSs. None of these amendments is relevant to the group.

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

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

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

Annual Improvements 2010 (effective from 1 July 2010 and later)

The IASB has issued *Improvements to IFRS 2010* (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the group's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

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

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

4 Summary of accounting policies

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

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

4.1 Basis of consolidation

The group financial statements consolidate those of the company and its subsidiary undertaking drawn up to 31 December 2010. Subsidiaries are all entities over which the group has power to control the financial and operating policies. MIH p.l.c. obtains and exercises control through voting rights. The subsidiary has a reporting date of 31 December.

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

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

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

4.2 Business combinations

Prior to 1 January 2010, business combinations of entities or businesses not under common control were dealt with by the purchase method, now called the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired business, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary were included in the consolidated balance sheet at their fair values, which were also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill was stated after separating out the identifiable intangible assets. Goodwill represented the excess of acquisition cost over the fair value of the group’s share of the identifiable net assets of the acquired subsidiary at the date of acquisition. If the acquisition cost was less than the fair value of the group’s share of identifiable net assets of the acquired subsidiary at date of acquisition, the gain on acquisition was recognised immediately in profit or loss.

For business combinations after 1 January 2010, refer to note 3.1.

4.3 Investments in associates

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

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

All subsequent changes to the group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within 'share of profit/loss of equity accounted investments' in profit or loss. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

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

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

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

4.4 Revenue

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

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

4.5 Foreign currency translation

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

4.6 Operating expenses

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

4.7 Borrowing costs

Borrowing costs primarily comprise interest on the group's borrowings. Borrowing costs incurred on specific fixed asset projects prior to their commissioning are capitalised as part of the cost of the asset. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the average rate of interest on bank borrowings. All other borrowing costs are amortised on an effective interest basis over the life of the loan facility agreement..

4.8 Intangible assets

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

4.9 Property, plant and equipment

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

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment as follows:

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

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

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

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

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

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

4.10 Lease payments

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

4.11 Investment property

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

Investment property is re-valued annually and is included in the statement of financial position at its fair value. This is determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

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

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

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

4.12 Impairment of tangible and intangible assets

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

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

4.13 Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the company's balance sheet at cost less any impairment loss that may have arisen. Income from investments is recognised only to the extent of distributions received by the company.

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

4.14 Financial instruments

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

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

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

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

Financial assets

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

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

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

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

Loans and receivables

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

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

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

Financial liabilities

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

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

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

4.15 Inventories

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

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

4.16 Income taxes

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

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

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

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

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

4.17 Cash and cash equivalents

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

4.18 Equity, reserves and dividend payments

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

Retained earnings/accumulated losses include all current and prior period results, less any amounts which have been capitalised as share capital.

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

4.19 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the group and 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 that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.20 Significant management judgement in applying accounting policies

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

4.21 Estimation uncertainty

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

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

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

Useful lives of depreciable assets

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

Investment property

At each reporting date investment property is revalued by independent valuers based on managements' estimates of expected future cash flows. The value of the property is determined by applying a suitable discount rate to calculate the present value of these future cash flows. In the process the group has not recognised the increase in fair value of investment property in 2010 since the fair value was not significantly higher than the carrying amount of the asset.

If the discount rate was increased by 1% the fair value of investment property would reduce by € 20.4 million; if decreased by 1% a further uplift of € 30.9 million would be recognised.

5 Staff costs

	Group		Company	
	2010	**2009**	**2010**	**2009**
	€	**€**	**€**	**€**
Wages and salaries	1,420,684	526,052	20,110	-
Social security costs	41,632	16,563	559	-
	1,462,316	542,615	20,669	-
Less: Wages and salaries capitalised	-	(175,279)	-	-
	1,462,316	**367,336**	**20,669**	**-**

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

	No.	No.
Operating	95	65
Administrative	22	11
	117	**76**

During the period the company employed an average of one person in the administrative category.

6 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	€	**€**	**€**	**€**
Interest earned on short term deposits	232,318	415,496	209,522	415,005
Interest charged on loan to subsidiary company	-	-	156,340	1,451,546
Difference on exchange	48,427	121,526	-	-
Finance income	**280,745**	**537,022**	**365,862**	**1,866,551**
Interest on bonds	3,922,064	2,622,899	3,922,064	2,622,856
Bank interest	2,433,658	1,732,918	-	43
Interest charged by related companies	4,139	-	-	-
Foreign exchange loss	429,829	-	7,349	-
Amortisation of borrowing costs	118,189	-	-	
Amortisation of bond issue costs	43,151	-	43,151	-
	6,951,030	**4,355,817**	**3,972,564**	**2,622,899**
Interest capitalised	(1,508,615)	(3,210,630)	-	-
Finance costs	**5,442,415**	**1,145,187**	**3,972,564**	**2,622,899**

7 (Loss)/profit before tax

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	€	**€**	**€**	**€**
Depreciation of property, plant and equipment	195,959	7,498	461	-
Auditors' fees				
- Annual statutory audit	13,875	14,400	5,400	5,400
- Tax advisory services	-	4,000	-	-
- Other assurance services	22,000	1,200	22,000	-
- Other non-audit services	1,678	1,180	678	425
-				

8 Tax expense

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	€	**€**	**€**	**€**
(Loss)/profit before tax	(787,036)	89,380,186	(3,925,531)	(856,546)
Tax rate	18.75%	18.75%	18.75%	18.75%
Expected tax income/(expense)	**147,569**	**(16,758,785)**	**736,037**	**160,602**
Income subject to tax at 15%	(1,050)	104	-	-
Adjustment for non-deductible expenses	(147,569)	-	(736,037)	(160,602)
Tax effect of fair value adjustment	-	(13,165,245)	-	-
Actual tax expense, net	**(1,050)**	**(29,923,926)**	**-**	**-**

9 (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 average number of ordinary shares outstanding during the year.

10 Intangible assets

Group

	Trademarks €
Carrying amount	
Balance at 1 January 2009	1,832
Additions	426
Balance at 31 December 2009	**2,258**
Carrying amount	
Balance at 1 January 2010 and 31 December 2010	2,258

11 Property, plant and equipment

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

	Computer equipment €	Computer software €	Motor vehicles €	Office furniture and equipment €	Tools €	Machinery and equipment	Asset in the course of construction €	Total €
Gross carrying amount								
Balance at 1 January 2009	75,580	-	123,698	81,219	-	-	73,353,597	73,634,094
Additions	11,029	-	29,369	146,906	19,923	-	63,079,643	63,286,870
Disposals	-	-	(16,625)	-	-	-	-	(16,625)
Transfer to investment property	-	-	-	-	-	-	(136,433,240)	(136,433,240)
Balance at 31 December 2009	**86,609**	**-**	**136,442**	**228,125**	**19,923**	**-**	**-**	**471,099**
Depreciation								
Balance at 1 January 2009	38,768	-	61,475	39,047	-	-	-	139,290
Disposals	-	-	(14,200)	-	-	-	-	(14,200)
Depreciation for the year	19,824	-	36,331	23,191	1,432	-	-	80,778
Balance at 31 December 2009	**58,592**	**-**	**83,606**	**62,238**	**1,432**	**-**	**-**	**205,868**
Carrying amount at 31 December 2009	**28,017**	**-**	**52,836**	**165,887**	**18,491**	**-**	**-**	**265,231**
Gross carrying amount								
Balance at 1 January 2010	86,609	-	136,442	228,125	19,923	-	-	471,099
Additions	77,554	7,300	-	85,033	37,714	428,403	-	636,004
Balance at 31 December 2010	**164,163**	**7,300**	**136,442**	**313,158**	**57,637**	**428,403**	**-**	**1,107,103**
Depreciation								
Balance at 1 January 2010	58,592	-	83,606	62,198	1,472	-	-	205,868
Depreciation for the year	22,587	122	28,540	52,618	14,643	81,116	-	199,626
Balance at 31 December 2010	**81,179**	**122**	**112,146**	**114,816**	**16,115**	**81,116**	**-**	**405,494**
Carrying amount at 31 December 2010	**82,984**	**7,178**	**24,296**	**198,342**	**41,522**	**347,287**	**-**	**701,609**

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

In 2007 costs amounting to €513,000 incurred in connection with a bond issue made by the company and recharged to the subsidiary had been capitalised as part of investment property. The costs incurred in issuing the July 2008 bond by the company amounting to €265,788 were capitalised as part of investment property during 2009 in view of their utilisation for the Palm City project.

Borrowing costs and depreciation capitalised during the period under review amounted to €1,508,615 and €3,667 respectively (2009: €3,210,630 and €73,280 respectively).

12 Investment property

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:

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

	2010
	€
Carrying amount 1 January	226,633,420
Capitalisation of project related expenses	19,423,841
Carrying amount 31 December	**246,057,261**

Investment property valued at €246,057,261 is pledged as security for related borrowings.

Rental income for 2010 amounts to € 8,736,317 included within 'revenue'. No contingent rents were recognised. Direct operating expenses of €2,700,499 were reported within 'operating expenses'.

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

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

13 Financial assets

		Group		Company	
		2010	2009	2010	2009
	Notes	€	€	€	€
Shares in subsidiary company (unquoted)	13.1	-	-	81,499,998	78,849,998
Shares in associate companies (unquoted)	13.2	4,034,890	286,195	4,260,000	360,000
Loan to subsidiary company	13.3	-	-	6,082,006	710,050
Loans to associate companies	13.4	14,711	14,711	14,711	14,711
		4,049,601	**300,906**	**91,856,715**	**79,934,759**

13.1 Shares in subsidiary company (unquoted)

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

13.2 Shares in associate companies (unquoted)

Associate company	Percentage holding in ordinary shares %	Nature of business	Capital and reserves 31.12.2010 €	Loss for the year ended 31.12.2010 €
AGR Limited (formerly QP qpm-projacs Limited) 22, Europa Centre, Floriana, Malta (in liquidation)	30	Property development	247,714	7,973
Agility (Libya) Limited 22, Europa Centre, Floriana, Malta	10	Supply chain logistics	1,332,197	798,301
Medina Tower Joint Stock Company for Real Estate Investment and Development Suite 107, Tower 2, Level 10 Burj Al Fateh, Tripoli, Libya	25	Property development	15,299,857	300,143

13.3 Loan to subsidiary company

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

13.4 Loans to associate companies

The loans to associate companies are unsecured, interest free and have no fixed date of repayment.

14 Lease prepayment

Group

	2010 €	2009 €
Balance at beginning of year	468,277	475,890
Amount charged to profit and loss	(7,613)	(7,614)
Balance at end of year	**460,664**	**468,276**
Classified as:		
Non-current asset	452,989	460,785
Current asset (note 16)	7,675	7,492
	460,664	**468,277**

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

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

15 Inventories

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

Group

	2010 €	2009 €
Food and beverage stocks	174,875	-
Stock of uniforms	22,251	-
Electrical materials and spare parts	16,842	-
Total inventories	**213,968**	**-**

16 Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Trade receivables	2,132,139	2,114,321	-	-
Amount owed by other group companies	-	638	-	638
Amounts due by related parties	1,652,890	-	1,109,071	1,051,661
Financial assets	**3,785,029**	**2,114,959**	**1,109,071**	**1,052,299**
Advance payments to capital creditors	1,471,716	3,308,028	-	-
Advance payments to trade creditors	2,771	-	-	-
VAT refundable	29,819	96,158	9,923	
Lease prepayments (note 14)	7,675	7,492	-	-
Deposits	119,529	368,220	-	-
Other prepayments	248,263	79,825	67,176	1,178
Other receivables	2,747,109	2,230,908	729,192	-
	4,626,882	**6,090,631**	**806,291**	**1,178**
Total trade and other receivables	**8,411,911**	**8,205,590**	**1,915,362**	**1,053,477**

The amounts due by related parties are unsecured, interest free and repayable on demand. All amounts are short-term. The net carrying value of receivables is considered a reasonable approximation of fair value.

16.1 Ageing of trade and other receivables

The ageing of trade receivables at the reporting date was:

	2010
	€
Not past due	441,720
Past due 0 – 30 days	270,662
Past due 31 – 120 days	1,419,757
	2,132,139

17 Cash and cash equivalents

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

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Cash at bank and in hand:				
- euro	17,853,264	12,826,404	17,388,145	3,059,918
- Libyan dinar	1,831,680	282,774	-	-
- US dollar	4,652,946	-	4,648,283	-
- Pound Sterling	3,917,823	-	3,917,823	-
Cash and cash equivalents in the statement of financial position	**28,255,713**	**13,109,178**	**25,954,251**	**3,059,918**
Bank balance overdrawn	(60,406)	(83,768)	(49,977)	(62,681)
Cash and cash equivalents in the statement of cash flows	**28,195,307**	**13,025,410**	**25,904,274**	**2,997,237**

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

18 Share capital

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	€	**€**	**€**	**€**
Shares issued and fully paid				
24,001,000 ordinary 'A' shares of €1 each	24,001,000	24,001,000	24,001,000	24,001,000
24,001,000 ordinary 'B' shares of €1 each	24,001,000	24,001,000	24,001,000	24,001,000
	48,002,000	**48,002,000**	**48,002,000**	**48,002,000**
Shares authorised				
50,000,000 ordinary 'A' shares of €1 each	50,000,000	50,000,000	50,000,000	50,000,000
50,000,000 ordinary 'B' shares of €1 each	50,000,000	50,000,000	50,000,000	50,000,000
	100,000,000	**100,000,000**	**100,000,000**	**100,000,000**

19 Bank borrowings

Borrowings include the following financial liabilities:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	€	**€**	**€**	**€**
Bank loans due within 2-5 years	46,520,355	50,820,840	-	-
Bank loans due within 1 year	9,229,073	4,200,000	-	-
	55,749,428	**55,020,840**	-	-

The group's banking facilities as at 31 December 2010 amounted to €55,749,428.

The bank borrowings are secured by a general hypothec over the assets of Palm City Limited and by a guarantee by the company and its shareholders. These borrowings are subject to floating interest rates. As at 31 December 2010 the libyan dinar bank borrowings amounting to € 9,638,317 (2009: €5,020,840) are subject to an effective interest rate of 1.5% (2009: 1.5%)over the Central Bank of Libya discount rate, whilst the euro bank borrowings amounting to € 46,111,111 (2009: € 50,000,000) are subject to an effective interest rate of 2.5% plus 3 month Euribor (2009: 2.5% plus 3 month Euribor). Loan repayments are made on a quarterly basis for both the libyan dinar bank borrowings and for the euro bank borrowings amounting to €362,824 (LYD602,288) and €1,944,444 respectively.

20 Bonds

	Note	Interest rate	Group 2010 €	Group 2009 €	Company 2010 €	Company 2009 €
Bond I		7.5%	15,000,689	15,000,689	15,000,689	15,000,689
Bond II	20.1	7.5%	20,000,000	20,000,000	20,000,000	20,000,000
Bond III	20.2	7.15%	38,617,946	-	38,617,946	-
			73,618,635	**35,000,689**	**73,618,635**	**35,000,689**

In 2007, the group issued bonds of €15 million which, unless previously redeemed in accordance with the early redemption option given in the terms of issue, shall be redeemable at par on 4 December 2014. The company reserves the right to redeem this bond or any part of the issue at any time prior to the stated maturity on either of the interest payment dates falling in 2012 and/or 2013.

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

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

All of the bonds constitute general, direct, unconditional, unsecured and unsubordinated obligations of the issuer and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations. Redemption of the bonds shall be made at the face value of the bonds. The company also reserves the right to purchase from the market at any time after issue, bonds for cancellation.

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

20.1 Bond 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**

20.2 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**

21 Deferred tax liability

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

	2010	2009
	€	€
Non-current assets		
Investment property	**29,923,910**	**29,923,910**

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

22 Trade and other payables

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

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Trade payables	1,056,500	1,881,710	442,026	611,070
Capital creditors	7,339,215	10,570,563	-	-
Amounts owed to related parties	5,719,358	4,656,528	-	2,000
Bank balance overdrawn	60,406	83,768	49,977	62,681
Accrued expenses	2,690,078	1,145,846	1,991,399	697,316
Financial liabilities	**16,865,557**	**18,338,415**	**2,483,402**	**1,373,067**
Other payables	5,987,847	3,905,494	6,241	129,434
Total trade and other payables	**22,853,404**	**22,243,909**	**2,489,643**	**1,502,501**

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

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

23 Cash flow adjustments and changes in working capital

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

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Adjustments:				
Depreciation	195,959	7,498	461	-
Operating lease	7,613	7,613	-	-
Fair value gain on investment property	-	(90,200,180)	-	-
Interest receivable	(232,319)	(415,850)	(365,862)	(1,866,551)
Interest payable	4,851,245	2,655,067	4,596,043	2,622,899
Share of results of equity accounted investments	151,307	-	-	-
Amortisation of borrowing costs	161,522	-	43,152	-
Difference on exchange	439,931	(121,173)	7,349	-
Total adjustments	**5,575,258**	**(88,067,025)**	**4,281,143**	**756,348**
Net changes in working capital:				
Change in trade and other receivables	(454,711)	(3,304,604)	(921,937)	(629,513)
Change in trade and other payables	549,089	7,261,947	1,691,405	182,346
Total changes in working capital	**94,378**	**3,957,343**	**769,468**	**(447,167)**

24 Related party transactions

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

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

24.1 Transactions with related parties

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Consultancy and other services	1,926,021	13,274,642		383,813
Consultancy and other services charged by shareholder	220,500	-	220,500	-
Consultancy and other services charged to subsidiary	-	-	(110,250)	-
Consultancy and other services charged to associate	(110,250)	-	(110,250)	-
Interest charged to subsidiary	-	-	(156,240)	-
Purchases of construction materials	4,891,314	3,501,551	-	-

Balances with related parties are disclosed in notes 13, 16 and 22.

25 Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note 25.5. The main types of risks are credit risk, liquidity risk and market risk.

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

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

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

25.1 Credit risk

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

		Group		Company	
		2010	2009	2010	2009
	Notes	€	€	€	€
Classes of financial assets – carrying amounts					
Loan to subsidiary company	13	-	-	6,082,006	710,050
Loans to associate companies	13	14,711	14,711	14,711	14,711
Trade and other receivables	16	3,785,029	2,114,959	1,109,071	1,052,299
Cash and cash equivalents	17	28,255,713	13,109,178	25,954,251	3,059,918
		32,055,453	**15,238,848**	**33,160,039**	**4,836,978**

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

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

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

25.2 Liquidity risk

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

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

As at 31 December 2010, the group's and company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Group

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

Company

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

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

Group	**Current**		**Non-current**	
	within 6 months	**6 to 12 months**	**2 to 5 years**	**later than 5 years**
31 December 2009	**€**	**€**	**€**	**€**
Bank loan	-	4,200,000	50,800,000	-
Interest on bank loan	840,515	840,515	5,820,066	-
Bonds in issue	-	-	-	35,000,689
Interest on bonds in issue	-	2,625,052	10,500,208	1,389,042
Bank balance overdrawn	83,768	-	-	-
Trade and other payables	17,503,613	-	-	-
	18,427,896	**7,665,567**	**67,120,274**	**36,389,731**

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

25.3 Foreign currency risk

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

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

25.4 Interest rate risk

The group's exposure to interest rate risk is limited to the variable interest rate of borrowings. The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of + / – 100 basis points (2009: +/-100 basis points) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the group's financial instruments held at each balance sheet date. All other variables are held constant.

	2010		**2009**	
	€		**€**	
	+100 basis points	-100 basis point	bas s +100 points	- 100 basis points
Net result for the year	(553,851)	553,851	(550,208)	550,208

25.5 Categories of financial assets and liabilities

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

		Group		Company	
		2010	2009	2010	2009
	Note	€	€	€	€
Investments					
- Loan to subsidiary company	13	-	-	6,082,006	710,050
- Loans to associate companies	13	14,711	14,711	14,711	14,711
		14,711	**14,711**	**6,096,717**	**724,761**
Loans and receivables					
- Trade and other receivables	16	3,785,029	2,114,959	1,109,071	1,052,299
- Cash and cash equivalents	17	28,255,713	13,109,178	25,954,251	3,059,918
		32,040,742	**15,224,137**	**27,063,322**	**4,112,217**
Financial liabilities					
Financial liabilities measured at amortised cost					
Non-current					
- Bank loans	19	46,520,355	50,820,840	-	-
- Bonds	20	74,334,053	35,000,689	74,334,053	35,000,689
		120,854,408	**85,821,529**	**74,334,053**	**35,000,689**
Current					
- Bank loans	19	9,229,073	4,200,000	-	-
- Trade and other payables	22	16,865,557	18,338,415	2,483,402	1,373,067
		26,094,630	**22,538,415**	**2,483,402**	**1,373,067**

See note 4.14 for a description of the accounting policies for each category of financial instruments. The fair values are presented in the related notes. A description of the group's risk management objectives and policies for financial instruments is given in note 25.

26 Commitments

	Group	
	2010	2009
	€	€
Capital expenditure		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	14,100,000
Capital expenditure that has been authorised by the directors but has not yet been contracted for	883,095	1,700,000

27 Capital management policies and procedures

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

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

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

28 Post-reporting date events

Following the recent unrest in Libya, the directors are fully engaged in monitoring the situation on the ground and taking immediate and appropriate action in the best interest of the tenants at Palm City, the staff, the company and its stakeholders. Palm City Residences is still operational, albeit with a reduced number of personnel given the temporary relocation of some of the tenants. To date, no contracts have been terminated and the directors confirm that the existing 282 signed contracts are still in full effect, most of which are paid for 12 months in advance.

The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events may have on the company. These events may adversely affect the company's future performance and financial position.

Given the nature of the leases and the fact that the company's clientele have significant vested interests in Libya, the directors consider that the company is still a going concern.

Independent auditors' report

To the shareholders of

Mediterranean Investments Holding p.l.c.

We have audited the accompanying financial statements of Mediterranean Investments Holding p.l.c. and the consolidated financial statements of its group set out on pages 11 to 39, which comprise the balance sheets of the company and the group as at 31 December 2010, and their income statements, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 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 2010, 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.

Emphasis of Matter

We draw attention to note 28 to the financial statements which makes reference to the events that are currently taking place in Libya, to the significant uncertainty that the unrest in that country has created, and to the possible effects that these events may have on the company's future performance and financial position. Our opinion is not qualified in this respect.

Report on other legal and statutory requirements

We are also required to report as to whether the financial statements are properly prepared in accordance with the Companies Act, 1995. We are required to report to you if, in our opinion:

- the information given in the directors' report is not consistent with the financial statements; or
- the company has not kept proper accounting records; or
- the company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit or 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.

Opinion

In our opinion the financial statements have been properly prepared in accordance with the requirements of the Companies Act, 1995 (Cap 386).

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

24th February 2011