RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

Mediterranean Investments Holding p.l.c.

FINANCIAL ANALYSIS SUMMARY

1 JULY 2015

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

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The Board of Directors
Mediterranean Investments Holding p.l.c.
22, Europa Centre,
John Lopez Street,
Floriana FRN 1400

1 July 2015

Dear Sirs,

Mediterranean Investments Holding plc – Financial Analysis Summary (the "Analysis")

In accordance with your instructions and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the Analysis is that of summarising key financial data appertaining to Mediterranean Investments Holding plc (the "**Issuer**") and Corinthia Palace Hotel Company Limited (the "**Guarantor**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the four years ended 31 December 2011 to 2014 has been extracted from both the Issuer and Guarantor's audited statutory financial statements for the four years in question, as and when appropriate.
(b) The forecast data for the financial years ending 31 December 2015 and 2016 has been provided by management of the Issuer and Guarantor.
(c) Our commentary on the results of the Issuer and Guarantor and on their respective financial positions is based on the explanations provided by the Issuer and Guarantor.
(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the Analysis.
(e) Relevant financial data in respect of competitors as analysed in Section 15 has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist potential investors by summarising the more important financial data of the Issuer and the Guarantor. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the securities of the Issuer and the Guarantor and should not be interpreted as a recommendation to invest. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely,

Vincent E. Rizzo
Director

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LIST OF ABBREVIATIONS

AUR	Average unit rate
ARI	Average rate index
AUCC	Arab Union Contracting Company (Libya)
BOT	Build, Operate and Transfer agreement dated 2 October 2007 and entered between Corinthia and PCL
bpd	Barrels per day
CPHCL	Corinthia Palace Hotel Company Limited
CPI	Consumer Price Index
DSCR	Debt service cover ratio
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDREICO	Economic Development for Real Estate Investment Company (Libya)
F&B	Food and beverages
FV	Fair value
FYxxxx	The financial year ended 31 December xxxx
GDP	Gross Domestic Product
IHI	International Hotel Investments plc
KPI	Key performance indicator
LFICO	Libyan Foreign Investment Company, a Libyan sovereign wealth fund
LPTACC	Libya Projects and General Trading and Contracting Co.
MFSA	Malta Financial Services Authority
MGS	Malta Government Stocks
NCI	Non-Controlling Interest
NGO	Non-Government Organisation
NREC	National Real Estate Company
MTJSC	Medina Tower Joint Stock Company for Real Estate Investment and Development; a company incorporated in Libya on 20 May 2010.
PCL	Palm City Ltd
PPE	Property, plant and equipment
PWL	Palm Waterfront Ltd
Rev PAU	Revenue per available unit
UN	United Nations
YTM	Yield to maturity

PART 1 – THE ISSUER

All words and expressions used in this Analysis in their capitalised form shall, unless the context otherwise requires or otherwise defined herein, have the same meaning assigned to them in the Prospectus.

1. KEY ACTIVITIES AND PRINCIPAL MARKETS

The principal activities of Mediterranean Investments Holding p.l.c. ("MIH", "Issuer", "Company" or the "Group") relate to the acquisition and development of immoveable property outside Malta, particularly in North Africa. The types of properties of interest to the Issuer include, without limitation, residential gated villages, build-operate-transfer projects, office and commercial buildings, retail outlets, shopping malls, housing, conference centres and other governmental projects.

Currently, MIH operates the Palm City Residences in Janzour, Libya through a build-operate- transfer agreement entered into between Palm City Ltd (PCL) and Corinthia Palace Hotel Company Limited (CPHCL). It also owns 25% of the share capital of Medina Tower Joint Stock Company (MTJSC), a company incorporated to construct the Medina Tower, a proposed 200,000 square metre mixed used development in the heart of Tripoli. Palm Waterfront Ltd (PWL) is a wholly owned subsidiary of MIH (99.9%) and is responsible for the development of the Palm Waterfront project. The Medina Tower and the Palm Waterfront are also both situated in Libya and have been currently put on hold in view of the prevailing situation in the country.

2. DIRECTORS AND KEY EMPLOYEES

2.1 THE BOARD OF DIRECTORS

The Board of MIH consists of seven directors who are entrusted with the overall direction and management of the Company. The Board's mandate is to identify and execute new investment opportunities and obtain related funding. The Board is currently composed of the following Directors:

Alfred Pisani	Executive Director and Chairman
Samuel D. Sidiqi	Non-Executive Director and Deputy Chairman
Joseph Fenech	Executive Director
Joseph Pisani	Non-Executive Director
Faisal J. S. Alessa	Non-Executive Director
Khadija Oubala	Non-Executive Director
Mario P. Galea	Independent Non-Executive Director

The company secretary of the Issuer is Stephen Bajada.

2.2 KEY EMPLOYEES

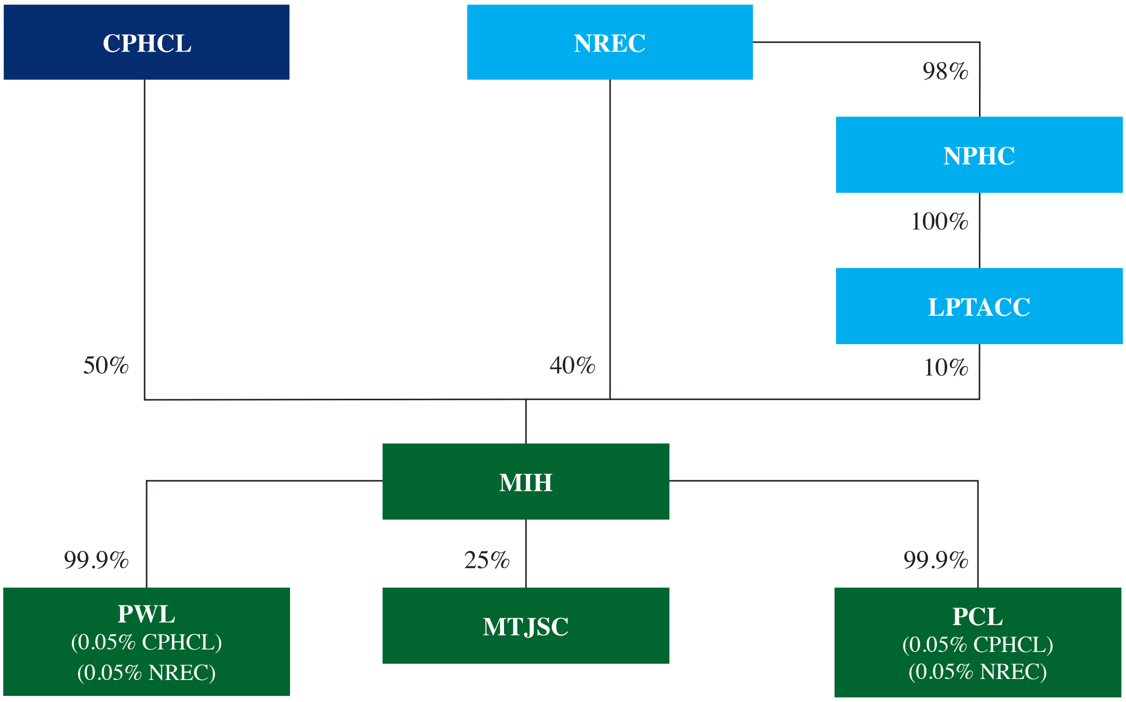
The Issuer employs one executive – Karl Mallia – as its chief financial officer. The Issuer is reliant on resources made available by CPHCL pursuant to a management and support services agreement (MSS Agreement) which is described further in section 4.5 of this document. The CEO of the Issuer is Reuben Xuereb, who services MIH through the MSS Agreement.

The average number of employees engaged by the Group during FY2014 was 124, of which 18 are administrative employees and the remaining are employed in operations.

3. ORGANISATIONAL STRUCTURE AND OPERATIONAL DEVELOPMENTS

3.1 ORGANISATIONAL STRUCTURE

MIH was incorporated in December 2005 and converted into a public limited company in 2007. It is owned equally by NREC and CPHCL, directly or indirectly, as shown hereunder.



CPHCL is a Maltese registered company which owns 50% of MIH and acts as the Guarantor in terms of the new Bond Issue (information about the Guarantor can be found in Part 2 of this report). Apart from its investment in MIH, CPHCL has over the years expanded into an international group in the hospitality and leisure industry. It is the parent company of the Corinthia Group and is principally engaged in the ownership, development and operation of hotels and other activities related to the hospitality industry in various countries either directly or through subsidiaries.

NREC holds a 40% direct shareholding in MIH and another 10% is held indirectly through its 98%-owned subsidiary – LPTACC. NREC is a Kuwaiti-listed company with an international focus on real estate. It has to date developed a strong portfolio of retail, commercial and residential real estate in new and established markets across the Middle East and North Africa (MENA) region.

3.2 THE ISSUER

In terms of the Memorandum and Articles of Association of MIH, the two major shareholders – CPHCL and NREC - are entitled to appoint three Directors each and jointly have the right to appoint the seventh Director who is to be an independent non-executive director. The Chairman is appointed by each of CPHCL and NREC based on a three-year term rotation policy.

MIH is the 99.9% shareholder of both PCL and of PWL and has a 25% shareholding in MTJSC. Through CPHCL, MIH is part of an extended group of companies related to the Corinthia Group, including the locally-listed International Hotel Investments plc.

Key Historical Events of the Group

2005	Issuer is incorporated.
2006	Commenced construction of Palm City Residences.
2007	PCL concludes a 65-year build-operate-transfer agreement with CPHCL.
2007	MIH issues €15 million bond to partly fund the development of Palm City Residences.
2008	MIH issues €20 million bond to further fund the Group's acquisition strategy.
2010	MTJSC is set up to construct Medina Tower.
	Palm City Residences is fully complete and operational. 276 out of 413 units have been leased at Palm City and 109 units are subject to negotiations. MIH issues €40 million bonds for its equity funding in Medina Tower project and other corporate requirements.
2011	Operations at Palm City Residences are disrupted due to the uprising in Libya (between February – October 2011).
2012	Occupancy at Palm City Residences is re-established at 91% but Medina Tower is delayed.
2013	PWL concludes an 80-year build-operate-transfer agreement with CPHCL
	Occupancy at Palm City Residences reaches 94%.
2014	MIH issues €12 million bond to repay a €15 million bond which was issued in 2007. The balance of the maturing bond was met out of the Company's cash flow.

3.3 MATERIAL DEVELOPMENTS IN THE PAST 3 YEARS

3.3.1 PALM CITY RESIDENCES

Both FY2012 and FY2013 were excellent years for Palm City Residences in terms of revenue and operating profit generation since it first started operations in 2010. The first half of 2014 was a record year for Palm City Residences. The Group registered a 4% increase in performance when compared to the FY2013 corresponding period. However, during the second half of FY2014, PCL's occupancy levels were hampered by the political conflicts that developed in Libya, as a number of maturing tenancies were not renewed, while other tenants applied the force majeure clause and cancelled their lease agreements. Notwithstanding, Palm City Residences remained operational and despite the fact that most of the residences have been vacated, some tenants kept their leases running with a view to return at the first possible opportunity. The Group maintained the necessary staff levels to continue its operations and have also invested in additional security features in an effort to maintain the entire village as secure as possible.

3.3.2 Bond Issues

In June 2014 MIH issued unsecured bonds amounting to €12 million. The issue proceeds were used to finance part of the €14,757,659 7.5% bonds that matured on 4 December 2014. The balance was funded from the Issuer's cash flow.

The outstanding bonds of MIH are listed hereunder. The proceeds from this bond issue are to be used to finance the redemption of the €20 million bond which MIH issued in 2008.

ISIN	Bond Details	Prospectus Date	Maturity Date	Outstanding Bonds
MT0000371220	€15 million + €5 million over-allotment option	15-Jul-08	04-Aug-15	€19,649,600
MT0000371238 MT0000371246 MT0000371253	€30 million + €10 million over-allotment option	14-Jun-10	23-Jul-17	€ 28,519,400 £4,351,100 $7,120,300
MT0000371261	€12 million	02-Jun-14	22-Jun-21	€ 12,000,000

3.3.3 PALM WATERFRONT

In 2013, MIH resolved to develop a third project, Palm Waterfront, through PWL. PWL entered into a BOT agreement with CPHCL that gives PWL the right to construct, develop, manage and eventually operate and receive all the revenue generated by the project to be developed on the said site at its discretion. Further information on this project is available in section 4.2 of this report. The project is currently on hold pending a return to some form of normality in the country that would warrant the commencement of the project.

4. MAJOR ASSETS OF THE ISSUER

OPERATIONAL ASSET

4.1 PALM CITY LIMITED

Palm City Limited (PCL) is a wholly owned subsidiary of MIH (99.9%), set up to develop and operate the Palm City Residences in Janzour, Libya. The site hosting the development of a 413-unit village has a footprint of 171,000 square metres and a shorefront of approximately 1.3 kilometres.

Property Type	No. of Units	Size per unit (m^2)	Size (m^2)	% of total size
Palm City Residence				
Studio apartments	24	36	864	1%
2 bedroom apartments	95	79	7,505	12%
3 bedroom maisonettes	56	115	6,440	11%
3 bebroom apartments	44	203	8,932	15%
3 bedroom terraced houses	142	176	24,992	41%
Bungalows	44	171	7,542	12%
Villas	8	505	4,040	7%
Total	**413**		**60,297**	**100%**

Source: Management Information

CPHCL holds title to the land where Palm City Residences are built, pursuant to a 99-year lease agreement dated 5 July 2006. On 2 October 2007, CPHCL entered into a build-operate-transfer (BOT) agreement for 65 years with PCL (effective 6 July 2006) whereby the latter was engaged to undertake the construction and operations of the complex. Under the BOT agreement, PCL will operate the residences at its own risk and for its own benefit. Upon expiry of this agreement, PCL will be required to transfer the operations back to CPHCL for the remaining useful life of the lease until 2105.

Aerial photograph of Palm City Residences - Janzour, Tripoli
Source: MIH

The Group is in the process of registering a joint stock company in Libya, to be owned as to 90% of its share capital by PCL (CPHCL and NREC to hold the remaining 10% in equal proportions between them). Subject to approval by the competent authority in Libya, the Libyan Investment Board, title to the land underlying the Palm City Residences will be transferred by CPHCL to such company. Upon such title transfer taking effect, the BOT agreement between PCL and CPHCL will be terminated, resulting in PCL no longer being bound to return the operation of the Palm City Residences to CPHCL upon the lapse of the said 65 year term.

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NON-OPERATIONAL ASSETS

MIH has two other projects that are on hold in view of the prevailing instability in Libya. These are the 99.9% owned PWL and a 25% investment in MTJSC.

4.2 PALM WATERFRONT LIMITED

Palm Waterfront Limited (PWL) is a wholly owned subsidiary of MIH, established primarily with the intention to develop and operate the Palm Waterfront site. The site is subject to a 99-year lease in favour of CPHCL and like PCL, PWL entered into a BOT Agreement on 5 December 2013 with CPHCL. The BOT expects PWL to construct and eventually operate the Palm Waterfront 50,000 square metre site for a period of 80 years. The planned development is situated in Shuhada Sidi Abuljalil in Janzour, Libya and is expected to incorporate a 164-room 4-star hotel, 259 residential units for resale, an entertainment centre of six cinemas and one bowling centre, retail outlets, car park and a marina. Funding for the development of this project is not yet in place.

Artist impression of the Waterfront project in Janzour, Tripoli
Source: MIH

The experience gained by MIH through the development of Palm City Residences will be used to develop Palm Waterfront. Design drawings have been finalised and submitted to the planning authority in Tripoli for approval. It is the intention of PWL to offer the residential units, when complete, either on a lease basis or outright sale, but will react to market trends as necessary and will therefore align its strategies and offerings in accordance with such trends and market developments. The project will be initiated once the situation in Libya stabilises and PWL raises the required funding as to 40% equity and 60% debt, to complete the development phase, which is expected to incorporate the following mix of residential units:

Property Type	No. of Units	Size per unit (m^2)	Size (m^2)	% of total size
Palm Waterfront				
4 bedroom penthouses	7	381	2,664	5%
4 bedroom apartments	50	295	14,759	25%
3 bedroom penthouses	7	228	1,597	3%
3 bedroom apartments	117	217	25,421	44%
2 bedroom penthouses	3	172	516	1%
2 bedroom apartments	65	159	10,335	18%
1 bedroom apartments	8	148	737	1%
Villa 1	1	737	4,040	7%
Villa 2	1	737	737	1%
Total	**259**		**57,948**	**100%**

Source: Management Information

4.3 MEDINA TOWER JOINT STOCK COMPANY

MIH owns 25% of MTJSC, which was set up in 2010 for the purpose of owning and developing the Medina Tower. The remaining 75% is owned to the extent of 25% by IHI, 25% by AUCC and 25% by Al Enmaa (AUCC and Al Enmaa were formerly known as EDREICO). Medina Tower is a project that is set to be developed over a site measuring *circa* 11,000 square metres and is situated on Tripoli's main high street.

Artist impression of Medina Tower in Tripoli
Source: MIH

The development phases will be financed through funding provided on a 60:40 debt-to-equity ratio. Whilst the equity contribution required for the first phase of this project is already fully paid up, a term sheet has also been signed with a Libyan financial institution with a view to securing the full debt funding requirements for this project. The development is expected to be completed within *circa* 48 months from commencement of the works. Said term sheet provides for a moratorium on capital repayments for the duration of the development of the site. This project is also on hold until prospects improve and stability in Libya resumes.

The project has full development permits and the development of the Medina Tower will consist of a 200,000 square metre 42-storey structure, comprising 254 residences for resale, 25,200 square metres of office space for rental, 21,200 square metres for retail and leisure, as well as a spa, conference and car park facilities for rental to third parties.

4.4 VALUE OF MAJOR ASSETS

The values attributable to the major asset of each of the underlying investments are summarised below:

	FY2012 €'000	FY2013 €'000	FY2014 €'000
Palm City Residences			
(65 year BOT agreement expiring 2071)	310,406	310,676	250,000
Palm Waterfront			
(80 year BOT agreement expiring in 2093)	-	8,115	8,307
Medina Tower			
(25% shareholding in MTJSC)	12,649	12,696	12,701

Source: MIH plc financial statements for the years 2012, 2013 and 2014

The value of the investment property that comprises Palm City Residences is subject to an annual fair value test in terms of international accounting standards. Due to the lack of comparable properties in the market, the determination of fair value could not be objectively established on the basis of the current active market prices. Therefore, the fair value was determined on the basis of the discounted value of future earnings expected from the operation of the property. The fair value of investment property was determined by discounting the forecast future cash flows generated by Palm City Residences for the remaining period of 57 years. During FY2014, a valuation exercise was carried out by an independent professional valuer to help the Directors determine the fair value of the investment property. The value of investment property as based on the assessment of the directors, decreased by €60.9 million in FY2014 when compared to FY2013, as a consequence of a considerable increase in the country risk premium resulting from increased uncertainty in Libya and an increase in the property risk premium to reflect the risk associated with the quality of the rental cash flow streams. Based on the Directors' knowledge of the business and the operating conditions, the Directors decided to factor an increased projection risk premium. The valuation arrived at for FY2014 amounts to €250 million.

The value of Palm Waterfront is attributable to the cash consideration of €7 million paid to CPHCL in relation to the BOT agreement that will give PWL the right to eventually operate the Palm Waterfront. The difference relates to preliminary capitalised expenses incurred by MIH on the project so far.

MIH acquired a 25% shareholding in MTJSC in 2010 for €3.9 million as an initial 30% contribution for its equity stake. A further investment of €9.1 million was injected in 2012, representing its further 70% equity contribution, which brings the total investment to date to €13 million. The net difference between the equity injection and the value on the balance sheet relates to the proportionate share of losses incurred to date in relation to expenses paid by the company.

4.5 MATERIAL CONTRACTS

4.5.1 MSS AGREEMENT

The values attributable to the major asset of each of the underlying investments are summarised below:

MIH is party to a management and support services agreement (MSS Agreement) with CPHCL. Through this agreement, MIH is provided with management support services at the strategic level of its business that benefits MIH from the experience and expertise of CPHCL in the conduct of its business and the implementation of a highly efficient and cost-effective construction programme. The MSS Agreement also makes available for MIH top executive and central administrative level staff and support personnel from the Corinthia Group. Under this agreement, MIH is provided with such services for an annual fee of €300,000 (adjusted annually for a 5% inflation) giving MIH access to:

- the commitment of an executive team with over 45 years' experience of successfully operating in Libya;
- an experienced, motivated, proven and loyal local and foreign senior management team of international calibre with an average of over 20 years' service;
- a team of well-qualified and dynamic young professionals, increasing the potential for future growth;
- an effective monitoring system assuring controls on standards and performance;
- a long experience in developing and managing properties planned and built to exacting standards with equally high standards demanded on maintenance, resulting in high quality, well-maintained assets; and
- corporate strength through a long-term policy of diversification into construction, project management and other service ventures.

4.5.2 BUILD-OPERATE-TRANSFER AGREEMENT

Through its subsidiaries – PCL and PWL – MIH has in place two BOT agreements with one of its major shareholders – CPHCL – as highlighted in sections 4.1 and 4.2 above respectively.

5 OVERVIEW OF THE MAJOR OPERATING ASSET

The following is an overview of the major operating asset of the Issuer – Palm City Residences.

5.1 BACKGROUND TO PALM CITY RESIDENCES

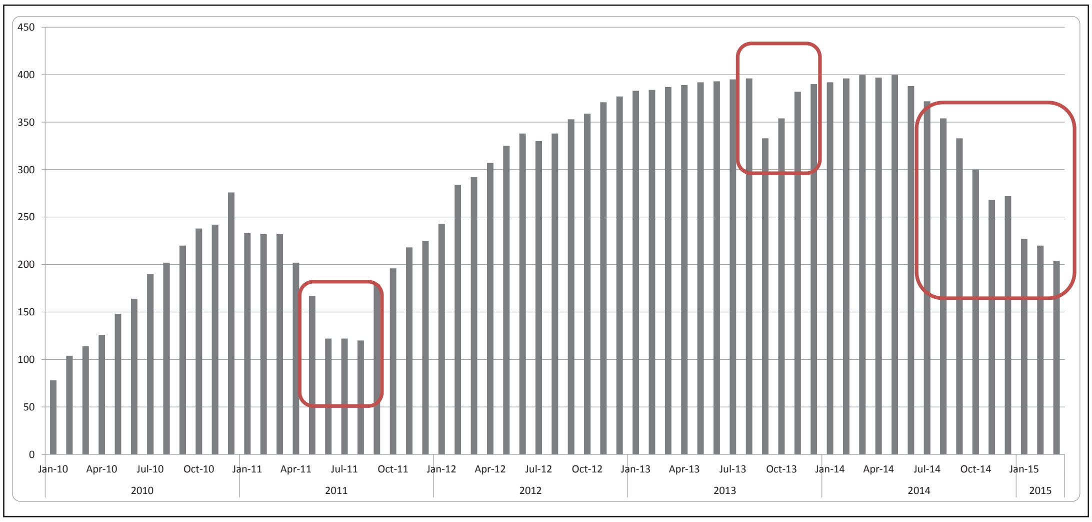
PCL operates the 413-unit gated residential complex in Janzour, which is currently the sole operating venture of the MIH Group.

The development of the Palm City Residences was completed in late 2009 and by 2010 all the Residences were operational. By the end of the first year, the complex reached occupancy levels above 70%. Meanwhile, in 2011, civil unrest in Libya commenced and this disrupted the occupancy levels of Palm City Residences. Notwithstanding, PCL remained committed to its project and adequate staff levels were maintained to keep the complex fully operational during the period of unrest in 2011.

Following the end of hostilities in October 2011, leasing of units at Palm City Residences increased steadily again and by the end of April 2012, the complex was already operating at 79% occupancy levels. By the end of the year, the Residences occupancy was in excess of 90% as foreign investment resumed in Libya. During FY2012, PCL reduced some of the commercial space to provide additional office space to meet the increasing demand as some tenants preferred the complex over other areas within Libya to set up office.

FY2013 was equally positive, with 390 units of the 413 available being leased out, resulting in 94% occupancy levels by the end of the year. The demand for leases shifted from the shorter-term towards the more stable longer-term leases during that year, adding future income visibility to the Group. The dip portrayed in the graph below between the third and fourth quarter of 2013 was the result of the expiry of a significant lease contract of the UN, which occupied 76 units. These were re-let shortly after and occupancy returned to record levels.

In fact, during the first half of FY2014 PCL achieved 95% levels of occupancy till the end of July. However, the second half of FY2014 was overshadowed by the political conflict that developed in Libya and occupancy levels reduced to 66% by year's end. This reduction occurred as some of the leases that expired during the year were not renewed, while there were a few clients that applied the *force majeure* clause and cancelled their lease contract. The Group remained committed to its investment and retained sufficient human resources to keep the complex fully operational. Despite the fact that the majority of the tenants left the country, most clients retained their belongings within the complex and kept their security deposits with PCL. According to management, this indicates the willingness and commitment that such tenants have in returning to the country once the situation stabilizes and it becomes viable once again to resume business in Libya. Management further opined that this represents a situation familiar to 2011 and it claims to be well-geared to resume full operations of the complex when the tenants return turning around the current difficult situation to a profitable one just like the turnaround that occurred in 2012.



Source: Management Information

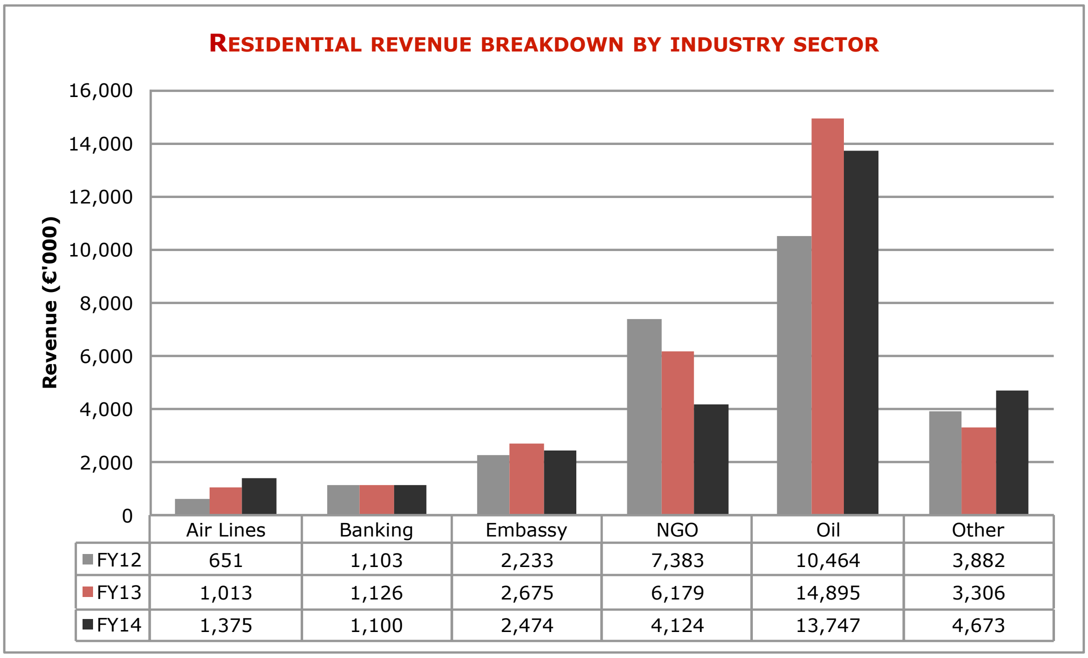
5.2 PERFORMANCE OF PALM CITY RESIDENCES

In each of the past four years (2011 to 2014), PCL (being the only operational asset of MIH to date) generated in excess of 99% of the Group's annual revenues as per below table:

Revenue Breakdown – PCL

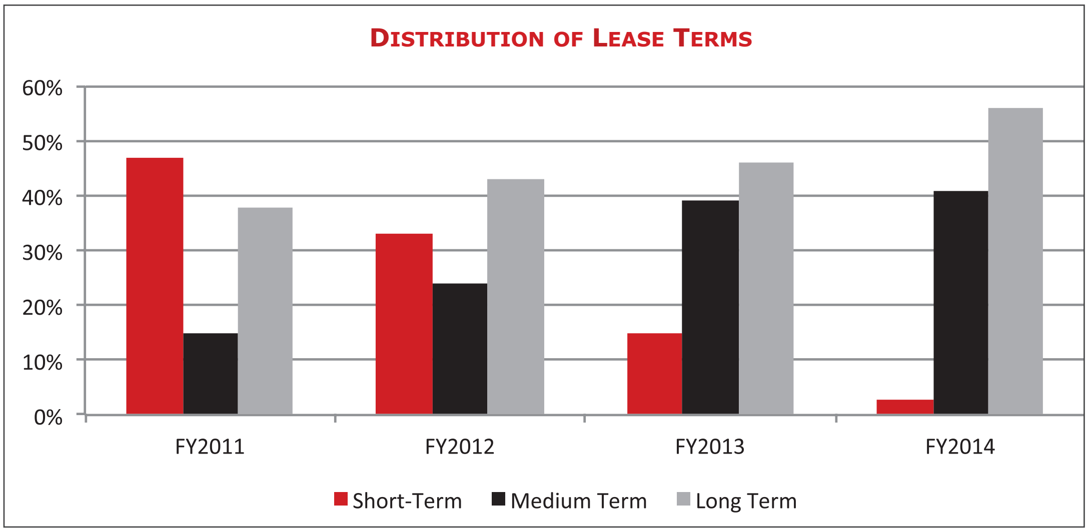
for the year ended 31 December	Actual **FY2011** **€'000**	Actual **FY2012** **€'000**	Actual **FY2013** **€'000**	Actual **FY2014** **€'000**
Residential leases	10,035	25,717	29,194	27,493
Commercial leases	36	288	422	585
F&B	91	390	449	314
Other income	11	656	679	1,631
Total PCL revenue	**10,172**	**27,052**	**30,744**	**30,023**
MIH plc - Group Revenue	**10,202**	**27,315**	**30,875**	**30,091**
PCL revenue contribution	99.7%	99.0%	99.6%	99.8%

The Residences have been host to a number of distinguished tenants, particularly from the oil and gas sector and non-government organisations as can be seen from the distribution graph below of the revenues generated from the tenants per sector.



Source: Management information

During the years, the trend in tenancy moved from the shorter-term to the longer-term, which is in line with the Group's targets. In their nature, the short-term leases attract a higher average rate per unit (AUR), while the longer-term generate a more stable revenue stream but at reduced rates because of their longer term nature.



Source: Management Information

During the years, PCL was in a position to increase its monthly rates per unit because of the higher demand and the lack of competition in the city that offered the same level of quality and security to its tenants.

KPIs	**FY2011**	**FY2012**	**FY2013**	**FY2014**
Average Occupancy	48.0%	79.0%	94.0%	83.7%
RevPAU (revenue in € per unit per month)	2,025	5,189	5,891	5,548

Source: Management information

The competitive edge that Palm City Residences had over other similar residential compounds has always been its location, being located in an area away but yet so close to Tripoli. Other competing complexes located in the vicinity of Palm City Residences, such as the Regatta Complex and the Oea Village, were subject to attacks and have since then been dismissed as alternative residential complexes by NGOs, oil companies and the like, who seek a more secluded, secure and safe environment for their expatriates. According to management, there are no other top quality secure residential compounds of the level of Palm City Residences in or around Tripoli. As a result, the Group enjoyed a dominant market position and strong occupancy levels. This was also a result of the fact that unlike the other complexes, Palm City Residences remained operational, maintained in pristine condition and closely monitored by its management at all times.

5.3 OUTLOOK FOR PCL

Libya is still in a period of economic turbulence and the current climate does not augur well for business prospects at the present moment. Notwithstanding this, as mentioned earlier on, given the location of the complex as well as the demand generated by Palm City Residences, with virtually no competition, management is confident that these two factors will contribute to a fast-track recovery in occupancy levels once the political situation improves.

MIH is confident that the turnaround achieved at Palm City Residences in 2012 will be repeated when conditions improve as the quality of the development and its features are unmatched in the country. Furthermore, MIH is of the view that its clients are likely to return to the country relatively quickly and occupy the residences as their business interests in the country are substantial and of a long term nature.

6. COUNTRY AND MARKET OVERVIEW

Libya's economy was known for its impressive growth rates driven principally by its once-thriving oil and gas industry. This growth was seriously dampened by the 2011 revolution. The economy was severely disrupted by the shutdown in oil production and exports, as well as by the decline in oil prices. Oil and gas production account for more than 70% of Libya's GDP but because of the crisis, both came to an almost complete standstill.

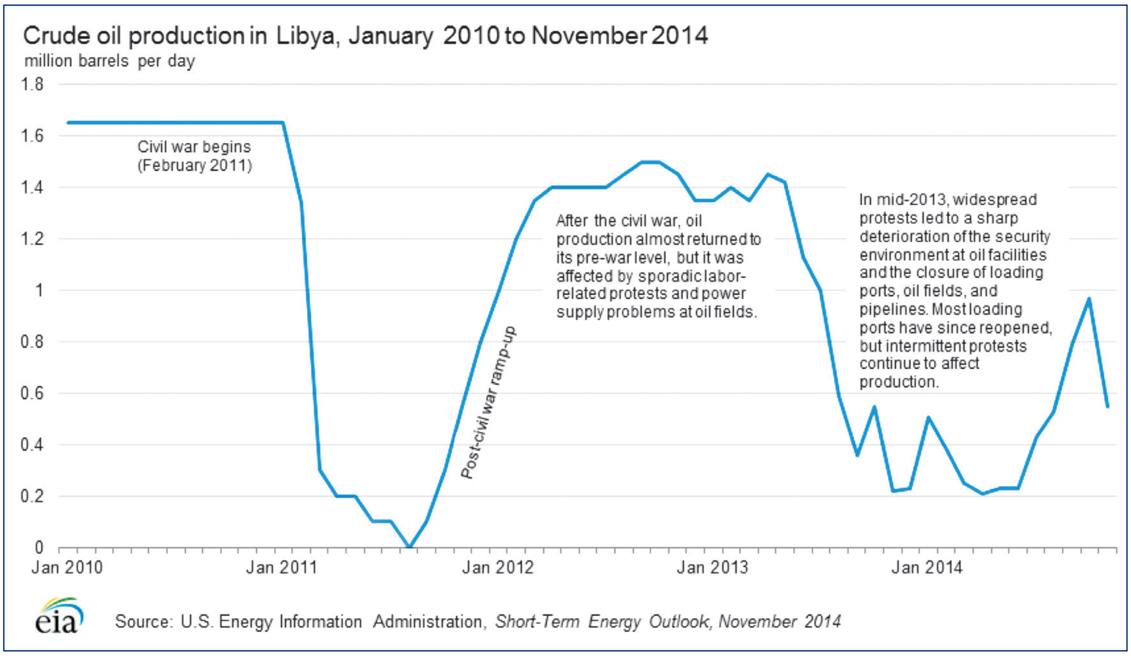
2014 marked a year of intensifying oil field shutdowns, general economic decline, lose authority and the rising power of regional and religious militias across the country. Armed groups that have increasingly aligned themselves with the country's political parties or factions maintained control over the key oil production sites for most of the year. By the end of 2014, production increased but year-end fighting between rival militias forced the closure of two main ports while halting exports from other impacted localities. It is calculated that oil revenues constitute over 95% of national revenues and the decline in oil production is now well below the country's long-term average of approximately 1.6 million bpd according to statistics. As a result, pressure on the economy is substantial as it is almost entirely dependent on the continued operation of oil fields.

The following table highlights some of Libya's key macroeconomic indicators (actual and forecast) as presented in an economic report on the country by African Economic Outlook and dated 2015.

	2013(a)	**2014(e)**	**2015(p)**	**2016(p)**
Real GDP growth	-13.6	-19.8	14.5	6.3
Real GDP per capita growth	-14.3	-20.7	13.5	5.1
CPI inflation	2.6	2.6	2.7	2.9
Budget balance % GDP	-6.2	-49.1	-29.6	-14.8
Current account balance % GDP	13.6	-23.3	-17.5	-6.6

Source: http://www.africaneconomicoutlook.org/en/country-notes/north-africa/libya/

Following the end of hostilities in 2011, Libya became more attractive to a number of foreign investors, primarily in the oil production and infrastructure sectors. However, in the second half of 2014, civil unrest re-emerged as armed rebels demanding greater political and economic autonomy resulted in major declines in oil production to 2011 levels as the chart overleaf highlights.



The situation in the first few months of 2015 has remained very unstable. There are still major disputes about the legitimacy of governance between the incumbent Council of Deputies and the Islamic General National Congress. Armed groups across the country seized critical infrastructure facilities, generating political and extremist violence, in consequence of which it has been difficult for the government to enact security reforms. The current Libyan political climate remains one of great uncertainty, though efforts are currently underway to bring both parliaments to continue their discussions earmarked at ironing out existing differences. The construction industry is being regarded as the most important non-oil sector to contribute to any eventual economic recovery in the country. The latest round of talks in Algiers in April 2015, sponsored by the UN, were positive as the rival political factions were nearing a political solution in forming a unity Government. Nevertheless, the situation remains very fluid and subject to change regularly.

7. ISSUER'S PERFORMANCE OVERVIEW

NB: The MFSA Listing Policies require a 3-year historical analysis of financial information of the Issuer. The commentary that follows the table below focuses on the period from FY2012 to FY2014, both years included. However, for comparison purposes, the figures of FY2011 are being included as some of the commentary makes reference to the situation in Libya in 2011 and how the Group managed the situation during that year and turned around the problematic performance of 2011 in subsequent years.

All figures referred to in this section of the report have been extracted from the audited financial statements of the Issuer for the respective years and supported by management information as necessary, with the exception of ratios which have been calculated by Rizzo, Farrugia & Co. (Stockbrokers) Limited.

7.1 INCOME STATEMENT

Income Statement
for the year ended 31 December

	Actual FY2011	Actual FY2012	Actual FY2013	Actual FY2014
Revenue	10,202	27,315	30,875	30,091
Operating expenses	(2,806)	(4,405)	(5,339)	(5,078)
Gross Profit	**7,396**	**22,910**	**25,536**	**25,013**
Administrative expenses	(1,558)	(2,197)	(2,290)	(2,767)
Marketing costs	(113)	(176)	(187)	(327)
EBITDA	**5,725**	**20,537**	**23,059**	**21,918**
Other income	-	-	86	30
Depreciation	(250)	(240)	(260)	(191)
Results from operating activities	**5,475**	**20,298**	**22,886**	**21,757**
Increase / (Decrease) in FV of investment property	-	56,804	-	(60,867)
Share of profit from equity accounted investments	-	(276)	47	5
Finance income	509	457	1,110	97
Finance costs	(8,120)	(8,692)	(7,908)	(9,065)
Net finance costs	**(7,611)**	**(8,236)**	**(6,798)**	**(8,967)**
Net fair value gain/(loss) on interest rate swaps	(560)	(432)	249	85
Profit / (Loss) before tax	**(2,696)**	**68,158**	**16,383**	**(47,988)**
Tax expense	-	-	(873)	(1,391)
Deferred tax	-	(19,115)	(1,717)	21,287
Net Profit / (Loss) for the year	**(2,696)**	**49,043**	**13,793**	**(28,092)**
Adjusted Net Profit *(excluding fair value adjustments)*	**(2,696)**	**11,354**	**13,793**	**11,488**

FY2012 was considered a turnaround year for the MIH Group. The year ended 31 December 2011 proved to be a difficult year for the Group, characterised by the revolution in Libya following the fall and demise of Colonel Ghaddafi in August 2011. Although political instability and security uncertainty prevailed in Libya in 2012, NGO's who were in Libya to help in the building of the country's administrative processes and expats primarily involved in the oil and gas sector continued to pour into the country to re-establish oil production at pre-revolution levels. Moreover, the fact that a number of gated residences in the area were closed for business or destroyed, coupled with the marketing efforts embarked by the Group towards the end of 2011 was effective in attracting new clients. Revenue increased considerably in FY2012 from €10.2 million in FY2011 to €27.3 million. This improved performance was also key to increasing the revaluation of the fair value of the investment property (an upward revaluation of €56.8 million (€37.7 million net of deferred tax) of the Residences, which was reflected in the income statement of the Group in that year. By the end of FY2012, PCL registered an occupancy rate of 91% and profit after tax stood at €49 million (which when adjusted for the uplift in value of the investment property net of deferred tax, results in a net profit of €11.4 million).

In FY2013, the Group generated revenues amounting to €30.9 million, surpassing those achieved in FY2012 by 12%, while operating expenses declined year-on-year. This was achieved through an increase in the occupancy rate, despite a decline of 2.6% in the average monthly rate charged for the units in view of a shift in tenancies from short to medium and long term. The move towards longer term contracts created increased stability in tenancy and revenue generation. Gross profit for FY2013 increased by €2.7 million to €25.4 million, resulting in a gross profit margin of 82%. A profit before tax of €16.4 million was registered for the year under review.

The first half of FY2014 was a record-performing period, with revenues increasing by 4% to €16.3 million until 30 June 2014, compared to the previous six months. Occupancy levels in Palm City Residences were up to 95% by the end of July 2014, however, by the end of the year, they reduced to 66% as performance of PCL was overshadowed by the renewed civil unrest that developed late last year.

As the revolution in Libya came to an end in October 2011, PCL enhanced its set-up to resume operations in Palm City Residences. Administrative expenses, in line with the improved performance, increased from FY2011 to FY2012 by 41% to €2.2 million and remained relatively stable thereafter.

While interest on bonds remained at a stable €5.4 million throughout the period FY2012 to FY2014, there was a significant reduction in bank interest payable, as the Group reduced its bank borrowing levels from €49 million in FY2012 to €33.5 million in FY2014. A decline in finance income received during FY2014 was a result of the prevailing low interest rate scenario, as well as movements in foreign exchange differences which in FY2013 contributed €0.7 million to the income side, compared to the €1.6 million expensed in FY2014 as a consequence of an unfavourable exchange difference on the Group's foreign currency loan and bond exposures.

The revaluation of investment property gains and losses taken to the income statement are explained in section 7.3 below.

The below are the key profitability ratios of the Issuer:

for the year ended 31 December	**Actual** 2012	**Actual** 2013	**Actual** 2014
Gross Profit margin *(Gross Profit / Revenue)*	83.87%	82.71%	83.13%
EBITDA margin *(EBITDA / Revenue)*	75.19%	74.69%	72.84%
Operating Profit margin *(Operating Profit / Revenue)*	74.31%	74.12%	72.31%
Net Profit margin *(Profit for the period / Revenue)*	41.57%	44.67%	38.18%
Return on Equity *(Profit attributable to owners of the Company / Average Equity attributable to owners of the Company)*	9.90%	9.82%	6.68%
Return on Capital Employed *(Profit for the period / Average Capital Employed)*	4.73%	5.27%	4.06%
Return on Assets (Profit for the period / Average Assets)	3.68%	4.18%	3.37%
Interest Coverage ratio *(EBITDA / Net finance costs)*	2.49	3.39	2.44

NB: The above ratios were computed using adjusted net profit, total assets and total equity figures, which eliminate the effect of the revaluation movements from the financial statements. This was done for comparison purposes and to base the ratios solely on the operations of the Group, while excluding one-off figures that tend to boost or deplete profits and disrupt the normality of financial figures.

The Group's profitability ratios have over the years under review been strong and consistent. The Group operates a lean-cost structure which is made up of relatively fixed operating costs resulting in very good margin ratios, particularly when the Residences are at peak occupancy levels. During FY2014, the reduction in occupancy levels and the cancellation of certain leases, understandably led the net profit margin as well as other ratios, such as return on equity and return on assets, to a drop when compared to previous years.

Meanwhile, interest coverage ratio remained at very comfortable levels, albeit at a lower level in FY2014 on the back of an increase in net finance costs, in consequence of exchange differences as explained earlier.

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7.2 CASH FLOW STATEMENTS

Cash Flow Statements			
for the year ended 31 December	**Actual FY2012 €'000**	**Actual FY2013 €'000**	**Actual FY2014 €'000**
Operating Activities			
Profit/(loss) before tax	68,158	16,383	(47,988)
Other adjustments	(48,070)	6,895	69,953
EBIDTA	20,088	23,278	21,965
Net changes in working capital	1,945	(378)	(692)
Tax paid	-	(474)	(512)
Net cash from operating activities	**22,033**	**22,426**	**20,761**
Investing Activities			
Payments to acquire PPE	(169)	(8,427)	(361)
Payments to acquire investment property	-	(270)	(191)
Payments to acquire financial assets	(10,925)	-	(575)
Proceeds from disposal of financial assets	-	1,911	604
Proceeds from disposal of property, plant and equipment	35	-	-
Payments to capital creditors	(5,124)	(3,593)	(2)
Interest received	295	436	88
Net cash used in investing activities	**(15,888)**	**(9,942)**	**(437)**
Cash balance b/f	6,145	12,484	20,325
Financing Activities			
Repayment of parent company loans	(10,000)	-	-
Repayment of shareholders' loan	-	-	(535)
Proceeds from bank loan	-	1,500	-
Cancellation of bonds	-	-	(4,692)
Repayment of bank loan	(4,502)	(9,400)	(7,766)
Interest paid	(7,663)	(7,211)	(7,355)
Net cash (used in)/from financing activities	**(22,165)**	**(15,111)**	**(20,348)**
Net (decrease)/increase in cash and cash equivalents	(16,020)	(2,627)	(23)
Cash and cash equivalents b/fwd	28,844	12,815	10,289
Cash and cash equivalents c/fwd before the effect of foreign exchange rate changes	12,824	10,188	10,267
Effect of foreign exchange rate changes	(9)	101	11
Cash and cash equivalents c/fwd	**12,815**	**10,289**	**10,277**

Cash flows from operating activities in each of 2012, 2013 and 2014 have been largely influenced by the level of operating profit made by PCL in the respective years. During FY2012, after adjusting for the non-monetary uplift in the valuation of the PCL asset, cash flows generated from operating activities amounted to €22 million. Similarly, in FY2013 operations contributed another €22.4 million to the cash position of the Group, while the FY2014 operations were just as healthy, contributing a further €20.8 million, after the non-monetary adjustments, relating to the impairment of the Palm City asset.

During FY2012 the Group injected €9.1 million as its equity portion for the Medina Tower project and in FY2013, an amount of €7 million was paid to CPHCL for entering into a BOT agreement on the PWL project. A further €1.1 million was incurred in other related expenses to this development. In FY2012, the Group invested €1.8 million in MGS which were subsequently sold during FY2013 for €1.9 million. In FY2014, the Group invested a total of €0.6 million to acquire other corporate bonds on the capital market and later on during the same year disposed of these bonds for a profit of €29,000. The payments of €0.4 million and €0.2 million made by the Group to acquire additional PPE and investment property respectively during FY2014 were made in relation to the Palm Waterfront investment which the Group is gearing up for.

In terms of cash flows used by the Group in its financing activities, a loan that was received from its shareholders was partially repaid in FY2012 (€10 million). Furthermore, the Group repaid €4.5 million in bank loans during the same year and paid a total of €7.7 million in interest on bank loans and corporate bonds, resulting in a net cash outflow on financing activities of €22.2 million. Meanwhile, during FY2013, the Group repaid €9.4 million in bank loans. Interest paid during FY2013 amounted to €7.2 million and the net cash outflow for the year was €15.1 million.

During FY2014, the Group repaid a net amount of €7.8 million of bank loans and €4.7 million of outstanding bonds, of which €3 million related to the bond issued in 2007 pursuant to its roll over in 2014.

for the year ended 31 December	**Actual FY2012**	**Actual FY2013**	**Actual FY2014**
Current Ratio	0.75x	0.47x	0.41x
(Current Assets / Current Liabilities)			
Cash Ratio	0.48x	0.26x	0.22x
(Cash & cash equivalents / Current Liabilities)			

Over the years, the Group's current ratio, representing the amount of current assets available to settle short-term liabilities, has been below one. The composition of the current liabilities pot includes bank borrowings and outstanding bonds, in particular the €14.8 million and the €19.7 million outstanding in FY2013 and FY2014 respectively. The former has been redeemed through the new bond that was issued during FY2014 while the latter is being redeemed through a new bond issue of €20 million specifically for this purpose this year. Should these amounts be excluded from the calculation, the ratio approximates that of FY2012, which nonetheless, is not optimal. It must also be noted that under current liabilities there is a substantial amount shown as trade and other payables during the reporting period. These represent advance deposits and prepaid rent, which are rolled over from one year to the other. Although they are classified as current liabilities, because of their nature they may be considered as longer term liabilities.

As detailed in the narrative above relating to cash flows, the Group had a number of bank borrowing repayments during the years under review, which reduced the level of cash balances and thus impacted the cash ratio accordingly.

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7.3 STATEMENT OF FINANCIAL POSITION

Balance Sheet

for the year ended 31 December	**Actual FY2011**	**Actual FY2012**	**Actual FY2013**	**Actual FY2014**
Non-current assets				
Intangible assets	2	2	2	2
Investment property	248,478	310,406	310,676	250,000
Property, plant and equipment	503	415	8,581	8,751
Investments accounted for using the equity method	3,958	12,649	12,696	12,701
Financial assets	-	1,871	-	-
Lease prepayment	445	438	430	423
Total non-current assets	**253,387**	**325,781**	**332,385**	**271,876**
Current assets				
Inventories	133	273	395	647
Trade and other receivables	8,070	7,170	7,529	7,392
Cash and cash equivalents	29,465	13,086	10,299	10,286
Taxation recoverable	-	-	299	611
Total current assets	**37,668**	**20,529**	**18,522**	**18,936**
Total assets	**291,054**	**346,310**	**350,907**	**290,813**
Equity				
Share capital	48,002	48,002	48,002	48,002
Other components of equity	-	46	-	-
Retained earnings	55,302	104,345	118,138	90,046
Total equity	**103,304**	**152,393**	**166,140**	**138,048**
Non-current liabilities				
Bank borrowings	44,392	40,241	32,208	23,567
Bonds	72,993	73,108	58,128	49,915
Shareholders' loan	13,200	3,200	3,200	2,655
Deferred tax liability	29,924	49,039	50,756	29,469
Derivative financial instruments	560	992	743	659
Total non-current liabilities	**161,069**	**166,580**	**145,035**	**106,265**
Current liabilities				
Bank borrowings	9,229	8,720	8,736	9,908
Bonds	-	-	14,758	19,650
Trade and other payables	17,452	18,617	15,540	15,053
Current taxation	-	-	698	1,890
Total current liabilities	**26,681**	**27,337**	**39,732**	**46,500**
Total liabilities	**187,750**	**193,917**	**184,767**	**152,765**
Total equity and liabilities	**291,054**	**346,310**	**350,907**	**290,813**
Adjusted Figures (excluding IP revaluation)				
Total Equity	*103,304*	*114,704*	*166,119*	*178,164*
Total Assets	*291,054*	*308,621*	*350,907*	*330,393*

The total asset base of the Group amounted to €346.3 million in FY2012, €350.9 million in FY2013 and €290.8 million in FY2014. The largest asset that MIH has on its balance sheet is the Palm City Residences, operated by its 100% subsidiary, PCL. The investment property has inherently made up the majority of the Group's asset base. The value attributable to the investment property represents the valuation of the asset that is based on the projected revenue streams which are discounted at a series of rates depending on the risk associated with particular identified criteria. From a value of €248.5 million in FY2011, the Palm City Residences was valued at €310.4 million in FY2012. The fair value of the investment property was revised downwards at the end of 2014 as the risk premium associated with Libya increased considerably. Please refer to section 4.4 for further information on the basis of valuation of investment property.

The increase in PPE from €0.4 million in FY2012 to €8.6 million in FY2013 and €8.8 million in FY2014 is attributable to the Palm Waterfront project in Libya.

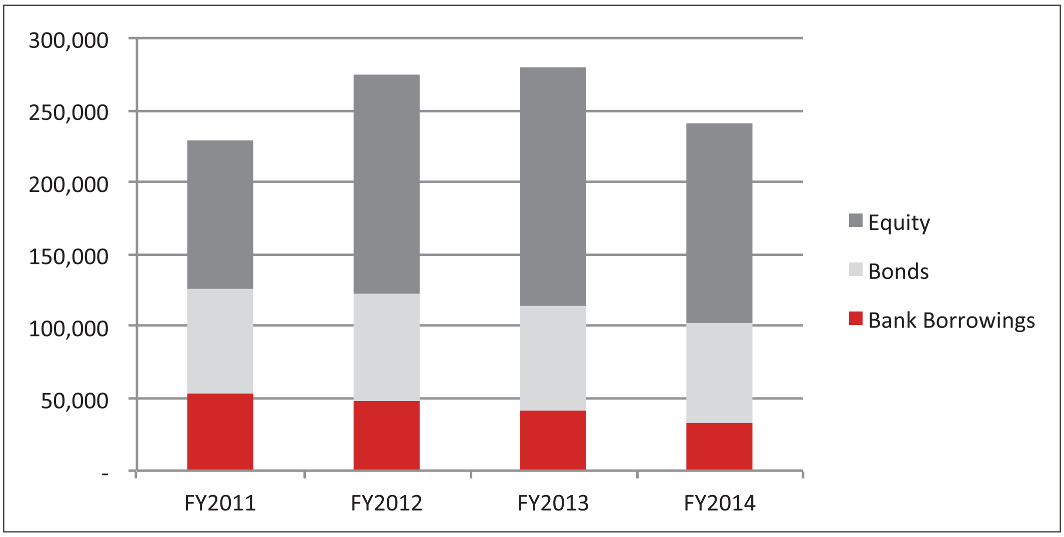
The element of investment accounted for using the equity method relates to the investment that MIH has in associate MTJSC. Such an investment represents 25% share capital of MTJSC and the plans are to develop this project once the economic prospects in Libya improve.

The amount of trade and other receivables of the Group is in the main made up of trade receivables, which makes up between 40% and 55% of total receivables. The growth in receivables is consistent with the growth in revenues which are considered by management of a short-term nature. The level of impairments, provided as the allowance for credit losses on the gross trade receivables, indicate that there was a particular surge between 2011 and 2012 (from 2.9% to 8.2%), although in 2014, this has reduced considerably to an acceptable 3.8%.

Trade and other receivables €'000	**Actual FY2011**	**Actual FY2012**	**Actual FY2013**	**Actual FY2014**
Trade receivables, gross	1,926	2,509	3,190	3,980
Allowance for credit losses	(55)	(206)	(291)	(150)
Trade receivables	**1,870**	**2,303**	**2,899**	**3,830**
Impairments	2.9%	8.2%	9.1%	3.8%

The cash balances held by MIH typically include a level of security deposits of lessees. In FY2012 this amounted to €2.9 million, increased to €3.4 million in FY2013 and increased further to €3.6 million in FY2014.

The Group's funding base has always been a mix of equity, bank debt and capital market borrowings. During the years, the Group managed to reduce its level of bank borrowings from €49 million in 2012 to €33.5 million in FY2014. The amount of bonds outstanding has declined, albeit marginally, from €73.1 million in 2012 to €69.6 million in FY2014. Meanwhile, total equity went up from €103.3 million in 2011 to €138 million by the end of FY2014, reflecting the increased level of profits retained throughout the years, despite the movements in fair values of PCL in FY2012 and FY2014.



Source: MIH financial statements for the years 2011, 2012, 2013 and 2014

This mix of funding sources has enabled MIH to keep the Group's level of gearing at very acceptable levels.

for the year ended 31 December	**ACTUAL FY2011**	**ACTUAL FY2012**	**ACTUAL FY2013**	**ACTUAL FY2014**
Gearing Ratio *[Total debt / (Total Debt + Total Equity)]*	57.51%	52.20%	41.33%	37.31%

NB: The above ratio has been computed using adjusted total equity figures, which eliminate the effect of the revaluation from the financial statements. This was done for comparison purposes and to base the ratios solely on the operations of the Group, while excluding one-off figures that tend to boost or deplete profits and disrupt the normality of financial figures.

7.4 WORKING CAPITAL

The Issuer does not have sufficient working capital for its present requirements. In 2014, the Group reported a working capital deficiency of €27.6 million, as a result of the significant repayment of a long-term loan and the classification of the Maturing Bond as a current liability, taken in previous years to finance the Palm City project. For the years 2015 and 2016 it is forecasted that the Group will have a working capital deficiency of €11 million and €46.9 million respectively, the latter shortfall resulting from the reclassification as a current liability of the 7.15% bonds 2015 – 2017 maturing on 23 July 2017, amounting as at the date of the Prospectus to an aggregate amount of just under €40 million, issued by the Issuer pursuant to a prospectus dated 14 June 2010.

In view of the Group's working capital deficiency set out above, apart from the new issue of Bonds, which is being supported by an Underwriting Agreement by the Issuer's shareholders, to repay the Maturing Bond, the Directors have been in formal discussions with PCL's lenders to renegotiate the payment terms of existing bank borrowings. The on-going discussions with these lenders aim to refinance the remaining balance of the bank loan over a longer period, thus reducing the capital repayments currently shown in the forecasts provided for the years 2015 to 2020. The Directors believe that they will be successful in their endeavours to achieve this objective. The Directors have also obtained written assurances from the shareholders of MIH that they will, after appropriate due diligence on the shortfall requirements, continue to financially support the company, proportionate to their shareholding, on an on-going basis, to enable it to meet its liabilities as and when they fall due. Accordingly, the Directors are confident that the Issuer will continue to have adequate levels of cash to sustain its operations and investments.

8. FORECASTS OF THE ISSUER

In terms of the Listing Policies issued by the MFSA, the Issuer is required to prepare forecasts for the current year and the following year.

8.1 KEY ASSUMPTIONS

The key assumptions approved by the Directors of the Issuer in compiling the forecasts below are the following:

- FY2015 will remain unstable and will therefore continue to attract very low levels of occupancy.
- The economic and political situation in Libya will start stabilizing in FY2016.
- The Group will not significantly change the manner in which it conducts its business.
- Taxation rates in the jurisdictions that MIH operate in will remain unchanged.
- There will be no significant foreign exchange fluctuations.
- The rate of inflation is assumed at 2% per annum.

Further to discussions with management, it transpired that while the situation in Libya remains volatile, international companies evacuated their expatriate personnel. Despite this evolving situation, management noted that a number of PCL's large international clients have opted not to cancel their lease contracts. The significant value of investment that most international companies have put into their Libyan operations will require that these companies return to their Libyan base at some future point in time and on this basis management assumes that demand for accommodation at PCL will resume in the foreseeable future. Management also noted that there is no other complex that can readily accommodate tenants in a secure environment that mirrors the facilities available at Palm City Residences.

Additionally, management believes that once Libya's political and economic situation improves, a number of NGOs and embassies will return. Currently, PCL offers the only expatriate option for living in Libya. Moreover, Libya will need to undergo a massive infrastructural development, which will involve some level of input from foreign investors and these would seek to contract tenancy in Libya in the short to medium term.

8.2 INCOME STATEMENT

	Actual FY2014 €'000	**Forecast FY2015 €'000**	**Forecast FY2016 €'000**
Revenue	30,091	11,014	22,825
Expenses	(8,172)	(4,393)	(5,767)
EBITDA	**21,918**	**6,621**	**17,058**
Depreciation and amortisation	(545)	(479)	(562)
Finance income	132	139	141
Finance costs	(7,100)	(6,955)	(6,218)
FV profit on interest rate swap	85	85	85
Loss on foreign exchange	(1,610)	(295)	-
FV gain on investment property	(60,867)	-	-
Profit / (Loss) before tax	**(47,987)**	**(884)**	**10,504**
Taxation	19,896	511	98
Net Profit / (Loss) for the year	**(28,091)**	**(373)**	**10,602**

Source: Management information

8.3 CASH FLOWS

	Actual FY2014 €'000	Forecast FY2015 €'000	Forecast FY2016 €'000
Operating Activities			
EBIDTA	21,918	6,621	17,058
Adjustments	58	59	-
Net changes in working capital	(692)	1,052	(3,485)
Tax Paid	(512)	(810)	278
Net Cash from operating activities	**20,772**	**6,923**	**13,851**
Investing Activities			
Payments to acquire PPE	(361)	(72)	(838)
Payments to acquire investment property	(191)		
Payments to capital creditors	(2)		
Acquisition / Disposal of Financial Assets	29		
Interest received	88	139	141
Net cash used in investing activities	**(437)**	**68**	**(698)**
Financing Activities			
Repayment of bonds	(4,692)	(19,650)	-
Net proceeds from issue of bonds	-	19,500	-
Repayment of bank loan	(7,766)	(3,681)	(4,982)
Interest paid	(7,890)	(6,080)	(6,064)
Net cash from financing activities	**(20,348)**	**(9,910)**	**(11,046)**
Cash and equivalents at the beginning of the period	10,289	10,277	7,358
Cash and equivalents at end of period	**10,277**	**7,358**	**9,465**

Source: Management information

In terms of cash flows, in FY2015 the Group is not expected to undertake any investment activity and the €72,000 earmarked as payments to acquire PPE is in relation to general capital expenditure undertaken on an annual basis. For FY2015 this percentage is at 1% of revenues. In 2016, this will increase to 4% and management opine that this percentage is in line with industry best practices.

In terms of financing activities, the maturing bond with a value of €19.6 million is being financed from the proceeds of the new bond (net proceeds expected to be in the region of €19.5 million). During FY2015 the Group will be repaying €3.7 million in bank loans and paying €6.1 million in finance costs. For FY2016, bank loan repayments are expected to amount to €5 million, while finance costs will remain stable at €6.1 million.

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8.4 BALANCE SHEET

	Actual FY2014	Forecast FY2015	Forecast FY2016
Non-current assets			
Intangible assets	2	2	2
Investment property	250,000	250,015	250,015
Property, plant and equipment	8,751	8,619	9,226
Investments accounted for using the equity method	12,701	12,701	12,701
Lease prepayment	423	415	407
Total non-current assets	**271,876**	**271,752**	**272,351**
Current assets			
Inventories	647	469	483
Trade and other receivables	7,392	4,635	6,936
Cash and cash equivalents	10,286	7,358	9,464
Taxation recoverable	611	-	-
Total current assets	**18,936**	**12,462**	**16,883**
Total assets	**290,813**	**284,214**	**289,235**
Equity			
Share capital	48,002	48,002	48,002
Retained earnings	90,046	89,673	100,274
Total equity	**138,048**	**137,675**	**148,276**
Non-current liabilities			
Bank borrowings	23,567	20,786	15,804
Bonds	49,915	70,137	30,266
Shareholders' loan	2,655	2,655	2,655
Deferred tax liability	29,469	28,897	27,868
Derivative financial instruments	659	574	489
Total non-current liabilities	**106,265**	**123,050**	**77,083**
Current liabilities			
Bank borrowings	9,908	8,787	8,787
Bonds	19,650	-	40,000
Trade and other payables	15,053	14,702	15,089
Current taxation	1,890	-	-
Total current liabilities	**46,500**	**23,489**	**63,876**
Total liabilities	**152,765**	**146,539**	**140,959**
Total equity and liabilities	**290,813**	**284,214**	**289,235**

Source: Manangement information

Balance sheet movements are not expected to be material over the three years under review. Total assets are expected to be at €284.2 million in FY2015 and €289.2 million in FY2016. While trade debtors will decline in FY2015 in line with a reduction in revenue, this is expected to increase once more in FY2016 when occupancy levels start increasing and generate an increased level of revenue.

On the funding side, the combination of funding sources is not expected to change during 2015 and 2016. The Group will remain reliant for its funding on bank loans, bonds and equity. Despite the decline in bank borrowings envisaged during FY2015 (to €29.6 million), the gearing ratio will be hampered by a lower level of revenues (42.6%). Nonetheless, as revenues start improving in FY2016, these are expected to positively impact gearing, as it reduces to 39.7%, aided also by a lower borrowing level.

PART 2 – THE GUARANTOR

9. THE BOARD OF DIRECTORS OF THE GUARANTOR

The board of the Guarantor is currently composed of the following:

Alfred Pisani	Executive director and Chairman
Moftah Ali Suliaman Abdullah	Non-executive director
Abuagila Almahdi	Non-executive director
Mustafa T. Mohamed Khattabi	Non-executive director
Joseph Pisani	Executive director
Victor Pisani	Executive director

The company secretary is Alfred Fabri.

10. ORGANISATIONAL STRUCTURE AND OPERATIONAL DEVELOPMENTS

10.1 THE GUARANTOR

Corinthia Palace Hotel Company Limited ("CPHCL", "Corinthia Group") was established in 1966 and has since been involved in a mix of real estate developments that consist principally of hotels, residences, offices, retail areas as well as industrial and event catering. Over the years, CPHCL established an organisational structure with an objective to grow the Corinthia brand both locally as well as internationally. CPHCL retains the strategic direction and development of the Corinthia Group's subsidiary companies to focus on achieving the Corinthia Group's operational objectives. CPHCL's business is increasingly being driven through public companies.

With this business model in mind, in 2000, CPHCL set up IHI as the investment and operational company owning and operating the various core hotels of the Corinthia Group. To date, IHI makes up in excess of 80% of CPHCL's total asset base.

The business units of CPHCL can be classified as follows:

a) IHI, which is CPHCL's largest subsidiary (owned to the extent of 58.78% by CPHCL), is a public company listed on the Malta Stock Exchange. Its business involves acquiring and developing real estate projects, with a principal focus on hotel assets. To date, IHI has acquired hotels in Prague, Tripoli, Lisbon, Budapest, St Petersburg as well as the Corinthia San Gorg Hotel and the Marina Hotel in Malta. The company also owns a 50% shareholding in a joint venture that owns a hotel and residential property in London. IHI also owns CHI Ltd, a management company that manages the Group's and third party hotels and owns the Corinthia brand which it acquired from CPHCL in 2010.

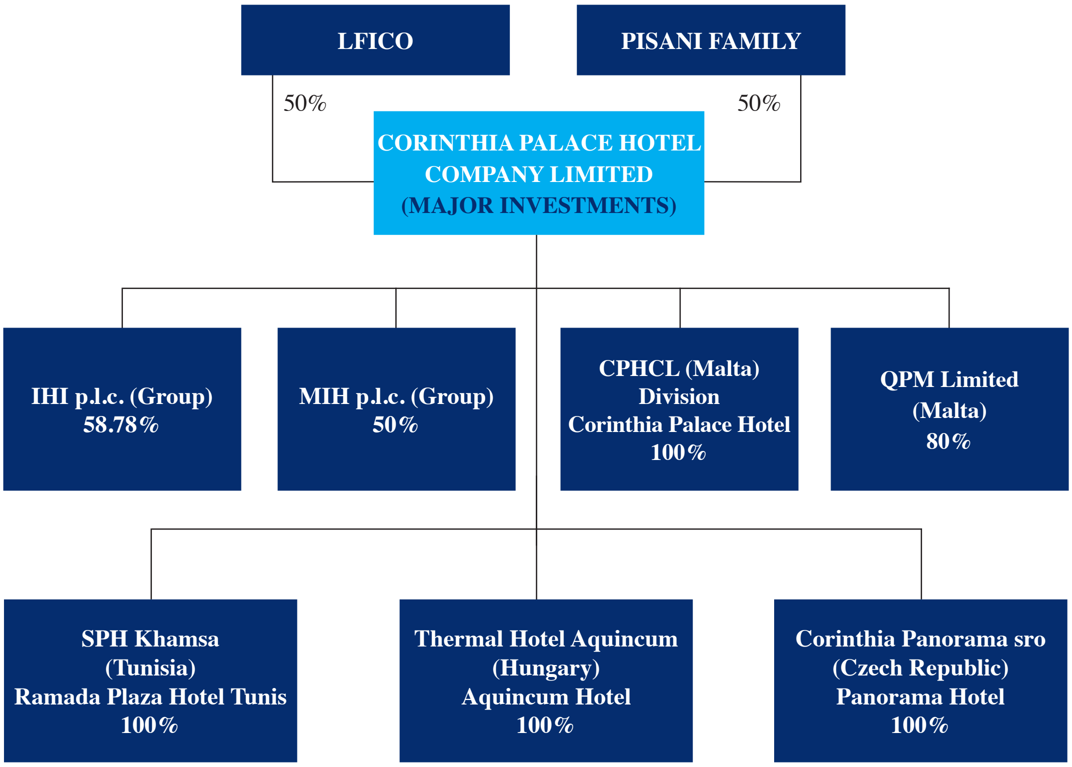
b) MIH, a 50% subsidiary of CPHCL and the second largest business unit of the Guarantor.

c) QPM Limited is an 80% subsidiary of CPHCL which specialises in construction and project management services. The remaining 20% of QPM Limited is owned by IHI.

d) Other investments – CPHCL owns a number of other properties, investments and business ventures, directly or indirectly, which include interests in a number of hotels located outside Malta.

10.2 ORGANISATIONAL STRUCTURE OF THE GUARANTOR

The organisational structure of CPHCL is shown hereunder:



10.3 CPHCL'S STRATEGY AND DIVESTMENT PROCESS

CPHCL is organised at the strategic level into a number of distinct business units, each of which plan and implement well-defined strategies. CPHCL's objective is that of holding equity investment in other companies rather than operating assets in its own name. This has led to a consistent divestment process over the years of assets which have been considered to be non-core.

Recent sales of non-core assets include:

- 2011 - Sale of 35% shareholding in Tektur Turizm for €7.2 million
- 2011 – Sale of 50% shareholding in Tekirova Turkey for €15.2 million
- 2014 – Sale of Land Plot in Janzour in Libya for €7.0 million
- 2014 – Sale of 40% shareholding in Norm Turizm Turkey for €2.4 million

11. MAJOR ASSETS OF THE GUARANTOR

The Guarantor's major assets consist of its investment in the various subsidiary companies. Today, the Guarantor's operations are limited to the overall direction of these investments to meet the Corinthia Group's strategy, while the day-to-day operations are entrusted to the subsidiaries themselves.

11.1. INTERNATIONAL HOTEL INVESTMENTS PLC

IHI was incorporated on 29 March 2000. It was promoted by the Corinthia Group as the principal vehicle for the international expansion of the Group's hotels and mixed use developments. The company was listed on the Malta Stock Exchange in 2000, following a successful initial public offering. CPHCL directly owns 58.78% of IHI, while two other strategic investors – Istithmar and LFICO – own 22.05% and 11.03% respectively. The remaining shares are held by the general public.

IHI is in the business of developing, owning and operating five-star hotels and commercial real estate in several countries. The principal objective of IHI is to achieve above average long-term returns for its shareholders, principally through its long-term growth via investment in a balanced portfolio of mixed use developments having hotel properties as their main components and hotel operations in a balanced mix between mature and emerging markets.

At inception, IHI owned a 250-room hotel in Malta and a derelict hotel in Budapest. Today it has expanded into a company that fully owns and operates two hotels in Malta and a hotel in each of Hungary, the Czech Republic, Portugal, Russia and Libya. It also owns 50% of a hotel in the United Kingdom. Through CHI, a hotel management company, IHI operates all of its hotels together with a number of other hotels in various jurisdictions for its principal shareholder – CPHCL - as well as for third parties.

12. GUARANTOR'S CONSOLIDATED FINANCIAL REVIEW

CPHCL holds a mix of investments, with the largest contributor to CPHCL both in terms of income statement line items as well as balance sheet items being IHI plc. This section includes the consolidated analysis of the Guarantor's historic performance in the past three years.

The source of the historic financial statements is the Guarantor's annual reports for the year ended 31 December 2012, 2013 and 2014, supported by management information as necessary.

NB: Up to FY2013, Corinthia Palace Hotel was considered as an asset held for sale. However, subsequent to a board decision, the hotel was re-classified as part of continuing operations, therefore resulting in a restatement of FY2012 figures.

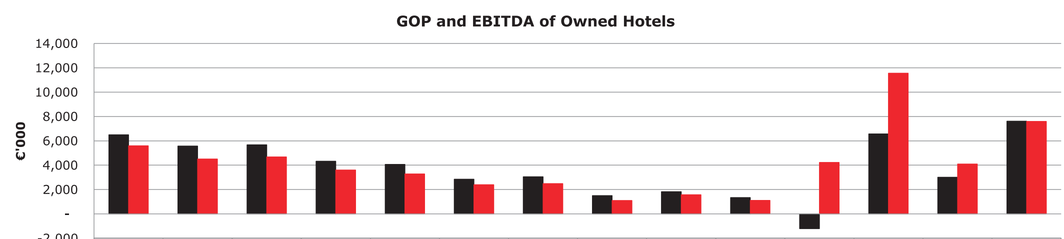
12.1 INCOME STATEMENT

CPHCL - Consolidated Income Statement	**Actual** FY2012 €'000 (Restated)	**Actual** FY2013 €'000	**Actual** FY2014 €'000
Revenue	158,676	164,901	159,238
Net Operating Expenses	(134,390)	(133,221)	(131,185)
Depreciation and Amortisation	(29,014)	(28,169)	(24,129)
Other Income	1,664	1,687	1,295
(Loss) / Gain on Exchange	(965)	(2,175)	(788)
Net Reversal of Impairment of Hotel Properties	(6,402)	5,000	5,170
Operating Profit (Loss)	**(10,431)**	**8,023**	**9,601**
Finance Income	2,674	6,625	3,835
Finance Costs	(23,822)	(23,950)	(21,408)
Share of results of associate companies	29,242	425	(29,075)
Impairment loss on fixed assets other than hotel property	-	-	(15)
Gain on sale of investment in subsidiary / associate	-	-	938
Gain on sale of investment property	-	3,447	-
Reinstatement of depreciation on non-current assets no longer held for sale	-	(1,681)	-
Impairment loss on investments	(16)	(31)	-
Revaluation to fair value of investment properties	4,154	7,159	(14,629)
(Loss) / Profit before taxation	**1,801**	**17**	**(50,753)**
Tax income (expense)	973	4,653	12,028
(Loss) / Profit for the year from continuing operations	**2,774**	**4,670**	**(38,725)**
EBITDA from operating activities	**24,985**	**31,192**	**28,560**
Extraordinary Items of a one-off nature	(2,264)	13,894	(8,521)
EBITDA including one-offs	**22,721**	**45,086**	**20,039**

During the years ended 31 December 2012 to 2014 the Group's revenue increased from €158.7 million in FY2012 to €164.9 million in FY2013, declining to €159.2 million in FY2014. Revenue represents income that is generated from the controlled entities of the CPHCL Group, which include the revenues of IHI and other subsidiaries. The substantial shareholding that CPHCL has in other associate companies is accounted for in "Share of results in associate companies" and this includes also CPHCL's share of results of MIH, given that the latter is owned to the extent of 50% by CPHCL and 50% by NREC and therefore not consolidated on a line-by-line item within the financials of CPHCL.

The revenues of FY2012 were higher than those generated in FY2011 and this increase was in the main attributable to the higher rates achieved through the in-house developed reservation and distribution system. The highest improvements were registered in St Petersburg, Libya and Tunisia, which also resulted in an uplift in value of the hotel properties in St Petersburg due to the improved prospects. This positive performance spilled into FY2013 when higher rates were reported as CPHCL underwent a strategic shift in market segmentation and increased business generated by the in-house developed reservation and distribution system. The best performer of the year was the Corinthia Hotel and Commercial Centre in St Petersburg. Other notable improvements were registered in Lisbon and Libya while reduced performances were experienced in the Czech Republic and Tunisia.

Meanwhile in FY2014, as a result of the instability in Libya during the second half of the year and the deteriorating economic conditions in the Russian Federation, revenue generated by Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg for the year ended 31 December 2014 was lower than the prior year by *circa* €16.1 million. This reduction was, however, mostly compensated by increased revenues registered by the Group's other hotel properties across Europe as can be seen in the comparison chart below between FY2013 and FY2014 gross operating profit (GOP) and EBITDA figures of hotels wholly owned by IHI.



	Corinthia Hotel Budapest 2014	Corinthia Hotel Budapest 2013	Corinthia Hotel Lisbon 2014	Corinthia Hotel Lisbon 2013	Corinthia Hotel Prague 2014	Corinthia Hotel Prague 2013	Corinthia Hotel St George's Bay 2014	Corinthia Hotel St George's Bay 2013	Marina Hotel 2014	Marina Hotel 2013	Corinthia Hotel Tripoli 2014	Corinthia Hotel Tripoli 2013	Corinthia Hotel St Petersburg 2014	Corinthia Hotel St Petersburg 2013
GOP	6,498	5,572	5,674	4,322	4,064	2,846	3,049	1,501	1,822	1,343	-1,211	6,568	3,007	7,619
EBITDA	5,591	4,502	4,673	3,601	3,278	2,397	2,485	1,098	1,566	1,105	4,227	11,551	4,096	7,598

The Group's operating expenses declined from €134.4 million in FY2012 to €131.2 million in FY2014. The decline in direct costs reflects the generally improved hotel occupancy levels and rationalisation of operating costs.

Across the years under review, EBITDA from operating activities improved from €25 million in FY2012 to €31.2 million in FY2013 and stood at €28.6 million in FY2014. In essence this excludes the impairment charges and any revaluations to investment properties. As can be seen from the chart overleaf of Revenue and EBITDA figures, EBITDA margin based on operations was 15.7% in FY2012, increasing to 18.9% in FY2013 and declining to 17.9% by the end of FY2014.

CPHCL's hotels and investment properties are valued independently by third party experts who generally prepare ten year future cash flows expected to be earned from the various properties and discount these cash flows at the appropriate and applicable risk premium rates. Due consideration to the proposals presented by the valuers is given by the directors, who then take the ultimate decision as to the value taken to the accounts. In line with accounting standards and policies adopted by the CPHCL Group, any uplift in hotel assets classified as PPE is taken to reserves and reversed in subsequent years if there are impairments to that same asset. Any additional impairments are then taken to the income statement, thereby affecting the profitability level of the company. In the case of investment properties, any fair value adjustment is taken directly to the income statement.

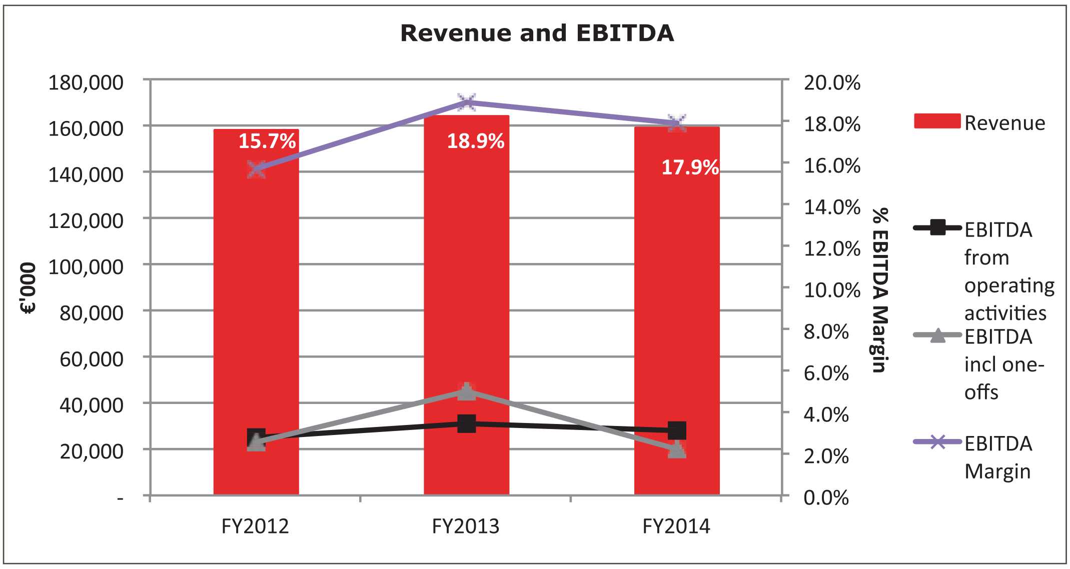
In FY2012 CPHCL took a net impairment charge of €2.2 million to the income statement. In FY2013, as a result of the improved performance of the company's various assets, the effect of fair value movements to the income statement was a positive €12.2 million, while in FY2014, in consequence of problems in Russia and Libya, CPHCL reported a net impairment of €9.5 million in the income statement.

CPHCL has a number of associate companies and their treatment in the income statement goes to the "Share of results of associate companies". The major operating associates of the company are the 50% investment in MIH (translating in 50% of PCL) and the 50% investment in Corinthia Hotel and Residences in London (though IHI). While the results were positive in FY2012 and FY2013 (to a much lesser extent), the results in FY2014 deteriorated in view of two different events.

As MIH registered a loss of €28.1 million in FY2014 on account of the investment property impairment (€13.8 million profit in FY2013), CPHCL had to bear its corresponding share of such losses in its income statement relative to its 50% shareholding in MIH.

Similarly, in the case of the London residences, CPHCL's income statement was impacted by its 50% share of the €29.1 million loss in FY2014 (€11.8 million loss in FY2013), as the level of depreciation and interest costs exceeded the operating profit generated by the London asset and turned the result into a loss.

After accounting for a tax credit, CPHCL closed FY2014 at a loss of €38.7 million (FY2013: €4.7 million profit; FY2012: €2.8 million profit).



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12.2 CASH FLOW STATEMENT

Consolidated Cash Flow Statement	**Actual FY2012 €'000**	**Actual FY2013 €'000**	**Actual FY2014 €'000**
Operating Activities			
(Loss) profit before taxation			
- Continuing operations	1,801	17	(50,753)
- Discontinued operations	140	99	-
	1,941	**116**	**(50,753)**
Adjustments	24,787	33,757	78,419
Net Changes in Working Capital	9,058	17,767	4,577
Interest paid	(24,796)	(24,544)	(22,635)
Taxes paid	(2,183)	(5,985)	(666)
	8,807	**21,111**	**8,942**
Investing Activities			
Proceeds from sale of investment property	-	7,000	-
Proceeds from sale of assets held for sale	-	-	2,160
Proceeds from sale of short-term investments	-	14	-
Payments to acquire intangible fixed assets	(891)	(310)	(139)
Payments to acquire investment property	-	(215)	(350)
Payments to acquire PPE	(14,023)	(14,841)	(6,588)
Payments to acquire PPE classified as held for sale	(217)	(399)	-
Proceeds from disposal of PPE	189	915	806
Proceeds from disposal of assets held for sale	79	-	-
Payments to acquire shares in associate	(9,100)	-	-
Deposit received from sale of associate classified as held for sale	-	200	-
Loans repaid by (advanced to) associate companies	(11,733)	(3,870)	40,684
Dividends received	-	131	71
Interest received	2,050	4,192	2,718
	(33,646)	**(7,183)**	**39,362**
Financing Activities			
Repayments of bank borrowings	-	(18,979)	(34,049)
Proceeds from bank borrowings	194	-	16,300
(Deposits into) / Withdrawals from redemption sinking fund	(2,543)	(839)	(6,946)
Proceeds from bond issue	-	10,000	-
Share capital contribution to NCI	-	-	661
Payments for redemption of bonds	-	(15,917)	(2,712)
Movement on long term creditors	(216)	(1,020)	3,911
Dividends paid	(460)	(193)	(9,331)
	(3,025)	**(26,948)**	**(32,166)**
Net change in cash and cash equivalents	**(27,864)**	**(13,020)**	**16,138**
Cash and cash equivalents at beginning of the year	40,837	12,973	(47)
Cash and cash equivalents at end of year	**12,973**	**(47)**	**16,091**

During FY2013, operating activities generated a substantially higher inflow, thanks to the improved collection of receivables, particularly an €8.1 million that was paid by NLI Holdings Limited – an associate company of IHI which owns the Corinthia Hotel London and Residences.

During DY2013, CPHCL recorded a €7 million inflow from the assignment of rights of the Palm Waterfront to PWL – the 100% owned subsidiary of the Issuer. Moreover, between the years 2012 to 2014, CPHCL recorded an outflow related to purchases of fixed assets amounting to €35.4 million of which €27.1 million related to acquisitions within IHI plc, while another €8.3 million related to Corinthia Construction Overseas Limited – another subsidiary of CPHCL. Equity investment in associates carried out during FY2012 amounted to €9.1 million and these related to the equity injection into Medina Tower by IHI, which has a 25% shareholding in the project. Meanwhile, in FY2014, NLI Holdings repaid a total of €40.7 million of loans through IHI.

In terms of financing activities, CPHCL repaid a total of €53 million of bank debt and a further €18.6 million of corporate bonds. These were partly replaced by a €10 million bond issued by IHI with a coupon of 5.8% repayable in 2023 and a further €16.3 million of new bank borrowings. Additionally, CPHCL made total contributions to the sinking fund for corporate bonds of €10.3 million between FY2012 and FY2014.

The net closing cash position was a positive €16.1 million by the end of FY2014, an improvement over FY2013 which closed at a negative €0.05 million.

12.3 STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheet	**Actual FY2012 €'000**	**Actual FY2013 €'000**	**Actual FY2014 €'000**
Assets			
Non-Current Assets			
Intangible Assets	6,239	5,823	5,336
Investment Property	209,800	225,379	210,799
Property, plant and equipment	660,485	662,385	621,287
Investments in associates	286,180	325,462	284,277
Other investments	19	-	-
Deferred tax assets	2,566	6,576	4,814
Investment held by trustees	2,626	3,465	10,411
	1,167,915	**1,229,090**	**1,136,924**
Current			
Inventories	7,298	7,560	7,379
Investments	14	-	-
Trade and other receivables	56,880	43,854	35,096
Taxation	621	2,891	2,642
Cash and cash equivalents	21,649	15,249	26,404
	86,462	**69,554**	**71,521**
Assets held for sale	9,404	1,222	-
Total Assets	**1,263,781**	**1,299,866**	**1,208,445**

Consolidated Balance Sheet (continued)	**Actual FY2012 €'000**	**Actual FY2013 €'000**	**Actual FY2014 €'000**
Equity			
Called-up issued share capital	20,000	20,000	20,000
Other reserves	183,552	211,016	211,477
Retained earnings	179,083	187,195	155,268
	382,635	418,211	386,745
Non-Controlling Interest	248,457	259,609	246,961
Total Equity	**631,092**	**677,820**	**633,706**
Liabilities			
Non-Current			
Bank borrowings	264,070	234,000	224,768
Bonds	138,843	136,361	136,340
Other borrowings	16,571	17,287	19,954
Long-term payables	5,108	4,088	4,721
Taxation	1,626	987	-
Deferred tax liabilities	102,762	110,711	97,425
Derivative financial instruments	4,884	-	-
Provision for charges	206	206	206
	534,070	**503,640**	**483,414**
Current			
Bank borrowings	37,020	52,679	39,179
Bonds	5,744	2,500	-
Other borrowings	-	-	611
Derivative financial instruments	-	2,349	-
Trade and other payables	47,793	54,605	49,658
Current tax liabilities	8,062	6,273	1,877
	98,619	**118,406**	**91,325**
Total Liabilities	**632,689**	**622,046**	**574,739**
Total Equity and Liabilities	**1,263,781**	**1,299,866**	**1,208,445**

As deduced from previous commentary within the report, the asset base of CPHCL (at €1.2 billion by the end of FY2014) is made up of a number of hotel assets and equity investments, which represented *circa* 90% of total assets across all reporting periods. This composition did not change materially during the years under review.

Between the period FY2012 and FY2014, CPHCL made a number of investments in associate companies, namely:

- In FY2012 it contributed a total of €13.5 million to NLI, the company owning the Corinthia Hotel London and Residences, which enabled the whole project to achieve completion. This project is owned through a 50/50 joint venture between IHI and LFICO.

- During FY2012, it injected further funds in its associate company, MTJSC, through its shareholding held via IHI and MIH, thus increasing the CPHCL's Group share in this project to €26 million.

- The increase registered in FY2013 in investments in associates was attributable to the uplift in value recognised on the twelve residential apartments adjoining the London Property. The subsequent drop in 2014 relates to the disposal of eleven of the twelve residences and the subsequent receipt of proceeds from this sale through repayment of loans and dividend payouts.

Meanwhile, trade and other receivables declined by €21.8 million over the period FY2012 to FY2014, reflecting in the main the collection of amounts due from associate companies in FY2013 and other similar receipts in FY2014. The sinking fund build-up which is held by Trustees relate to the issue of earlier bond issues that require the setting up of a fund equivalent to 50% of the bond by redemption date. The balance in this fund increased from €2.6 million in FY2012 to €10.4 million by the end of FY2014.

On the funding side, CPHCL has consistently maintained a balance of debt that is commensurate with its equity commitments. An analysis of the gearing presented hereunder shows the healthy balance that is maintained in respect of its total borrowings, including bank, bonds and other debt.

	Actual FY2012 €'000	**Actual FY2013 €'000**	**Actual FY2014 €'000**
Bank Borrowings			
Non-Current	264,070	234,000	224,768
Current	37,020	52,679	39,179
Bonds	144,587	138,861	136,340
Other Borrowings	16,571	17,287	20,565
Total Borrowings	**462,248**	**442,827**	**420,852**
Equity	**631,092**	**677,820**	**633,706**
Gearing (1) *(total borrowings / (total borrowings + equity)*	42%	40%	40%
Revaluation Reserves	120,660	152,196	149,937
Adjusted Equity	**510,432**	**525,624**	**483,769**
Gearing (2) *(total borrowings / (total borrowings + adjusted equity)*	48%	46%	47%

Furthermore, as at end of FY2014, CPHCL had a total of €42 million of capital commitments which have been authorised but are yet to be contracted, while another €4.9 million committed and contracted.

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13. CPHCL COMPANY-LEVEL FINANCIAL REVIEW

The below is a review of the historic financial performance of CPHCL at company level. The information presented has been extracted from the audited annual financial statements of CPHCL for the years ending 31 December 2012, 2013 and 2014 and supported by management as necessary.

13.1 INCOME STATEMENT

CPHCL (Company) - Income Statement	**Actual FY2012 €'000**	**Actual FY2013 €'000**	**Actual FY2014 €'000**	**Projections FY2015 €'000**	**Projections FY2016 €'000**
Revenue	6,379	6,345	6,452	6,609	7,097
Net Operating Expenses	(13,023)	(13,887)	(13,477)	(10,857)	(11,831)
Depreciation and Amortisation	(131)	(111)	(1,029)	(400)	(400)
Other Income	1,301	1,018	1,113	-	-
(Loss) / Gain on Exchange	100	(13)	220	-	-
Operating Profit (Loss)	**(5,374)**	**(6,648)**	**(6,721)**	**(4,648)**	**(5,134)**
Finance Income	2,915	3,725	15,884	500	500
Finance Costs	(8,057)	(7,765)	(6,668)	(4,619)	(4,444)
Movement in tax indemnity	454	882	879	880	880
Impairment loss on fixed assets other than hotel property	9,368	-	(15)	-	-
Gain on sale of investment in subsidiary / associate	1,956	-	-	-	-
Profit / (Loss) on liquidation of associate / subsidiary	-			7,651	-
Gain on sale of investment property	-	6,894	-	-	-
Reinstatement of depreciation on non-current assets no longer held for sale	-	(2,209)	-	-	-
Impairment loss on investments	(436)	(410)	(624)		-
(Loss) / Profit before taxation	**826**	**(5,531)**	**2,735**	**(236)**	**(8,198)**
Tax income (expense)	45	1,718	(5,065)	-	-
(Loss) / Profit for the year from continuing operations	**871**	**(3,813)**	**(2,330)**	**(236)**	**(8,198)**

Looking at CPHCL as a single entity, one would get a better idea of income flows at company level.

Revenue refers to that generated by the Corinthia Palace Hotel (the only hotel still directly owned and operated by the company). Minor changes are reported during the period from FY2012 to FY2014. Meanwhile, the net operating expenses of the company, made up of staff costs and other operating expenses, increased by 3% from FY2012 to FY2014. CPHCL serves as the main administrative hub of the Corinthia Group and therefore, expense totals reflect this setup.

The main income streams for the company are the dividends received from its investments, particularly IHI. During FY2014, IHI declared a dividend, amounting to €12.2 million. This inflow represents a substantial increase over FY2013 and FY2012 comparables.

Finance costs include interest expense related to shareholders' loans, interest payable to Corinthia Finance plc (the Corinthia Group's financing vehicle, which is 100% owned by CPHCL) and bank and other loans from related companies of the Group.

Meanwhile, during FY2014 CPHCL reclassified the Corinthia Palace Hotel in Attard, Malta from an asset held for sale to PPE and thus had to account for the equivalent of accumulated depreciation for the asset, which increased the depreciation charge in the income statement of the company.

During 2013, CPHCL registered a gain of €6.9 million on the assignment of rights of use of the Palm Waterfront to PWL. In 2012, CPHCL sold the Marina Hotel to IHI. This transaction generated movements in impairments and gains on sale as highlighted in the figures above.

13.2 STATEMENT OF FINANCIAL POSITION

CPHCL (Company) – Balance Sheet *As at 31 December*	**Actual** **FY2012** **€'000**	**Actual** **FY2013** **€'000**	**Actual** **FY2014** **€'000**	**Projections** **FY2015** **€'000**	**Projections** **FY2016** **€'000**
Assets					
Non-Current Assets					
Investment Property	925	5,932	5,932	5,933	5,933
Property, plant and equipment	346	22,782	21,946	21,590	21,190
Investment in Subsidiaries	406,341	405,008	393,649	395,152	395,727
Investments in associates	25,869	25,856	25,856	24,183	21,683
Other investments	19	-	-	-	
Deferred tax assets	2,172	3,883	2,795	2,794	2,794
Investment held by trustees	3	-	-	-	-
	435,675	**463,461**	**450,178**	**449,652**	**447,327**
Current					
Inventories	241	271	266	275	275
Investments	-	-	-	-	-
Trade and other receivables	14,347	14,380	15,885	14,480	14,480
Taxation	-	-	-	-	-
Cash and cash equivalents	117	368	154	(4,328)	(565)
	14,705	15,019	16,305	10,427	14,190
Assets held for sale	9,848	-	-	-	-
Total Assets	**460,228**	**478,480**	**466,483**	**460,079**	**461,517**

CPHCL (Company) – Balance Sheet (cont.) *As at 31 December*	**Actual** **FY2012** **€'000**	**Actual** **FY2013** **€'000**	**Actual** **FY2014** **€'000**	**Projections** **FY2015** **€'000**	**Projections** **FY2016** **€'000**
Equity					
Called-up issued share capital	20,000	20,000	20,000	20,000	20,000
Other reserves	2,172	20,217	19,158	20,300	20,300
Retained earnings	246,053	240,532	237,105	234,698	224,500
Total Equity	**268,225**	**280,749**	**276,263**	**274,998**	**264,800**
Liabilities					
Non-Current					
Bank borrowings	14,679	3,721	4,841	3,530	1,850
Other borrowings	132,930	127,265	127,161	134,382	149,273
Long-term payables	165	-	-	-	-
Taxation	1,390	665	-	-	-
Deferred tax liabilities	-	3,134	3,072	3,100	3,100
Tax indemnity	23,448	22,566	21,687	20,807	19,927
	172,612	**157,351**	**156,761**	**161,819**	**174,150**
Current					
Bank borrowings	6,965	22,277	11,745	1,650	1,680
Other borrowings	400	4,314	6,870	6,870	6,870
Trade and other payables	11,207	12,668	13,775	13,673	13,673
Current tax liabilities	819	1,121	1,069	1,069	344
	19,391	**40,380**	**33,459**	**23,262**	**22,567**
Total Liabilities	**192,003**	**197,731**	**190,220**	**185,081**	**196,717**
Total Equity and Liabilities	**460,228**	**478,480**	**466,483**	**460,079**	**461,517**

During FY2013, the increase in investment property was the result of the uplift in fair value of a site at Marsa, Malta that is earmarked for development while the increase in PPE during the same financial year was due to the re-statement of the Corinthia Palace Hotel that was classified as asset held for sale. Other than the above, the changes in the other line items of the company were minimal.

The effect of the revaluation of the Corinthia Palace Hotel was reflected in reserves, thereby increasing total equity during FY2013 from €268.2 million in FY2012 to €280.7 million. Moreover, the level of borrowings declined by 3% during the period under review – from €155 million to €150.6 million.

13.3 CASH FLOW STATEMENTS

The projected key cash flow movements of CPHCL at company level are available in sub-section 13.4 of this report.

CPHCL (Company) - Cash Flow Statements

	Actual FY2012 €'000	Actual FY2013 €'000	Actual FY2014 €'000
Operating Activities			
(Loss) profit before taxation			
- Continuing Operations	826	(5,531)	2,735
	826	**(5,531)**	**2,735**
Adjustments	(6,226)	(936)	(8,624)
Net Changes in Working Capital	(17,370)	2,483	3,657
Interest paid	(7,873)	(8,041)	(7,029)
Taxes paid	(788)	(423)	(4,891)
	(31,431)	**(12,448)**	**(14,152)**
Investing Activities			
Proceeds form sale of assets held for sale	10,414	-	-
Proceeds from sale of investment property	-	7,000	-
Proceeds from sale of short-term investments	387	-	-
Payments to acquire short-term investments	(404)	-	-
Payments to acquire PPE	(49)	(162)	(219)
Payments to acquire PPE classified as held for sale	(217)	(399)	7
Proceeds from disposal of PPE	1	2	-
Proceeds from disposal of assets held for sale	79	-	-
Payments to acquire shares in subsidiaries	(3,382)	(4)	-
Payments to acquire shares in associate	(1)	-	-
Transfer from bond redemption sinking fund	-	3	-
Loan repaid by subsidiary companies	20,202	2,057	10,734
Loans repaid by (advanced to) associate companies	(10,445)	-	-
Dividends received	1,607	358	12,200
Interest received	1,304	1,006	426
	19,496	**9,861**	**23,148**
Financing Activities			
Net proceeds (repayments of) long term borrowings	4,637	-	-
Repayments of bank borrowings	-	(2,154)	(12,785)
Proceeds from bank borrowings	-	-	5,000
Movement on long term creditors	8,722	(1,516)	2,452
Dividends paid	-	-	(2,250)
	13,359	**(3,670)**	**(7,583)**
Net change in cash and cash equivalents	**1,424**	**(6,257)**	**1,413**
Cash and cash equivalents at beginning of the year	(4,793)	(3,369)	(9,626)
Cash and cash equivalents at end of year	**(3,369)**	**(9,626)**	**(8,213)**

Despite generating a profit before tax of €2.7 million in FY2014, net cash from operating activities was still a negative €14.2 million. This represents a €17.3 million improvement over the cash outflow position of FY2012.

The inflow from investments relate to the sale of investment assets, particularly the inflows from IHI relating to the sale of the Marina Hotel in FY2012 and the sale of rights relating to the Palm Waterfront to PWL in 2013. Similarly in FY2014, IHI repaid loans amounting to €10.7 million to CPHCL, which in the main related to the balance due on the transfer of the Marina Hotel.

In addition to the above, during FY2014, the company received a dividend of €12.2 million from IHI, boosting the net inflows from investing activities to €23.1 million in FY2014 (FY2013: €9.9 million; FY2012: €19.5 million – both net inflows).

In terms of financing activities, CPHCL repaid a total of €14.9 million of bank loans throughout the period from FY2012 to FY2014, which were partly replaced by a total of €9.6 million of additional borrowings - €5 million of which from banks. Furthermore, trade creditors increased in FY2012 by €8.7 million but reduced by €1.5 million during FY2013, increasing again in FY2014 by €2.3 million.

13.4 PROJECTIONS

13.4.1 ASSUMPTIONS

The projections have been prepared by management and have been based on the following principal assumptions as at the date provided in the due diligence report:

- The Company assumes that the economic and political situation in Libya will start to stabilise in FY2016, with further recovery in FY2017.
- A gradual increase in occupancy levels at Corinthia Palace Hotel that will improve revenue figures for CPHCL, albeit room rates for the hotel are expected to register a marginal drop in FY2015 and increase at 3% above inflationary rates in FY2016.
- A number of non-core asset sales are concluded in both FY2015 and FY2016.
- The bases on which the commercial banks set their interest rates will not change materially throughout the forecast period.
- The bases and rates of taxation in jurisdictions in which the Group operates in, both directly or through its subsidiary and associate companies, will not change materially.
- There will be no significant fluctuations in exchange rates during the period under consideration.
- The rate of inflation is assumed to be a constant 2% during the period under review.

CPHCL's key cashflow movements at company level are summarised below.

	Actual FY2012	Actual FY2013	Actual FY2014	Projected FY2015	Projected FY2016
Operational Net Inflows (Outflows)	(4,658,000)	(4,423,000)	(5,002,000)	(3,919,000)	(5,229,649)
Dividend Income	503,000	449,000	6,995,000	3,944,000	500,000
Corporation Tax	(788,000)	(483,000)	-	-	(725,000)
Support to Group Companies	(1,080,000)	(1,321,000)	(1,366,000)	1,764,000	800,000
New Investments	(4,844,000)	(2,575,000)	(1,593,000)	(1,222,000)	(575,000)
Total Debt Service	(5,376,000)	(7,606,000)	(13,953,000)	(6,664,193)	(3,007,569)
Dividend Payments	(1,133,000)	(154,000)	(566,000)	(1,018,000)	(2,000,000)
Disposal of Non-Core Assets	18,800,000	9,856,000	16,898,000	11,000,000	14,000,000
Net Cash Flow for the Year	**(1,424,000)**	**(6,257,000)**	**1,413,000**	**3,884,807**	**3,762,782**
Opening Balance	(4,793,000)	(3,369,000)	(9,266,000)	(8,213,000)	(4,328,193)
Closing Balance	**(3,369,000)**	**(9,626,000)**	**(8,213,000)**	**(4,328,193)**	**(545,411)**

The projected cashflow movements have been extracted from the due diligence report prepared by the Guarantor's auditors as required by the MFSA Listing Policies. Actual cashflow movements have been provided by management.

The main inflows during the projected period disclosed are expected to be generated from non-core asset disposals in line with the Guarantor's present objectives. Furthermore, dividend income is expected principally from the Guarantor's investments in IHI. Going forward the sale of non-core assets is expected to continue while the Guarantor expects to increase its dividend inflows from its principal investments accelerating in the medium term. Operating costs and debt servicing requirements comprise the main ongoing cash outflows at Guarantor level.

PART 3

14. RELATED PARTY LISTED SECURITIES

CPHCL is the parent company of three locally-listed public companies – MIH plc (the Issuer), IHI plc and Corinthia Finance plc. Below is a list of outstanding debts listed on the local capital market:

	EUR Equivalent	
Mediterranean Investments Holding plc		
MT0000371220	19,649,600	7.5% MIH plc 2015 (being replaced by €20 million 5.5% 2020)
MT0000371238	28,519,400	7.15% MIH plc 2015-2017 (EUR)
MT0000371246	6,080,000	7.15% MIH plc 2015-2017 (GBP4,351,100) *
MT0000371253	6,420,000	7.15% MIH plc 2015-2017 (USD7,120,300) *
MT0000371261	12,000,000	6% MIH plc 2021
	72,669,000	

** The EUR equivalent of the GBP and USD bonds are approximate rounded values*

Corinthia Finance plc		
MT00000101239	39,927,600	6.25% Corinthia Finance plc 2016-2019
MT00000101254	7,500,000	6% Corinthia Finance plc 2019-2022
	47,427,600	

International Hotel Investments plc		
MT0000111253	6,314,000	6.25% International Hotel Investments plc 2015 - 2019*
MT0000111261	24,831,700	6.25% International Hotel Investments plc 2017 - 2020
MT0000111279	20,000,000	5.8% International Hotel Investments plc 2021
MT0000111287	10,000,000	5.8% International Hotel Investments plc 2023
MT0000111295	45,000,000	5.75% International Hotel Investments plc 2025
	106,147,700	

* Being redeemed on 10 July 2015

Total outstanding debt listed on the local capital market currently amounts to *circa* €226.2 million.

15. COMPARISON TO OTHER ISSUERS

The table below compares the Issuer and its proposed bond issue to other listed debt on the local market having broadly similar maturities. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations vary significantly from those of the Issuer and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

Bond Details	Outstanding Amount €	Total Assets €	Equity €	Gearing Ratio [1]	EBITDA €	Interest Cover	YTM [2]
7% GRAND HARBOUR MARINA PLC 2017/20	10,969,400	16,561,952	2,776,563	80%	1,079,905	1.39	4.04%
6.8% PREMIER CAPITAL PLC 2017/20	24,641,000	69,978,141	17,009,454	68%	9,754,975	4.18	4.43%
6.25% INT. HOTEL INVESTMENTS PLC 2017/20	24,831,700	1,012,040,000	594,814,000	33%	28,850,000	2.21	4.82%
5.5% PENDERGARDENS DEV. PLC 31.05.2020	15,000,000	61,791,163	10,458,506	81%	(524,400)	(n/a)	2.80%
6.6% EDEN FINANCE PLC 2017/20	13,984,000	103,749,277	44,217,571	48%	6,172,412	2.98	4.70%
6.2% TUMAS INVESTMENTS PLC 2017/20	25,000,000	144,219,142	50,007,762	56%	15,445,257	3.95	3.95%
6.0% SIMONDS FARSONS CISK PLC 2017/20	15,000,000	148,758,000	100,235,000	20%	15,887,000	10.79	4.05%
4.9% GASAN FINANCE CO. PLC 2019/21	25,000,000	187,812,490	83,931,090	38%	5,758,278	2.78	3.83%
5.5% MED. INV. HOLDING PLC 2020	**20,000,000**	**290,812,770**	**138,047,674**	**43%**	**21,918,000**	**2.44**	**5.50%**

[1] *Gearing Ratio: Total Debt / (Total Debt + Equity)*

[2] *as at 16 June 2015*

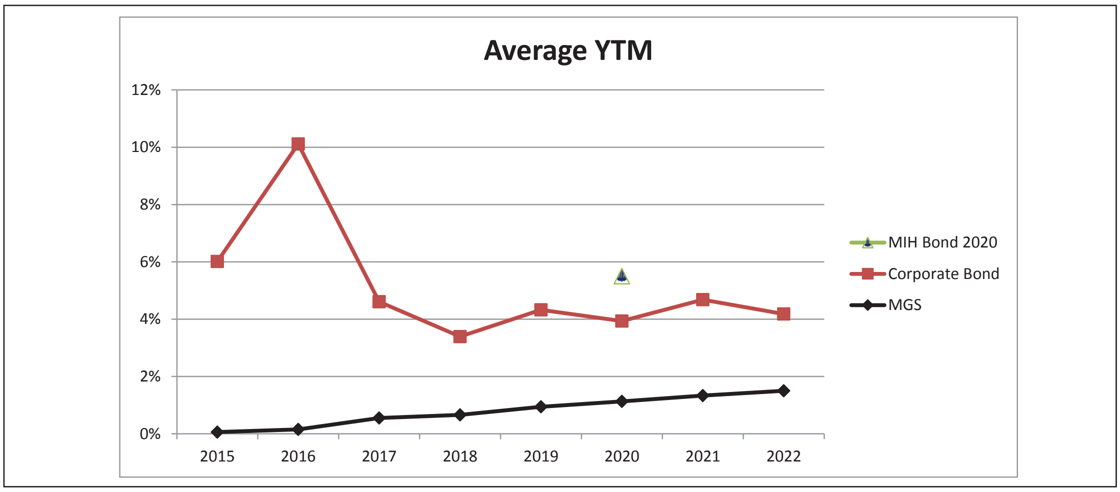
The figures above have been extracted from the latest respective audited financial statements of each issuer, with the exception of the following finance companies:

- *Tumas Investments plc – the figures presented are of the guarantor – Spinola Development Company Limited*
- *Eden Finance plc – the figures presented are of the guarantor – Eden Leisure Group Limited*
- *Gasan Finance Co plc – the figures presented are those of Gasan Group Limited.*

Gearing, interest cover and YTM have been compiled by Rizzo, Farrugia & Co. (Stockbrokers) Ltd.

Both in terms of gearing and interest cover, the Issuer ranks positively compared to this set as at the respective most recent audited financial statements date.

The chart below shows the yield to maturity of the new 5.5% MIH Bond 2020 compared to the average yield to maturity of other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 16 June 2015.



At a coupon of 5.5%, the MIH Bond 2020 is priced at a premium of just over 430 basis points over MGS maturing in 2020.

NB: All data above has been sourced on 16 June 2015.

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YOUR INVESTMENT CONSULTANTS

GLOSSARY

INCOME STATEMENT EXPLANATORY DEFINITIONS

Revenue	Total revenue generated by the company from its business activity during the financial year.
Cost of Sales	The costs incurred in direct relation to the operations of the Issuer or Guarantor.
Gross Profit	The difference between Revenue and Cost of Sales.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

CASH FLOW STATEMENT EXPLANATORY DEFINITIONS

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

BALANCE SHEET STATEMENT EXPLANATORY DEFINITIONS

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings and any reserves.