

Mediterranean Investments Holding  
p.l.c.

Report & Consolidated Financial  
Statements

31 December 2015

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## **Directors' report**

The directors present their report together with the audited financial statements of Mediterranean Investments Holding p.l.c. (the company) and the consolidated financial statements of the group for the year ended 31 December 2015. The group comprises the company, its two subsidiaries, Palm City Ltd and Palm Waterfront Ltd, and its associate, Medina Tower Joint Stock Company for Real Estate Investment and Development.

### **Principal activities**

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

### **Review of the business**

A number of factors, not least the continued political instability in Libya throughout 2015 as well as the fall in the price of oil, instigated foreign companies operating in Libya to reduce further their presence in the country. The reduction of foreign personnel in Libya had a significant impact on the financial performance of Palm City Residences, owned by Palm City Ltd – currently the group's only operational subsidiary and source of revenue. Notwithstanding these setbacks, management's efforts in aggressively pursuing all possible leasing opportunities supported by the strict control of operational costs, has yielded enough revenue to register a year-end profit. This is a remarkable result especially when one considers the fact that 2015 marked the first full year of operations for Palm City under the current political crisis.

Although there was a certain amount of optimism prevailing at the beginning of 2015, this was severely dampened by the events that unfolded in Tripoli at the end of January. This prompted further evacuation of tenants as well as personnel from Palm City Residences administrative staff in order to safeguard their well-being. While the occupancy for 2015 closed at only 15 %, Palm City Residences still managed to generate over €11 million in revenue. Despite the strenuous circumstances under which Palm City Residences operated throughout the whole of 2015 and the sharp drop in revenue relative to the year before, it is pertinent to point out that the conversion of revenue to EBIDTA was maintained at a fairly strong percentage of 66%.

By any measure the financial performance of Palm City Residences for 2015 is encouraging especially when one considers the drop in occupancy levels as well as the spiralling inflation which is making the control of operational costs – especially when it comes to materials, increasingly difficult.

MIH recognizes that in order to maintain the existing revenue streams, as well as in preparation for returning tenants in future, it is imperative that Palm City Residences continues to operate uninterrupted despite the huge challenges being faced. In order to safeguard the well-being of its personnel as well as that of its tenants, Palm City continues to implement a number of security and contingency plans which include, but are not limited to, infrastructural improvements and security breach counter-measures. These initiatives, designed to improve the overall security of the village as well as its tenants, will also serve the group in good stead going forward.

In 2015 MIH successfully issued another bond for an amount of €20,000,000 redeemable in 2020 at a coupon of 5.5% per annum, the proceeds of which were used to finance the redemption of the outstanding €20 million bond that matured on 4 August, 2015. A second issue of € 11,000,000 unsecured notes was made later in the

year principally to repay existing bank loans at Palm City Ltd. In the process the remaining balance of bank debt was refinanced over a longer term, thus reducing significantly the annual capital repayments.

No further investment has taken place in Medina Tower. The board of directors of Medina Tower Joint Stock Company, in which MIH owns 25% continues to meet regularly to analyse the situation on the ground and decide on a way forward at the appropriate point in time.

## **Results**

IAS 40, requires that the value of the group's properties as at the reporting date be tested for impairment. In view of the unstable situation in Libya, such a test would necessarily need to take into account a number of alternative scenarios. Although it is evident that the value of the properties of the group have been impaired over the years, the extremely fluid and volatile situation in the country does not allow a reliable quantification of the anticipated decrease.

Nonetheless, the directors have run a number of tests to establish what the impairment on the properties could be when taking into account a number of different scenarios that could be a possible outcome on the future of the country. In consideration of the various scenarios considered in the current political climate the directors have opted to keep the value of the investment properties unchanged in this reporting period given that a very significant impairment was already recognised in the previous financial year.

The operating performance for the year resulted in a loss after tax of € 382,686.

The loss after tax for the year of the group is also net of a fair value gain on interest rate swap amounting to €244,520 which was credited to the income statement in terms of the provisions of IAS 39. The fair value liability as per the statement of financial position, amounting to €413,986, will continue to unwind and will be credited to the income statement of the group in subsequent years as it is the Company's intention to hold on to this financial instrument to maturity.

The group's assets stand at €284 million as at 31 December 2015, down from €291 million as at the corresponding date in the previous year. This reduction mainly reflects the decrease in cash and cash equivalents.

## **Directors**

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

Mr Alfred Pisani (Chairman)  
Mr Samuel Dean Sidiqi (Vice Chairman)  
Mr Joseph Fenech  
Mr Faisal J S Alessa  
Ms Khadija Oubala  
Mr. Mario P. Galea  
Mr Joseph M. Pisani (appointed on 12 June 2015)  
Mr Yousef A. Abdelmaula (resigned on 12 June 2015)

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

## **Disclosure of information to the auditor**

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

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

### **Statement of directors' responsibilities**

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the profit or loss of the group and the company for that year. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the group and the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditor**

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

By order of the board

**Alfred Pisani**  
Chairman

**Samuel Dean Sidiqi**  
Vice Chairman

Registered office:  
22, Europa Centre,  
Floriana FRN 1400,  
Malta

11 April 2016

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

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

Signed on behalf of the board of directors on 11 April 2016 by:



**Alfred Pisani**  
Chairman



**Samuel Dean Sidiqi**  
Vice Chairman

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

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

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

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

### **A. COMPLIANCE WITH THE CODE**

#### **Principles 1 and 4: The board**

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

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

#### **Principle 2: Chairman and Chief Executive**

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

#### **Principle 3: Composition of the board**

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

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

The board is made up as follows:

<i>Executive directors</i>	<i>Date of first appointment</i>
Mr Alfred Pisani – Chairman	12 December 2005
Mr Joseph Fenech – Executive Director	25 August 2006
<i>Non-executive directors</i>	<i>Date of first appointment</i>
Mr Yousef A. Abdelmaula	14 January 2008 ( <i>resigned 12 June 2015</i> )
Mr Faisal J S Alessa	24 June 2009
Mr Samuel Dean Sidiqi – Vice Chairman	6 July 2012
Ms Khadija Oubala	1 January 2013
Mr Mario P. Galea	15 January 2014
Mr Joseph M. Pisani	12 June 2015
<i>Company secretary</i>	<i>Date of first appointment</i>
Mr Stephen Bajada	18 April 2012

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

#### **Principle 5: Board meetings**

During the year under review the board of directors met three times to discuss the operations and strategy of the company.

#### **Principle 6: Information and professional development**

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

#### **Principle 8: Committees**

##### **Audit committee**

The audit committee's primary objective is to assist the board in fulfilling its supervisory responsibilities over the financial reporting processes, financial policies and internal control structure. The committee is made up of a majority of non-executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audit and acts to facilitate communication between the board, management and, upon the direct request of the audit committee, the internal audit team and the external auditors.

During the year under review, the committee met three times. The internal and external auditors were invited to attend these meetings.

During the year under review, Mr Mario P. Galea served as Chairman. Mr Joseph Fenech and Ms Khadija Oubala served as members whilst Mr Stephen Bajada acted as secretary to the committee.



The board of directors, in terms of Listing Rule 5.118, has indicated Mr Mario P. Galea as the independent non-executive member of the audit committee who is considered to be competent in accounting and/or auditing in view of his considerable experience at a senior level in the audit and advisory field.

The audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the company (as well as of its subsidiary) for the purpose of advising management and the board, through the audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation. During 2015, the internal audit function continued to advise the audit committee on aspects of the regulatory framework which affect the day-to-day operations of Palm City Residences.

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

**Principle 12: Corporate social responsibility**

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

**B. NON-COMPLIANCE WITH THE CODE**

**Principle 7: Evaluation of the board's performance**

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

**Principle 9: Relations with shareholders and with the market**

**Principle 10: Institutional shareholders**

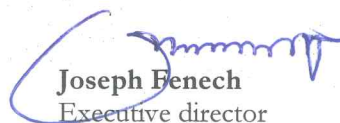
**Principle 11: Conflicts of interest**

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

Approved by the board of directors on 11 April 2016 and signed on its behalf by:



**Mario P. Galea**  
Director and Chairman of audit committee



**Joseph Fenech**  
Executive director

## Other disclosures in terms of listing rules

### Statement by the directors pursuant to Listing Rule 5.70.1

#### Contracts of significance

##### *Loan agreements with Palm City Ltd*

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

##### *Loan agreement with Palm Waterfront Ltd*

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

##### *Loan agreements with shareholders*

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

##### *Build – Operate – Transfer agreements*

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

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

### Pursuant to Listing Rule 5.70.2

#### Company secretary and registered office

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

Signed on behalf of the board of directors on 11 April 2016 by:

**Alfred Pisani**  
Chairman

**Samuel Dean Sidiqi**  
Vice Chairman

## Remuneration statement

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

### Remuneration of senior executives

The total remuneration of the senior executives of the company and its subsidiaries for the year ended 31 December 2015 amounted to € 192,758.

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

Signed on behalf of the board of directors on 11 April 2016 by:



**Alfred Pisani**  
Chairman



**Samuel Dean Sidiqi**  
Vice Chairman

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

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

Our responsibility, as the auditor of the company, is laid down by Listing Rule 5.98, which requires us to include a report on this statement of compliance.

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

We are not required to, and we do not, consider whether the board's statements on internal control included in the statement of compliance covers all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures, nor on the ability of the company to continue in operational existence.

In our opinion, the accompanying statement of compliance provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority.



Austin Demajo (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

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

11 April 2016


## Statements of total comprehensive income


	Notes	Group		Company	
		2015	2014	2015	2014
		€	€	€	€
Revenue	6	11,339,970	30,090,649	243,200	5,609,087
Operating expenses		(2,609,829)	(5,137,751)	-	-
<b>Gross profit</b>		<b>8,730,141</b>	<b>24,952,898</b>	<b>243,200</b>	<b>5,609,087</b>
Other income	8	930,794	29,671	-	317
Administrative expenses		(3,000,745)	(2,898,190)	(1,246,824)	(834,877)
Marketing expenses		(179,512)	(327,257)	(195,325)	(291,197)
<b>Operating profit (loss)</b>		<b>6,480,678</b>	<b>21,757,122</b>	<b>(1,198,949)</b>	<b>4,483,330</b>
Finance income	9	279,342	97,188	136,685	204,896
Finance costs	9	(7,848,824)	(9,064,555)	(6,200,838)	(6,917,211)
Fair value gain on interest rate swap		244,520	84,752	-	-
Share of profit of equity accounted investment		-	4,644	-	-
Loss on fair value of investment property		-	(60,866,651)	-	-
<b>Loss before tax</b>	10	<b>(844,284)</b>	<b>(47,987,500)</b>	<b>(7,263,102)</b>	<b>(2,228,985)</b>
Tax (expense) income					
- Current tax	11	(237,227)	(1,391,249)	-	(1,564,050)
- Deferred tax on loss on fair value of investment property	11	-	20,750,691	-	-
- Deferred tax – other	11	698,825	536,201	698,825	536,201
<b>Loss for the year</b>		<b>(382,686)</b>	<b>(28,091,857)</b>	<b>(6,564,277)</b>	<b>(3,256,834)</b>
<b>Other comprehensive income:</b>					
<b>Items that will be reclassified subsequently to profit or loss</b>					
Available-for-sale financial assets					
- current year gains (losses)		-	-	7,566,393	(24,657,420)
Difference on exchange		1,278,673	-	-	-
Income tax relating to components of other comprehensive income	27	(447,536)	-	(2,647,538)	8,629,397
Other comprehensive income (loss) for the year, net of tax		831,137	-	4,918,855	(16,028,023)
<b>Total comprehensive income (loss) for the year</b>		<b>448,451</b>	<b>(28,091,857)</b>	<b>(1,645,422)</b>	<b>(19,284,857)</b>
<b>Earnings (loss) per share (basic and diluted)</b>	12	<b>0.01</b>	<b>(0.59)</b>	<b>(0.14)</b>	<b>(0.07)</b>

## Statements of financial position

	Notes	Group		Company	
		2015	2014	2015	2014
		€	€	€	€
<b>Assets</b>					
<b>Non-current</b>					
Intangible assets	13	2,258	2,258	-	-
Property, plant and equipment	14	8,648,865	8,750,836	1,807	527
Investment property	15	250,042,780	250,000,000	-	-
Investment accounted for using the equity method	16	14,313,815	12,700,810	-	-
Investment in subsidiaries and associate	17	-	-	224,972,458	210,500,484
Lease prepayment	19	414,924	422,537	-	-
		<b>273,422,642</b>	<b>271,876,441</b>	<b>224,974,265</b>	<b>210,501,011</b>
<b>Current</b>					
Inventories	20	446,451	647,282	-	-
Trade and other receivables	21	4,174,839	7,392,121	2,399,840	2,825,722
Cash and cash equivalents	22	5,460,129	10,285,857	985,496	880,441
Taxation recoverable		312,135	611,069	312,135	611,069
		<b>10,393,554</b>	<b>18,936,329</b>	<b>3,697,471</b>	<b>4,317,232</b>
<b>Total assets</b>		<b>283,816,196</b>	<b>290,812,770</b>	<b>228,671,736</b>	<b>214,818,243</b>
<b>Equity</b>					
Share capital	23	48,002,000	48,002,000	48,002,000	48,002,000
Other components of equity		831,137	-	75,958,910	71,040,055
Retained earnings (accumulated losses)		89,662,988	90,045,674	(25,704,393)	(19,140,116)
<b>Total equity</b>		<b>138,496,125</b>	<b>138,047,674</b>	<b>98,256,517</b>	<b>99,901,939</b>
<b>Liabilities</b>					
<b>Non-current</b>					
Bank borrowings	24	13,432,641	23,566,577	-	-
Bonds	25	83,010,915	49,915,272	83,542,025	51,622,980
Shareholders' loan	26	2,655,355	2,655,355	2,655,355	2,655,355
Deferred tax liability	27	29,217,888	29,469,177	39,561,483	37,612,770
Derivative financial instrument	28	413,986	658,506	-	-
		<b>128,730,785</b>	<b>106,264,887</b>	<b>125,758,863</b>	<b>91,891,105</b>
<b>Current</b>					
Bank borrowings	24	3,212,073	9,917,073	2,929	3,364
Bonds	25	-	19,649,600	-	19,649,600
Trade and other payables	29	11,487,677	15,044,000	4,653,427	3,372,235
Current taxation		1,889,536	1,889,536	-	-
		<b>16,589,286</b>	<b>46,500,209</b>	<b>4,656,356</b>	<b>23,025,199</b>
<b>Total liabilities</b>		<b>145,320,071</b>	<b>152,765,096</b>	<b>130,415,219</b>	<b>114,916,304</b>
<b>Total equity and liabilities</b>		<b>283,816,196</b>	<b>290,812,770</b>	<b>228,671,736</b>	<b>214,818,243</b>

The financial statements on pages 12 to 50 were approved by the board of directors, authorised for issue on 11 April 2016 and signed on its behalf by:

  
Alfred Pisani  
Chairman

  
Samuel Dean Sidiqi  
Vice Chairman

## Statements of changes in equity

### Group

	Share capital €	Other components of equity €	Retained earnings €	Total equity €
Balance at 1 January 2014	48,002,000	-	118,137,531	166,139,531
Loss for the year	-	-	(28,091,857)	(28,091,857)
Total comprehensive loss for the year	-	-	(28,091,857)	(28,091,857)
<b>Balance at 31 December 2014</b>	<b>48,002,000</b>	<b>-</b>	<b>90,045,674</b>	<b>138,047,674</b>
Balance at 1 January 2015	48,002,000	-	90,045,674	138,047,674
Loss for the year	-	-	(382,686)	(382,686)
Other comprehensive income	-	831,137	-	831,137
Total comprehensive income (loss) for the year	-	831,137	(382,686)	448,451
<b>Balance at 31 December 2015</b>	<b>48,002,000</b>	<b>831,137</b>	<b>89,662,988</b>	<b>138,496,125</b>

### Company

	Share capital €	Other components of equity €	Accumulated losses €	Total equity €
Balance at 1 January 2014	48,002,000	87,068,078	(15,883,282)	119,186,796
Loss for the year	-	-	(3,256,834)	(3,256,834)
Other comprehensive loss	-	(16,028,023)	-	(16,028,023)
Total comprehensive loss for the year	-	(16,028,023)	(3,256,834)	(19,284,857)
<b>Balance at 31 December 2014</b>	<b>48,002,000</b>	<b>71,040,055</b>	<b>(19,140,116)</b>	<b>99,901,939</b>
Balance at 1 January 2015	48,002,000	71,040,055	(19,140,116)	99,901,939
Loss for the year	-	-	(6,564,277)	(6,564,277)
Other comprehensive income	-	4,918,855	-	4,918,855
Total comprehensive income (loss) for the year	-	4,918,855	(6,564,277)	(1,645,422)
<b>Balance at 31 December 2015</b>	<b>48,002,000</b>	<b>75,958,910</b>	<b>(25,704,393)</b>	<b>98,256,517</b>

## Statements of cash flows

	Notes	Group		Company	
		2015 €	2014 €	2015 €	2014 €
<b>Operating activities</b>					
Loss before tax		(844,284)	(47,987,500)	(7,263,102)	(2,228,985)
Adjustments	30	7,754,048	69,952,921	5,931,861	1,183,255
Net changes in working capital	30	(1,684,609)	(691,885)	1,516,472	1,758,065
Tax paid		(237,227)	(512,211)	-	-
Tax refund		298,934	-	298,934	-
<b>Net cash from operating activities</b>		<b>5,286,686</b>	<b>20,761,325</b>	<b>484,165</b>	<b>712,335</b>
<b>Investing activities</b>					
Payments to acquire property, plant and equipment		(40,585)	(360,731)	(1,756)	-
Payments to acquire investment property		(42,780)	(191,071)	-	-
Payments to acquire long term financial assets		-	(575,000)	-	-
Proceeds from disposal of financial assets		-	604,354	-	-
Payments to capital creditors		(253,231)	(1,798)	-	-
Loan to subsidiary company		-	-	-	-
Interest received		119,656	87,556	303	1,856
<b>Net cash (used in) from investing activities</b>		<b>(216,940)</b>	<b>(436,690)</b>	<b>(1,453)</b>	<b>1,856</b>
<b>Financing activities</b>					
Repayment of bank loan		(16,855,831)	(7,766,000)	-	-
Repayment of loan to subsidiary		-	-	(6,434,867)	8,139,946
Repayment of shareholders' loan		-	(535,013)	-	(535,013)
Proceeds from issue (repayment) of bonds		13,326,424	(4,691,984)	11,331,732	(2,984,276)
Interest paid		(6,383,138)	(7,354,523)	(5,274,087)	(5,647,381)
<b>Net cash used in financing activities</b>		<b>(9,912,545)</b>	<b>(20,347,520)</b>	<b>(377,222)</b>	<b>(1,026,724)</b>
Net change in cash and cash equivalents		(4,842,623)	(22,885)	105,490	(312,533)
Cash and cash equivalents, beginning of year		10,277,208	10,289,455	877,077	1,178,972
<b>Cash and cash equivalents, at end of year before the effect of foreign exchange rate changes</b>		<b>5,434,585</b>	<b>10,266,570</b>	<b>982,567</b>	<b>866,439</b>
Effect of foreign exchange rate changes		-	10,638	-	10,638
<b>Cash and cash equivalents, end of year</b>	22	<b>5,434,585</b>	<b>10,277,208</b>	<b>982,567</b>	<b>877,077</b>



## Notes to the financial statements

### **1 Nature of operations**

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

The company's principal activity is to act as a holding company and its revenue is derived from management fees and dividends.

### **2 General information and statement of compliance with IFRSs**

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

The financial statements of the group and the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Companies Act, Cap 386.

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

### **3 Going concern**

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

At the reporting date the group and the company had a working capital deficiency of 6.2 million (2014: € 27.6 million) and €0.96 million (2014: € 18.7 million) respectively. The directors have taken and are still taking various measures to ensure that the group will continue to have adequate levels of cash to sustain its operations and investments.

On the basis of their assessment of the financial position of the group and the company, the directors anticipate that these will continue to operate within the banking limits currently agreed.

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

#### **4 Change in accounting policies**

##### **4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2015**

Certain amendments to IFRSs that become mandatorily effective in 2015 have no material impact on the company's and group's results or position. Accordingly, the company and the group have made no changes to their accounting policies in 2015.

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

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

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

##### **IFRS 9 'Financial Instruments' (2015)**

The IASB recently released IFRS 9 'Financial Instruments' (2015), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The group and the company's management have yet to assess the impact of IFRS 9 on these separate and consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018 but has not yet been endorsed by the European Union.

##### **IFRS 15 'Revenue from Contracts with Customers'**

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

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

##### **IFRS 16 'Leases'**

The IASB has published IFRS 16 'Leases' completing its long-running project on lease accounting.

The new standard, which is effective for accounting periods beginning on or after 1 January 2019, requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. IFRS 16 also changes the definition of a lease and introduces new disclosure requirements.

The company and group's management has yet to assess the impact of IFRS 16 on these financial statements. Early application is permitted for entities that apply IFRS 15 'Revenue from Contracts with Customers' at or before the date of initial application of this standard.

## **5 Summary of accounting policies**

### **5.1 Overall considerations**

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

### **5.2 Presentation of financial statements**

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

### **5.3 Basis of consolidation**

The group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2015. Subsidiaries are all entities over which the group has power to control the financial and operating policies. MIH p.l.c. obtains and exercises control through voting rights. All subsidiaries have a reporting date of 31 December.

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

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

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

The consolidated financial statements have been prepared from the financial statements of the following companies comprising the group.

<b>Company</b>	<b>Nature of business</b>	<b>% ownership</b>
Mediterranean Investments Holding p.l.c.	Holding company	
Palm City Ltd	Owns, operates and rents a residential compound	100%
Palm City Waterfront Ltd	Invest, develop and operate real estate projects	99.9%

### **5.4 Revenue**

Revenue is derived from leasing out the investment property owned by the subsidiary, and the sales generated by food and beverage outlets within the Palm City residential complex.

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

### **Interest and dividends**

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

### **5.5 Investments in associates**

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

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

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

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

### **5.6 Foreign currency translation**

#### **Functional and presentation currency**

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

#### **Foreign currency transactions and balances**

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

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

### **5.7 Operating expenses**

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

### **5.8 Borrowing costs**

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

### **5.9 Employee benefits**

Contributions towards the state pension in accordance with local legislation are recognised in profit or loss when they are due.

### **5.10 Intangible assets**

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

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within 'other income' or 'administrative expenses'.

### **5.11 Property, plant and equipment**

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

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

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

Assets in the course of construction are not depreciated.

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

### **5.12 Investment property**

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

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

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

Rental income and operating expenses from investment property are reported within 'revenue' and 'operating expenses', and are recognised as described in notes 5.4 and 5.7 respectively.

### **5.13 Leased assets**

#### **Operating leases**

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

#### **5.14 Impairment testing of tangible and intangible assets**

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

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

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

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

#### **5.15 Investment in subsidiaries**

Investment in subsidiaries is included in the company's financial statements at fair value (refer to note 5.16).

#### **5.16 Financial instruments**

##### **Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the group and company become a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### **Classification and subsequent measurement of financial assets**

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

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

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

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

*Loans and receivables*

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

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

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

*Available-for-sale financial assets*

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

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

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

**Classification and subsequent measurement of financial liabilities**

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

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit and loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income' except for changes in fair value of derivative financial instrument which are disclosed separately, for presentation purposes, in the statement of total comprehensive income.

### **5.17 Inventories**

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

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

### **5.18 Income taxes**

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

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

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

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

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

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

### **5.19 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, net of bank balance overdrawn. In the statement of financial position the bank balance overdrawn is included within bank borrowings in current liabilities.

### **5.20 Equity, reserves and dividend payments**

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

Other components of equity include movements in fair value of available-for-sale financial assets.

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

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

### **5.21 Provisions, contingent liabilities and contingent assets**

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the group and company and amounts can be estimated reliably. Timing or amount



of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

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

Any reimbursement that the company and group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

## **5.22 Significant management judgement in applying accounting policies and estimation uncertainty**

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

### **Significant management judgement**

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

#### **Recognition of deferred tax assets**

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

#### **Estimation uncertainty**

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

#### **Income taxes**

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

#### **Impairment of trade and other receivables**

The company and the group make an allowance for doubtful debtors based on an assessment of the recoverability of receivables. Allowances are applied to receivables on a case by case basis where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debtors. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

**Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the group and company. The carrying amounts are analysed in note 14. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

**Inventories**

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

**Fair value of financial instruments**

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

**Fair value of investment property**

At each reporting date, investment properties are revalued by an independent valuer or by the directors based either on management's estimates of expected future cash flows or market values. The group has not recognised any fair value adjustments to the investment property (2014: €60.9 million). When based on management's estimates of expected future cash flows the value of each property is determined by applying a suitable discount rate. If the discount rate is increased or decreased by 1%, the fair value of investment property would decrease and increase by € 18 million and € 22 million respectively (2014: € 24 million).

**6 Revenue**

	Group		Company	
	2015 €	2014 €	2015 €	2014 €
Dividend receivable from subsidiary	-	-	-	5,376,181
Income from management fees	69,556	67,531	243,200	232,906
Income from residential leases	9,621,906	27,493,463	-	-
Income from commercial leases	251,719	584,802	-	-
Increase from food and beverage operations	40,542	314,228	-	-
Administration fees	874,209	343,667	-	-
Water, electricity, internet and telephone recharges	267,480	1,046,663	-	-
Miscellaneous income	214,558	240,295	-	-
	<b>11,339,970</b>	<b>30,090,649</b>	<b>243,200</b>	<b>5,609,087</b>

## 7 Staff costs

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Wages and salaries	1,542,218	2,672,858	58,718	70,512
Social security costs	132,508	161,907	1,799	2,143
	<b>1,674,726</b>	<b>2,834,765</b>	<b>60,517</b>	<b>72,655</b>

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

	2015	2014
	No.	No.
Operating	60	106
Administrative	16	18
	<b>76</b>	<b>124</b>

During the year under review the company employed an average of one person in the administrative category (2014: 1).

## 8 Other income

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Gain on repayment of loan	923,084	-	-	-
Gain on disposal of financial assets	7,710	29,354	-	-
Write off of old balance	-	317	-	317
	<b>930,794</b>	<b>29,671</b>	<b>-</b>	<b>317</b>

## 9 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Interest receivable on short term deposits	50,959	76,684	303	1,856
Interest receivable on financial assets	68,697	10,872	-	-
Interest charged on loan to parent company	-	9,632	-	9,632
Interest charged on loan to subsidiary company	-	-	136,382	193,408
Difference on exchange	159,686	-	-	-
<b>Finance income</b>	<b>279,342</b>	<b>97,188</b>	<b>136,685</b>	<b>204,896</b>
Interest on bonds	5,130,358	5,356,323	5,130,358	5,402,836
Interest charged on loan from shareholders	132,768	153,356	132,768	153,356
Bank interest	1,365,428	1,590,810	-	-
Difference on exchange	834,765	1,609,853	818,093	1,249,754
Amortisation of borrowing costs	265,886	242,948	-	-
Amortisation of bond issue costs	119,619	111,265	119,619	111,265
<b>Finance costs</b>	<b>7,848,824</b>	<b>9,064,555</b>	<b>6,200,838</b>	<b>6,917,211</b>

## 10 Loss before tax

The loss before tax is stated after charging:

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Depreciation of property, plant and equipment	142,556	190,922	476	478
Operating lease charge	7,613	7,613	-	-
Auditor's fees				
- Annual statutory audit	25,175	29,850	9,000	9,000

## 11 Tax income (expense)

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

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Loss before tax	(844,284)	(47,987,500)	(7,263,102)	(2,228,985)
Tax rate	18.75%	18.75%	35%	35%
<b>Expected tax income</b>	<b>158,303</b>	<b>8,997,656</b>	<b>2,542,086</b>	<b>780,145</b>
Adjustment for non-deductible expenses	(1,977,920)	(108,612)	(1,843,261)	(48,582)
Adjustment for income not subject to tax	259,064	-	-	-
Adjustment for tax rate differences	966,043	45,937	-	40,979
Other temporary differences	-	10,960,662	-	(1,800,391)
Deferred tax asset not accounted for	1,056,108	-	-	-
<b>Actual tax income (expense), net</b>	<b>461,598</b>	<b>19,895,643</b>	<b>698,825</b>	<b>(1,027,849)</b>
Comprising:				
Current tax	(237,227)	(1,391,249)	-	(1,564,050)
Deferred tax on loss on fair value of investment property	-	20,750,691	-	-
Deferred tax on unabsorbed capital allowances and unused tax losses	698,825	536,201	698,825	536,201
<b>Tax income (expense)</b>	<b>461,598</b>	<b>19,895,643</b>	<b>698,825</b>	<b>(1,027,849)</b>
Deferred tax income (expense), recognised directly in other comprehensive income	(447,536)	-	(2,647,538)	8,629,397

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

## 12 (Loss) earnings per share

The calculation of (loss) earnings per share is based on the net (loss) profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares (2015 and 2014: 48,002,000) outstanding during the year. There was no dilution of share capital during the reporting periods presented.

**13 Intangible asset**

**Trademarks**

<b>Group</b>	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
<b>Carrying amount</b>		
At 1 January and 31 December	<u>2,258</u>	<u>2,258</u>

**14 Property, plant and equipment**

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

Group	Asset in the course of construction €	Computer equipment €	Computer software €	Motor vehicles €	Office furniture and equipment €	Tools €	Machinery and equipment €	Total €
<b>Gross carrying amount</b>								
At 1 January 2014	8,114,562	212,181	164,558	131,353	471,040	114,712	482,907	9,691,313
Additions	192,435	7,874	38,001	-	25,141	3,996	93,284	360,731
At 31 December 2014	8,306,997	220,055	202,559	131,353	496,181	118,708	576,191	10,052,044
<b>Depreciation</b>								
At 1 January 2014	-	159,589	20,471	131,353	314,956	83,281	400,636	1,110,286
Depreciation for the year	-	26,452	37,105	-	67,378	18,895	41,092	190,922
At 31 December 2014	-	186,041	57,576	131,353	382,334	102,176	441,728	1,301,208
<b>Carrying amount at 31 December 2014</b>	<b>8,306,997</b>	<b>34,014</b>	<b>144,983</b>	<b>-</b>	<b>113,847</b>	<b>16,532</b>	<b>134,463</b>	<b>8,750,836</b>
<b>Gross carrying amount</b>								
At 1 January 2015	8,306,997	220,055	202,559	131,353	496,181	118,708	576,191	10,052,044
Additions	-	7,905	-	-	25,421	608	6,651	40,585
At 31 December 2015	8,306,997	227,960	202,559	131,353	521,602	119,316	582,842	10,092,629
<b>Depreciation</b>								
At 1 January 2015	-	186,041	57,576	131,353	382,334	102,176	441,728	1,301,208
Depreciation for the year	-	14,904	40,390	-	47,016	17,140	23,106	142,556
At 31 December 2015	-	200,945	97,966	131,353	429,350	119,316	464,834	1,443,764
<b>Carrying amount at 31 December 2015</b>	<b>8,306,997</b>	<b>27,015</b>	<b>104,593</b>	<b>-</b>	<b>92,252</b>	<b>-</b>	<b>118,008</b>	<b>8,648,865</b>

Company	Computer equipment €
<b>Gross carrying amount</b>	
At 1 January 2014 and 31 December 2014	3,759
<b>Depreciation</b>	
At 1 January 2014	2,754
Depreciation for the year	478
At 31 December 2014	3,232
<b>Carrying amount at 31 December 2014</b>	<b>527</b>
<b>Gross carrying amount</b>	
At 1 January 2015	3,759
Additions	1,756
At 31 December 2015	5,515
<b>Depreciation</b>	
At 1 January 2015	3,232
Depreciation for the year	476
At 31 December 2015	3,708
<b>Carrying amount at 31 December 2015</b>	<b>1,807</b>

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

The right to construct the asset was acquired by means of a Build, Operate and Transfer (BOT) agreement with Corinthia Palace Hotel Company Limited which was signed on 5 December 2014. The arrangement gives Palm Waterfront Ltd the right to develop the site, construct, implement, manage and operate the project at its discretion. The term of the BOT agreement is for a period of 80 years from date of signing of said agreement.

#### **14.1 Leases**

##### **Group and company**

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

#### **15 Investment property**

##### **Group**

Investment property includes the Palm City Residences in Janzour, Libya, which is held to earn rentals and for capital appreciation. Due to the lack of comparable properties in the market, the determination of fair value cannot be objectively established on the basis of current active market prices. Therefore the fair value is determined on the basis of the discounted value of future earnings expected from the operation of the property.

Changes to the carrying amounts presented in the statement of financial position can be summarised as follows:

	2015	2014
	€	€
<b>Carrying amount as at 1 January</b>	250,000,000	310,675,580
Capitalisation of project related expenses	42,780	191,071
Loss on fair value of investment property	-	(60,866,651)
<b>Carrying amount as at 31 December</b>	<u>250,042,780</u>	<u>250,000,000</u>

Investment property valued at € 250,042,780 (2014: € 250,000,000) is pledged as security for related borrowings.

Rental income for 2015 amounting to € 9,873,625 (2014: € 28,078,265) is included within 'revenue'. No contingent rents were recognised. Direct operating expenses of € 2,078,916 (2014: € 4,852,300) were reported within 'operating expenses'.

All residences are intended to be leased out on operating leases. The standard lease contract is for a term of five years but leases for a shorter term have been concluded. Lessees have the possibility of cancelling their commitments under these agreements by giving six months notice and by paying pre-determined penalties that vary in accordance with the lessees' length of stay. The group has no minimum lease payments.

The fair value of the investment property was determined by discounting the forecast future cash flows generated by Palm City Residences for the remaining period of 57 years of the Build-Operate-Transfer agreement signed between Corinthia Palace Hotel Company Limited and Palm City Ltd in 2007. In the previous reporting period, a valuation exercise was carried out by the directors to determine the fair value of the investment property, and a pre-tax discount rate of 11.75% in real terms was applied to the projected cash flows.

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

Due to the uncertainty and the civil strife that has characterised Libya during the current reporting period, the country risk premium used was 6.88% (equivalent to 5.5% post-tax) in the current exercise. The valuation also assumes a gradual linear reduction in country risk as from 2022, to settle at 4% by 2024.

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

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

Based on their knowledge of the business and the conditions that the subsidiary is currently operating in, the directors have decided to factor in a projection risk premium of 1.125% (2014: 1.125%).

The aggregate pre-tax discount rate for the year under review, for all the above inputs, including a risk free rate of 1.35%, is 12.25%.

The valuation arrived at when using all the above inputs, combined with the projected income streams amounts to € 250,000,000.



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

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

	2015 %	2014 %
Within 1 year	14	3
1-5 years	86	97
	<u>100</u>	<u>100</u>

## 16 Investment accounted for using the equity method

### Group

	Note	2015 €	2014 €
Shares in associate company (unquoted)	17.2	<u>14,313,815</u>	<u>12,700,810</u>

## 17 Investments in subsidiaries and associate

### Company

	Notes	2015 €	2014 €
Shares in subsidiary companies (unquoted)	17.1	196,802,658	190,514,938
Shares in associate company (unquoted)	17.2	14,313,815	12,700,810
Loan to subsidiary companies	17.3	13,855,985	7,284,736
		<u>224,972,458</u>	<u>210,500,484</u>

### 17.1 Shares in subsidiary companies (unquoted)

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

The shares in Palm Waterfront Ltd were acquired in 2013. Shares in subsidiary company are being shown at fair value based on the latest available financial statements.

The company pledged 116,490,000 of its ordinary shares in Palm City Ltd as security for the bank borrowings of said company (note 24).

**17.2 Shares in associate company (unquoted)**

Associate company	Percentage holding in ordinary shares %	Nature of business	Capital and reserves 31.12.2015 €
Medina Tower Joint Stock Company for Real Estate Investment and Development (MTJSC) Suite 107, Tower 2, Level 10 Tripoli Towers, Tripoli, Libya	25	Property development	57,255,260 (LYD 84,795,040)

Summarised financial information for MTJSC is as follows:

	2015 €	2014 €
Total assets	58,651,190	51,323,762
Total liabilities	(843,925)	(520,522)
Profit for the year	-	18,576

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

	2015 €	2014 €
Total net assets	57,255,260	50,803,240
Proportion of ownership held by group	25%	25%
Carrying amount of investment	<u>14,313,815</u>	<u>12,700,810</u>

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

**17.3 Loan to subsidiary companies**

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

**18 Financial assets**

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

During 2014 the group purchased the following investments:

	2014 €
6% Island Hotels Group Bonds 2024	125,000
6% Pendergardens Bonds 2022	150,000
5.5% Pendergardens Bonds 2022	300,000
	<u>575,000</u>

These bonds were subsequently disposed of during 2014 for a total consideration of €604,354, resulting in a gain on disposal of €29,354 (see note 8).

## 19 Lease prepayment

Group	2015 €	2014 €
Balance at beginning of year	430,212	437,825
Amount charged to profit and loss	(7,613)	(7,613)
<b>Balance at end of year</b>	<b>422,599</b>	<b>430,212</b>
<b>Classified as:</b>		
Non-current asset	414,924	422,537
Current asset (note 21)	7,675	7,675
	<b>422,599</b>	<b>430,212</b>

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

	2015 €	2014 €
Within 1 year	7,613	7,613
1-5 years	38,065	38,065
After 5 years	376,921	384,534
	<b>422,599</b>	<b>430,212</b>

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

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

## 20 Inventories

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

Group	2015 €	2014 €
Food and beverage stocks	16,906	30,083
Electrical materials and spare parts	429,545	617,199
<b>Total inventories</b>	<b>446,451</b>	<b>647,282</b>

In 2015, a total of € 19,747 (2014: € 285,451) of inventories was included in profit and loss as an expense.

## 21 Trade and other receivables

	Group		Company	
	2015 €	2014 €	2015 €	2014 €
Trade receivables, gross	1,988,124	3,980,012	-	-
Allowance for credit losses	(264,477)	(149,540)	-	-
<b>Trade receivables</b>	<b>1,723,647</b>	<b>3,830,472</b>	-	-
Amount due by subsidiary	-	-	1,311,889	1,310,187
Amounts due by associate company	-	99,192	-	99,192
Amounts due by other related companies	390,108	290,373	269,020	193,074
Accrued income	421,927	316,694	136,362	193,408
Other receivables	820,664	1,755,714	656,225	1,000,115
<b>Financial assets</b>	<b>3,356,346</b>	<b>6,292,445</b>	<b>2,373,496</b>	<b>2,795,976</b>
Advance payments to capital creditors	23,438	51,641	-	-
Advance payments to trade creditors	-	11,572	-	11,572
VAT refundable	77,486	81,494	26,344	18,174
Lease prepayment (note 19)	7,675	7,675	-	-
Deposits	101,028	101,028	-	-
Other prepayments	117,676	158,600	-	-
Other receivables	491,190	687,666	-	-
<b>Non-financial assets</b>	<b>818,493</b>	<b>1,099,676</b>	<b>26,344</b>	<b>29,746</b>
<b>Total trade and other receivables</b>	<b>4,174,839</b>	<b>7,392,121</b>	<b>2,399,840</b>	<b>2,825,722</b>

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

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

All of the group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivable were found to be impaired and an allowance for credit losses of € 264,477 (2014: € 149,540) has been recorded accordingly within 'administrative expenses'. The impaired trade receivables were with respect to rent receivable due.

	2015 €	2014 €
Balance 1 January	149,540	290,831
Amounts written off	(153,733)	(290,831)
Impairment loss	268,670	149,540
<b>Balance 31 December</b>	<b>264,477</b>	<b>149,540</b>

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

## 22 Cash and cash equivalents

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

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Cash at bank and in hand:				
- euro	5,118,946	8,864,651	734,444	644,912
- Libyan dinar	89,466	1,185,345	-	-
- US dollar	86,373	74,457	85,708	74,126
- Pound sterling	165,344	161,404	165,344	161,403
<b>Cash and cash equivalents in the statement of financial position</b>	<b>5,460,129</b>	<b>10,285,857</b>	<b>985,496</b>	<b>880,441</b>
Bank balance overdrawn	(25,544)	(8,649)	(2,929)	(3,364)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>5,434,585</b>	<b>10,277,208</b>	<b>982,567</b>	<b>877,077</b>

The group has a bank deposit amounting to € 13,679 (2014: € 46,919) which is specifically designated for security deposits from lessees. This is not available for general use by the group. The group also has bank deposits amounting to € 2,676,839 (2014: € 3,692,766) which are pledged as security against bank borrowings (note 24).

### 23 Share capital

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

	Group and Company	
	2015	2014
	€	€
<b>Shares issued and fully paid</b>		
24,001,000 ordinary 'A' shares of €1 each	24,001,000	24,001,000
24,001,000 ordinary 'B' shares of €1 each	24,001,000	24,001,000
	<b>48,002,000</b>	<b>48,002,000</b>
<b>Shares authorised</b>		
50,000,000 ordinary 'A' shares of €1 each	50,000,000	50,000,000
50,000,000 ordinary 'B' shares of €1 each	50,000,000	50,000,000
	<b>100,000,000</b>	<b>100,000,000</b>

**24 Bank borrowings**

Borrowings include the following financial liabilities:

	Group		Company	
	2015 €	2014 €	2015 €	2014 €
Bank balance overdrawn	25,544	8,649	2,929	3,364
Bank loans	16,619,170	33,475,001	-	-
	<b>16,644,714</b>	<b>33,483,650</b>	<b>2,929</b>	<b>3,364</b>
Comprising:				
Long-term borrowings				
- due within 2-5 years	<b>13,432,641</b>	<b>23,566,577</b>	-	-
Borrowing due within 12 months				
- Bank balance overdrawn	25,544	8,649	2,929	3,364
- Bank loans	3,186,529	9,908,424	-	-
	<b>3,212,073</b>	<b>9,917,073</b>	<b>2,929</b>	<b>3,364</b>

The company had no bank borrowings in 2014 and 2015.

The group's banking facilities as at 31 December 2015 amounted to € 10,921,550 (2014: € 33,475,001).

The bank borrowings are secured by a general hypothec over Palm City Ltd's assets, by a guarantee by Mediterranean Investments Holding p.l.c. and by a pledge over part of its shareholding in Palm City Ltd (note 17.1) and by pledges over part of Palm City Ltd's bank deposits (note 22). These borrowings are subject to floating interest rates. As at 31 December 2015 the Libyan dinar bank borrowings amounting to € 5,197,620 (2014: € 6,711,111) were subject to an effective interest rate of 1.5% (2014: 1.5%) over the Central Bank of Libya discount rate, (2014 and 2015: 4%) whilst the euro bank borrowings amounting to € 11,421,550 (2014: € 26,763,890) were subject to an effective interest rate of 3.298% (2014: 2.60% plus 6 months Euribor). Syndicate loan repayments are currently made on a semi-annual basis (2014: semi-annual basis) for both the euro bank borrowings and the Libyan dinar bank borrowings, amounting to €910,129 (2014:€3,680,556), being capital repayment on euro portion, and € 433,136 (LYD 659,362) (2014: €922,763 - LYD 1,496,721) (using end of year exchange rate) being capital and interest repayment on Libyan dinar portion. Another loan payable a local bank amounting to €500,000 was repaid in one instalment in January 2016.

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

## 25 Bonds

	Notes	Interest rate	Group		Company	
			2015 €	2014 €	2015 €	2014 €
Bond II	25.1	7.50%	-	19,649,600	-	19,649,600
Bond III	25.2	7.15%	40,010,915	37,915,272	40,542,025	39,622,980
Bond IV	25.3	6%	12,000,000	12,000,000	12,000,000	12,000,000
Bond V	25.4	5.5%	20,000,000	-	20,000,000	-
Bond VI	25.5	6%	11,000,000	-	11,000,000	-
			<b>83,010,915</b>	<b>69,564,872</b>	<b>83,542,025</b>	<b>71,272,580</b>

Comprising:

	Group		Company	
	2015 €	2014 €	2015 €	2014 €
Current	-	19,649,600	-	19,649,600
Non-current	83,010,915	49,915,272	83,542,025	51,622,980
	<b>83,010,915</b>	<b>69,564,872</b>	<b>83,542,025</b>	<b>71,272,580</b>

In 2007, the company issued bonds of €15 million (Bond I) which were redeemed on 4 December 2014.

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

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

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

In 2015, the company issued a €20 million 5.5% bond maturing in 2020 (Bond V) and an €11 million 6% bond maturing in 2020 (Bond VI).

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

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

### 25.1 Bond II

	Group €	Company €
At 31 December 2014	19,649,600	19,649,600
Bonds redeemed	(19,649,600)	(19,649,600)
At 31 December 2015	-	-

The bonds were redeemed on 4 August 2015.

**25.2 Bond III**

	Group €	Company €
At 31 December 2013	37,915,272	39,622,980
Amortisation of transaction costs	119,619	119,619
Difference on exchange	1,976,024	799,426
<b>At 31 December 2014</b>	<b>40,010,915</b>	<b>40,542,025</b>

**25.3 Bond IV**

	Group €	Company €
Proceeds from issue	12,000,000	12,000,000
<b>Balance at 31 December 2014 and 2015</b>	<b>12,000,000</b>	<b>12,000,000</b>

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

**25.4 Bond V**

	Group €	Company €
Proceeds from issue	20,000,000	20,000,000
<b>Balance at 31 December 2015</b>	<b>20,000,000</b>	<b>20,000,000</b>

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

**25.5 Bond VI**

	Group €	Company €
Proceeds from issue	11,000,000	11,000,000
<b>Balance at 31 December 2015</b>	<b>11,000,000</b>	<b>11,000,000</b>

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

**26 Shareholders' loan**

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



**27 Deferred tax liability**

**Group**

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

	2015 €	2014 €
<b>Non-current assets</b>		
Investment property	29,906,910	29,906,910
Unused tax losses and capital allowances	(413,788)	(329)
Other temporary differences	(275,234)	(437,404)
	<u>29,217,888</u>	<u>29,469,177</u>

The movement can be analysed as follows:

Movement for the year	<u>251,289</u>	<u>(21,286,882)</u>
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**Recognised directly in equity:**

Deferred tax relating to difference on exchange	(447,536)	-
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**Recognised in profit or loss:**

Deferred tax on loss on fair value of investment property	-	(20,750,691)
Deferred tax on unabsorbed capital allowances and unused tax losses	413,459	(536,191)
Deferred tax on other temporary differences	285,366	-
	<u>251,289</u>	<u>(21,286,882)</u>

**Company**

	2015 €	2014 €
Available-for-sale financial assets	40,698,051	38,050,513
Unused tax losses and capital allowances	(413,788)	-
Other temporary differences	(722,780)	(437,743)
	<u>39,561,483</u>	<u>37,612,770</u>

	2015 €	2014 €
The movement can be analysed as follows:		
Movement for the year	<u>(1,948,713)</u>	<u>9,165,598</u>

**Recognised directly in equity**

Deferred tax on gain on fair value of available-for-sale financial asset	(2,647,538)	8,629,397
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**Recognised in profit or loss**

Deferred tax on other temporary difference	698,825	536,201
	<u>(1,948,713)</u>	<u>9,165,598</u>

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

## 28 Derivative financial instrument

### Group

	2015 €	2014 €
Interest rate swap		
Non-current	413,986	658,506

### 28.1 Terms

	2015 €	2014 €
Notional amount:		
Maturing in 2018	19,322,917	19,322,917

### Interest rates (2014 and 2015):

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

## 29 Trade and other payables

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

	Group		Company	
	2015 €	2014 €	2015 €	2014 €
Trade payables	885,872	1,160,909	47,632	52,355
Capital creditors (note)	200,000	453,231	-	-
Amounts owed to associate company	225,140	-	225,140	-
Amounts owed to parent company	803,268	330,863	803,268	330,863
Amounts owed to subsidiary company	-	-	297	297
Amounts owed to shareholder	13,300	13,300	13,300	13,300
Amounts owed to other related companies	310,601	234,899	10,057	2,084
Accrued expenses	4,518,147	4,642,054	2,309,631	2,361,110
<b>Financial liabilities</b>	<b>6,956,328</b>	<b>6,835,256</b>	<b>3,409,325</b>	<b>2,760,009</b>
Deferred income	508,376	3,946,884	-	-
Security deposits	2,744,885	3,576,673	-	-
Social security contributions	16,141	55,116	-	-
Other payables	1,261,947	630,071	1,244,102	612,226
<b>Non-financial liabilities</b>	<b>4,531,349</b>	<b>8,208,744</b>	<b>1,244,102</b>	<b>612,226</b>
<b>Total trade and other payables</b>	<b>11,487,677</b>	<b>15,044,000</b>	<b>4,653,427</b>	<b>3,372,235</b>

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

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

**Note:** included in capital creditors is an amount of € 200,000 withdrawn by one of the subsidiaries, Palm City Ltd. These monies were a guarantee for defective works which may have been carried out by a supplier at Palm City Residences (refer also to note 34).

**30 Cash flow adjustments and changes in working capital**

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

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
<b>Adjustments:</b>				
Loss on fair value of investment property	-	60,866,651	-	-
Fair value gain on derivative financial instrument	(244,520)	(84,752)	-	-
Fair value adjustment on available-for-sale financial asset	-	-	-	-
Share of gain on equity accounted investment	-	(4,644)	-	-
Depreciation	142,556	190,923	476	478
Operating lease	7,613	7,613	-	-
Interest receivable	(119,656)	(97,188)	(136,685)	(204,896)
Interest payable	6,495,786	6,993,646	5,130,357	5,402,836
Dividend receivable	-	-	-	(5,376,181)
Amortisation of borrowing costs	265,886	242,948	-	-
Amortisation of bond issue costs	119,619	111,265	119,619	111,265
Gain on disposal of investment in Malta Government stocks	-	-	-	-
Gain on disposal of financial assets	-	(29,354)	-	-
Difference on exchange	818,094	1,606,273	818,094	1,249,753
Increase in allowance for credit losses	268,670	149,540	-	-
<b>Total adjustments</b>	<b>7,754,048</b>	<b>69,952,921</b>	<b>5,931,861</b>	<b>1,183,255</b>
<b>Net changes in working capital:</b>				
Change in trade and other receivables	1,530,300	(257,813)	91,550	1,080,053
Change in trade and other payables	(3,415,740)	(181,963)	1,424,922	678,012
Change in inventories	200,831	(252,109)	-	-
<b>Total changes in working capital</b>	<b>(1,684,609)</b>	<b>(691,885)</b>	<b>1,516,472</b>	<b>1,758,065</b>

**31 Related party transactions**

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

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

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

### 31.1 Transactions with related parties

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Consultancy and other services charged by shareholder	-	300,000	-	300,000
Consultancy and other services charged to subsidiary	-	-	(173,644)	(165,375)
Interest charged by shareholder	132,768	153,354	132,768	153,354
Interest charged to shareholder	-	(9,631)	-	(9,631)
Consultancy and other services charged to associate	(69,556)	(67,530)	(69,556)	(67,530)
Interest charged to subsidiary	-	-	(136,382)	(193,408)
Purchase of consultancy and other services from other related companies	-	285,047	-	-
Sales of services to other related companies	-	93,846	-	-

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

## 32 Financial instrument risk

### Risk management objectives and policies

Credit risk is the risk that a counterparty fails to discharge an obligation to the group and the company. The group and company are exposed to various risks in relation to financial instruments. The group and company's financial assets and liabilities by category are summarised in note 32.4. The main types of risks are credit risk, liquidity risk and market risk.

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

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

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

### 32.1 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the group and the company. The group and the company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	Group		Company	
		2015	2014	2015	2014
		€	€	€	€
<b>Classes of financial assets – carrying amounts</b>					
Shares in subsidiary companies	17	-	-	196,802,658	190,514,938
Shares in associate company	17	14,313,815	12,700,810	14,313,815	12,700,810
Loan to subsidiary companies	17	-	-	13,855,985	7,284,736
Trade and other receivables	21	3,356,346	6,292,445	2,373,496	2,795,976
Cash and cash equivalents	22	5,460,129	10,285,857	985,496	880,441
		<u>23,130,290</u>	<u>29,279,112</u>	<u>228,331,450</u>	<u>214,176,901</u>

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

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

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

	2015	2014
	€	€
Not more than 30 days	154,155	411,951
More than 30 days but not more than 120 days	156,009	1,281,768
More than 120 days	1,413,483	2,136,753
<b>Total</b>	<b>1,723,647</b>	<b>3,830,472</b>

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

### **32.2 Liquidity risk**

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

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

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

As at 31 December 2015, the group and the company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

<b>Group</b>	<b>Current</b>		<b>Non-current</b>	
	<b>within 6 months</b>	<b>6 to 12 months</b>	<b>2 to 5 years</b>	<b>later than 5 years</b>
<b>31 December 2015</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Bank loan	1,593,265	1,593,265	13,432,641	-
Interest on bank loan	181,605	181,605	879,908	-
Bonds in issue	-	-	83,010,915	-
Interest on bonds in issue	2,670,000	2,670,000	13,500,000	-
Bank balance overdrawn	25,544	-	-	-
Trade and other payables	-	6,956,328	-	-
Shareholders' loan	-	-	2,655,355	-
Derivative financial instrument	132,068	109,109	172,573	-
	<b>4,602,482</b>	<b>11,510,307</b>	<b>113,651,392</b>	<b>-</b>

**Company**

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2015	€	€	€	€
Bonds in issue	-	-	83,542,025	-
Interest on bonds in issue	2,670,000	2,670,000	13,500,000	-
Bank balance overdrawn	2,929	-	-	-
Trade and other payables	-	3,409,325	-	-
Shareholders' loan	-	-	2,655,355	-
	<b>2,672,929</b>	<b>6,079,325</b>	<b>99,697,380</b>	<b>-</b>

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

**Group**

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2014	€	€	€	€
Bank loan	4,954,212	4,954,212	13,658,153	-
Interest on bank loan	577,754	507,274	1,439,694	-
Bonds in issue	-	19,649,600	37,915,272	12,000,000
Interest on bonds in issue	-	736,860	10,292,826	2,880,000
Bank balance overdrawn	8,649	-	-	-
Trade and other payables	-	6,835,256	-	-
Shareholders' loan	-	-	2,655,355	-
Derivative financial instrument	141,272	104,808	136,672	-
	<b>5,681,887</b>	<b>32,788,010</b>	<b>66,097,972</b>	<b>14,880,000</b>

**Company**

	Current		Non-current	
	within 6 months	6 to 12 Months	2 to 5 years	later than 5 years
31 December 2014	€	€	€	€
Bonds in issue	-	19,649,600	39,622,980	12,000,000
Interest on bonds in issue	-	736,860	10,292,826	2,880,000
Bank balance overdrawn	3,364	-	-	-
Trade and other payables	-	2,760,009	-	-
Shareholders' loan	-	-	2,655,355	-
	<b>3,364</b>	<b>23,146,469</b>	<b>52,571,161</b>	<b>14,880,000</b>

**32.3 Market risk analysis**

**Foreign currency risk**

**Group**

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

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

	Short term	Long term exposure	
	exposure	USD	GBP
	LYD	USD	GBP
	€	€	€
<b>31 December 2015</b>			
Financial liabilities	5,197,620	6,547,041	5,670,811
<b>Total exposure</b>	<b>5,197,620</b>	<b>6,547,041</b>	<b>5,670,811</b>
<b>31 December 2014</b>			
Financial liabilities	6,711,111	5,857,918	5,560,511
<b>Total exposure</b>	<b>6,711,111</b>	<b>5,857,918</b>	<b>5,560,511</b>

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

The following table assumes a +/- 4.1% change of the LYD/euro exchange rate at year end (2014: 6.19%). A change of +/- 9.7% (2014: +/- 12.19%) is considered for the USD/euro exchange rate and a change of +/- 5.15% (2014: +/- 6.65%) in respect of the GBP/euro exchange rate. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the group's foreign currency financial instruments held at the end of the reporting period.

If the euro had strengthened or weakened against the LYD by 4.12% (2014: 6.19%), against the USD by 9.7% (2014: 12.19%) and against the GBP by 5.15% (2014: 6.65%) then this would have had the following impact on the net result for the year.

	Net result for the year		
	LYD	USD	GBP
	€	€	€
31 December 2015	+/- 213,102	+/- 635,063	+/- 292,047
31 December 2014	+/- 415,418	+/- 714,080	+/- 369,774

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

### Interest rate risk

The group's exposure to interest rate risk is limited to the variable interest rate of borrowings. The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +/- 100 basis points (2014: +/- 100 basis points) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the group's financial instruments held at each reporting date. All other variables are held constant.

	2015		2014	
	+ 100 basis points	-100 basis points	+ 100 basis points	-100 basis points
	€	€	€	€
Net result for the year	(138,400)	138,400	(260,340)	260,340

### 32.4 Categories of financial assets and liabilities

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

	Notes	Group		Company	
		2015 €	2014 €	2015 €	2014 €
<b>Investments</b>					
- Shares in subsidiary company	17	-	-	196,802,658	190,514,938
- Shares in associate company	17	14,313,815	12,700,810	14,313,815	12,700,810
- Loan to subsidiary companies	17	-	-	13,855,985	7,284,736
		<b>14,313,815</b>	<b>12,700,810</b>	<b>224,972,458</b>	<b>210,500,484</b>
<b>Loans and receivables</b>					
- Trade and other receivables	21	3,356,346	6,292,445	2,373,496	2,795,976
- Cash and cash equivalents	22	5,460,129	10,285,857	985,496	880,441
		<b>8,816,475</b>	<b>16,578,302</b>	<b>3,358,992</b>	<b>3,676,417</b>
<b>Financial liabilities</b>					
Financial liabilities measured at amortised cost					
Non-current					
- Bank borrowings	24	13,432,641	23,566,577	-	-
- Bonds	25	83,010,915	49,915,272	83,542,025	51,622,980
- Shareholders' loan	26	2,655,355	2,655,355	2,655,355	2,655,355
Financial liabilities measured at fair value through profit and loss					
Non-current					
- Derivative financial instrument	28	413,986	658,506	-	-
		<b>99,512,897</b>	<b>76,795,710</b>	<b>86,197,380</b>	<b>54,278,335</b>
Current					
- Bank borrowings	24	3,212,073	9,917,073	2,929	3,364
- Bonds	25	-	19,649,600	-	19,649,600
- Trade and other payables	29	6,956,328	6,835,256	3,409,325	2,760,009
		<b>10,168,401</b>	<b>36,401,929</b>	<b>3,412,254</b>	<b>22,412,973</b>

See note 5.15 for a description of the accounting policies for each category of financial instruments. The fair values are presented in the related notes. A description of the group's risk management objectives and policies for financial instruments is given in note 32.

### 33 Fair value measurement

#### 33.1 Fair value measurement of financial instruments

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



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

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

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

**Group**

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

31 December 2015	Level 1 €	Level 2 €	Level 3 €
<b>Financial liabilities</b>			
Interest rate swap (a)	-	(413,986)	-

**Company**

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

31 December 2015	Level 1 €	Level 2 €	Level 3 €
<b>Financial assets</b>			
Available-for-sale financial assets (b)	-	-	211,116,473

**Measurement of fair value**

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

**Interest rate swap**

- a) Where derivatives are traded either on exchanges or liquid over-the-counter markets the group uses the closing price at the reporting date. Normally, the derivatives entered into by the group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates (level 2). Derivatives entered into by the group are included in level 2 and consist of an interest rate swap agreement (note 28).

**Available-for-sale financial assets**

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

**Level 3 fair value measurements**

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

Company	2015 €	2014 €
Balance at 1 January	203,215,748	227,873,168
Gain (loss) recognised in other comprehensive income	7,566,393	(24,657,420)
Other movement	334,332	-
<b>Balance at 31 December</b>	<b>211,116,473</b>	<b>203,215,748</b>

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

### **33.2 Fair value measurement of non-financial assets**

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2015 and 31 December 2014.

#### **Group**

31 December 2015	Level 1 €	Level 2 €	Level 3 €
Investment property	-	-	250,042,780

#### **Group**

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

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

### **34 Contingent liabilities**

The company, together with a related company, is a co-defendant in court proceedings against them for unpaid professional fees. The company's share of this claim is estimated at € 0.8 million. The company believes that it has a strong defence in respect of this claim, which it is vigorously defending in court. Court proceedings are still at an early stage and therefore a possible outcome cannot be foreseen.

Palm City Ltd has received an ex officio claim from the INAS department in Tripoli amounting to LYD 4.8 million for the period 2006 to 2013. The directors of Palm City Ltd have rebutted and rejected the claim and have appointed an independent firm of accountants and auditors to deal directly with the INAS department on this specific claim.

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

### **35 Capital management policies and procedures**

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

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

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

### **36 Post-reporting date events**

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

## **Independent auditor's report**

To the shareholders of

Mediterranean Investments Holding p.l.c.

### **Report on the financial statements**

We have audited the accompanying financial statements of Mediterranean Investments Holding p.l.c. and the consolidated financial statements of its group set out on pages 12 to 50, which comprise the statements of financial position as at 31 December 2015, and the statements of total comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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

**Opinion**

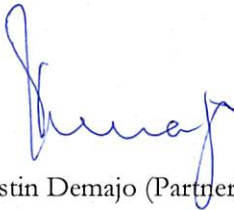
In our opinion, the group's consolidated financial statements and the company's financial statements give a true and fair view of their financial position as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386.

**Report on other legal and regulatory requirements**

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

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

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



Austin Demajo (Partner) for and on behalf of

**GRANT THORNTON**  
**Certified Public Accountants**

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

11 April 2016