

MELITA CAPITAL P.L.C.

Annual Report and Consolidated  
Financial Statements  
31 December 2011

	<b>Pages</b>
Directors' report	1 - 3
Corporate governance – Statement of compliance	4 - 10
Independent auditor's report	11 - 12
Statement of financial position	13
Statement of comprehensive income	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17 - 39

## Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2011.

### Principal activity

The Company was incorporated on 16 July 2009 to carry on the business of a finance and investment company, raising funds to finance the operations of Melita Mobile Ltd and Melita Infrastructure Limited in the fields of wireless communication and wholesale fibre services offering 3G digital wireless services throughout Malta and wholesale voice and data fibre connectivity from Malta to Sicily. Both these companies, as well as Melita Capital plc, form part of the group of companies owned by the Company's parent Superholdco Limited.

### Review of the business

In 2009, the Company issued to the public €25.9 million bonds 2014 – 2016 of a nominal value of €100 per bond issued at par and bearing interest at a rate of 7.15% per annum (the "Bonds"). The Bonds are listed on the Second Tier Market of the Malta Stock Exchange. Proceeds from this bond issue were advanced by way of loan facility by the Company to:

- its affiliate company Melita Mobile Ltd (the "Affiliate") for the funding of the continued capital expenditure associated with the expansion and development of its third generation mobile telephony network, funding of the working capital needs associated with the early growth phase of its operations, and for the general corporate funding purposes of its business; and to
- its subsidiary company Melita Infrastructure Ltd (the "Subsidiary") for the purpose of substituting project finance which the Subsidiary had obtained in respect of the laying and setting up of a submarine fibre optic cable between Malta and Sicily.

During the year under review, interest receivable from the Affiliate amounted to €2.4 million (2010: €1.4 million) and interest receivable from the Subsidiary amounted to €0.2 million (2010: €0.3 million). Interest payable on the Bonds and loan facility together with the amortisation of the related issue costs amounted to €2.0 million (2010: €2.3 million). The profit for the reporting period amounted to €0.781 million (2010: loss of €0.476 million) after deducting administrative expenses and taxation of €1.1 million (2010: €1.8 million) and €0.055 million (2010: €0.009 million) respectively.

Profit per share, which is based on the profit after taxation divided by the weighted average number of ordinary shares in issue during the year, amounted to €0.17 (2010: loss per share of €2.70).

### Capital Increase

Following the transfer of ownership of the Company from its original direct shareholders (and existing ultimate beneficial owners) GMT (Honey I) S.a.r.l., M/C Ventures Partners VI, L.P, Gee Five Limited and Grand Canal Capital Limited (together with Honey II Limited, a company registered in the British Virgin Islands with registration number 1419427 and having its registered address at PO Box 173, Sea Meadow House, Road Town, Tortola, British Virgin Islands, hereinafter referred to as the "Ultimate Shareholders") to Superholdco Lux S.a.r.l., which in turn transferred its shareholding in the Company to Superholdco Limited, a private limited liability company registered in Malta with company number C-50696 and having its registered office at Gasan Centre, Mriehel By-Pass, Birkirkara BKR3000, Malta, on 21 December 2010 the new majority shareholder of the Company advanced €4.5 million to the Company, with a view to this being converted into ordinary share capital. This capitalisation was formalised on the 27 April 2011 upon filing with the Registry of Companies of the amendments to the Company's Memorandum and Articles of Association reflecting, *inter alia*, the change in capital structure and increase in authorised share capital of the Company.

## **Directors' report - continued**

### **Bank Financing**

On 2 August 2011, the Company's Ultimate Shareholders, the Affiliate, Melita plc (C-12715) and the syndicate of banks financing part of the group of companies owned by the Company's parent Superholdco Limited, reached agreement for the amendment to existing bank loan arrangements. As a result of this agreement, the Ultimate Shareholders injected a further €8,500,000 into the Affiliate during the reporting period, whereas Meita plc, the 70% shareholder of the Affiliate, undertook to make available to the Affiliate a further €14,500,000 loan facility to be drawn down in a series of tranches between 2011 and 2015, repayable in 2018. The said capital injections are in addition to a further €10,000,000 injected by the Ultimate Shareholders into the Affiliate during the period December 2010 – June 2011.

By virtue of this agreement it was also agreed that the Subsidiary, which owns and operates the high capacity submerged fiber optic cable link from Malta to mainland Europe, would have its seven year service contract with Melita plc - to provide it with a strategic telecommunications link to the rest of Europe – extended to December 2016.

### **Sinking Fund**

In accordance with the undertaking set out in section 20.11 of the prospectus dated 4 September 2009 for the Company to build, over a period of five (5) years commencing from the financial year ending 31 December 2011, a sinking fund to meet part of the redemption proceeds on the redemption date of the Bonds, on 22 December 2011 the Company engaged Blevins Franks Gamma Ltd., a trustee authorized in terms of the Trusts and Trustees Act (Cap 331 of the Laws of Malta), to provide the services required by the Company in connection with the sinking fund. The first payment into the sinking fund was duly effected by the Company.

### **Results and dividends**

The statement of comprehensive income is set out on page 14. The directors do not recommend the payment of a dividend.

### **Directors**

The directors of the company who held office during the year were:

1. Joseph Gasan (Chairman of the Board of Directors)
2. Timothy Simon Green
3. Massimo Prelz
4. Robert Pierre Savignol
5. James Wade
6. Paul Connolly
7. Gary Quin

In accordance with article 56.1 of the articles of association of the Company, unless they resign or are removed Directors shall hold office up until the end of the annual general meeting next following their appointment. Directors whose term of office expires or who resign or are removed are eligible for re-appointment.

### **Directors' statement of responsibilities in relation to the financial statements**

The directors are required by the Companies Act (Cap. 386 of the Laws of Malta) to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

## Directors' report - continued

### Directors' statement of responsibilities in relation to the financial statements - continued

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act (Cap. 386 of the Laws of Malta). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Melita Capital p.l.c. for the year ended 31 December 2011 are included in the Annual Report 2011, which is made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

### Statement by directors pursuant to Listing Rule 5.68

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

### Going concern basis

After making enquiries, the directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the group and the company have adequate resources to continue operating for the foreseeable future.


### Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board on 26 April 2012 and signed on its behalf by:



Joseph Gasan  
Chairman



Massimo Prez  
Director

Registered office: Gasan Centre, Imriehel By-Pass, Imriehel BKR 3000, Malta.  
Telephone: (+356) 27270000  
Company Secretary: Henri Mizzi - Company secretary

## Corporate governance - Statement of compliance

### 1. Introduction

Pursuant to the Listing Rules issued by the Malta Financial Services Authority, Melita Capital p.l.c. (the "Company") is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance (the "Principles") with respect to the financial year under review.

The Company acknowledges that although the Code does not dictate or prescribe mandatory rules, compliance with the principles of good corporate governance recommended in the Code is in the best interests of the Company, its shareholders and other stakeholders.

The directors report that since the Company only issues debt securities and has not issued equity securities which are traded in a multilateral trading facility, the Company is exempt from disclosing the information prescribed in Listing Rules 5.97.1 to 5.97.3, 5.97.6 and 5.97.7 in this corporate governance statement (the "Statement"). It is in the light of this exemption afforded to the Company that the directors are herein reporting on the corporate governance of the Company.

### 2. General

Good corporate governance is the responsibility of the Board of Directors of the Company (the "Board") as a whole, and has been and remains a priority for the Company. In deciding on the most appropriate manner in which to implement the Code, the Board took cognisance of the Company's size, nature and operations, noted that the Company does not have any employees, and formulated the view that the adoption of certain mechanisms and structures which may be suitable for companies with extensive operations would may not be appropriate for the Company. The limitations of size and scope of operations inevitably impact on the structures required to implement the Code, without however diluting the effectiveness thereof.

The Board considers that, to the extent otherwise disclosed herein, the Company has generally been in compliance with the Principles throughout the year under review.

This Statement shall now set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code for the financial period under review. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manners in which the Board considers that these have been adhered to.

For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code's main principles and the Code Provisions.

### 3. Compliance with the Code

#### *Principles One to Five*

***Principles One to Five of the Code deal fundamentally with the role of the Board and of the Directors.***

The Directors believe that for the period under review the Company has generally complied with the requirements for each of these principles. Further information in this respect is provided hereunder.

#### ***Principle One***

The Directors report that for the financial year under review, the directors have provided the necessary leadership in the overall direction of the Company and have performed their responsibilities for the efficient and smooth running of the Company.

## **Corporate governance - Statement of compliance - continued**

### **Compliance with the Code - continued**

#### ***Principle Two***

In compliance with the provisions of this Principle, the functions of the Chairman and the Chief Executive Officer (the "CEO") of the Company are segregated.

#### ***Principle Three***

The Board is composed exclusively of non-executive directors. The directors who served on the Board during the financial year under review were Mr Joseph Gasan (Chairman of the Board) and the other non-executive directors Mr Timothy Simon Green, Mr Massimo Prelz, Mr Robert Pierre Savignol, Mr James Wade, Mr Paul Connolly and Mr Gary Quin.

In accordance with the provisions of the Company's Articles of Association, the appointment of directors to the Board is exclusively reserved to the Company's shareholders, except in so far as appointment is made by the Board to fill a casual vacancy, which appointment would be valid until the conclusion of the next Annual General Meeting of the Company following such an appointment. In terms of the Articles of Association of the Company in force between the beginning of the financial year under review and 27 April 2011, the articles regulating the appointment and election of directors still made reference to the original shareholders of the Company. Following the change in shareholding in the Company which became effective on the 21 December 2010, the new shareholders of the Company resolved to amend the Memorandum and Articles of Association of the Company to the effect that for so long as Superholdco Limited will continue to hold shares in the Company, it shall be entitled at any time to appoint five (5) persons to the Board as non-executive Directors, which non-executive directors would in turn have the power to co-opt an additional two (2) non-executive directors. The said new Memorandum & Articles of Association of the Company were approved by the Listing Authority in advance of these being filed with the Registry of Companies on the 27 April 2011.

In its capacity as majority shareholder, Superholdco Limited is also solely entitled to remove any person appointed as a non-executive director of the Company for any reason whatsoever and to appoint another person in his place.

Mr Paul Connolly and Mr Gary Quin, who were co-opted by the remaining five members of the Board, are considered by the Board to be independent non-executive members of the Board notwithstanding their respective roles within Grand Canal Capital Limited, which held a marginal 2.25% shareholding in the Company until the capital restructuring effected on 21 December 2011.

#### ***Principle Four***

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for the Company's strategy and decisions with respect to the issue, servicing and redemption of its bonds in issue and secured notes, and for monitoring that its operations are in conformity with its commitments towards note and bondholders, shareholders, and all relevant laws and regulations. The Board is also responsible for ensuring that the Company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

## **Corporate governance - Statement of compliance - continued**

### **Compliance with the Code - continued**

Despite having the power to appoint an executive committee in terms of the Company's Articles of Association, in light also of the support provided pursuant to the terms of the management and support services agreement entered into between the Company and Melita p.l.c. (C-12715) (the "MSS Agreement"), the Board has elected not to appoint an executive committee to assist the Board in the Company's operations. In terms of the MSS Agreement, Melita p.l.c. provides the Company with management services at the strategic and operational level of its business. In terms of the MSS Agreement, the persons responsible for managing the Company are:

- Andrei Torriani (Chief Executive Officer)
- Stuart Williamson (Chief Financial Officer), who replaced Michael Maltby with effect from 9 September 2011)
- Simon Montanaro (Chief Technical Officer)

The Executive Officers of the Company may be asked to attend board meetings or general meetings of the Company, although they do not have the right to vote thereat until such time as they are also appointed to the Board. The Directors may entrust to and confer upon a Chief Executive (or Managing Director, if applicable) any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

### **Principle Five**

The Directors meet regularly, principally to review the financial performance of the Company. The Directors are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting board papers, which are circulated well in advance of the meeting. The Board met formally three times during the year under review.

Attendance by the Directors at Board meetings held during the financial year under review was as follows:

<i>Director</i>	<i>Attendance out of 3 Board meetings held</i>
Joseph Gasan (Chairman of the Board of Directors)	3
Timothy Simon Green	3
Massimo Prelz	3
Robert Pierre Savignol	3
James Wade	3
Paul Connolly	0
Gary Quin	2

### **Principle Six**

#### **Principle Six of the Code deals with information and professional development**

The Directors believe that for the period under review the Company has generally complied with the requirements for this Principle.



## **Corporate governance - Statement of compliance - continued**

### **Compliance with the Code - continued**

#### ***Principle Seven***

##### ***Principle Seven of the Code deals with evaluation of the Board's performance***

The Board believes the Company has a corporate decision-making and supervisory structure that is tailored to suit its specific requirements and designed to ensure the existence of adequate checks and balances within the Company. The Board ensures that such structures are kept under continuous review to enable the Company to meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

#### ***Principle Eight***

##### ***Principle Eight A of the Code deals with the establishment of a remuneration committee for the Company aimed at developing policies on remuneration for Directors and senior executives and devising appropriate remuneration packages.***

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a remuneration committee, and the Board itself carries out the functions of the remuneration committee specified in, and in accordance with, Principle Eight A of the Code.

The Board hereby makes the following **Remuneration Statement**:

The Board confirms that there have been no changes in the Company's remuneration policy during the year under review and the Company does not intend to effect any changes in its remuneration policy for the following financial year.

The maximum annual aggregate emoluments that may be paid to the Directors is, pursuant to the Company's Memorandum and Articles of Association, approved by the shareholders in general meeting.

None of the Directors or executive officers of the Company have service contracts with the Company and, in view of the MSS agreement, none of the Directors or executive officers of the Company receive remuneration or are entitled to profit sharing, share options or pension benefits from the Company.

##### ***Principle Eight B of the Code deals with the formal and transparent procedure for the appointment of Directors.***

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a remuneration committee, reference is also made to the information provided under the subheading 'Principle Three' above.

#### ***Principle Nine***

##### ***Principle Nine deals with relations with shareholders and with the market***

Pursuant to the company's statutory obligations in terms of the Companies Act (Cap. 386 of the Laws of Malta) and the Listing Rules issued by the Malta Financial Services Authority, the Annual Report and Financial Statements, the election of Directors and approval of Directors' fees, the appointment of the auditors and the authorisation of the Directors to set the auditors' fees, and other special business, are proposed and approved at the Company's Annual General Meeting.

## **Corporate governance - Statement of compliance - continued**

### **Compliance with the Code - continued**

With respect to the Company's bondholders and the market in general, during the year under review, the Company communicated with its bondholders through the following schedule of financial and other reporting:

- (i) A financial reporting update was provided by the Board in the form of a company announcement on 29 April 2011;
- (ii) The first audited financial statements of the Company, covering the financial period from incorporation until 31 December 2010, were also published on the 29 April 2011; and.
- (iii) Interim financial statements covering the six month period from 1 January 2011 until 30 June 2011 were published on 30 August 2011.

The Board considers that through the above channels it is providing bondholders and the market with adequate information about its activities. Furthermore, with specific reference to the Company's bondholders, during the year under review the Company issued two (2) newsletters to bondholders informing them of the updated position of the Company and its subsidiary and affiliate companies.

### ***Principle Ten***

#### ***Principle Ten deals with institutional shareholders***

The Directors are of the view that this Principle is not applicable to the Company.

### ***Principle Eleven***

#### ***Principle Eleven deals with conflicts of interest and the principle that Directors should always act in the best interests of the Company***

All of the Directors of the Company save for Mr Paul Connolly and Mr Gary Quin are officers of the principal corporate shareholder, and as such are susceptible to conflicts arising between the potentially diverging interests of the corporate shareholder and the Company. During the year under review, no private interests or duties unrelated to the Company were disclosed by the Directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards, the Company.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Furthermore, in accordance with the provisions of article 145 of the Companies Act (Cap. 386 of the Laws of Malta), every Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company is under the duty to fully declare his interest in the relevant transaction to the Board at the first possible opportunity and he will not be entitled to vote on matters relating to the proposed transaction and only parties who do not have any conflict in considering the matter will participate in the consideration of the proposed transaction.

### ***Principle Twelve***

#### ***Principle Twelve encourages Directors of listed companies to adhere to accepted principles of corporate social responsibility***

The Company seeks to adhere to sound Principles of Corporate Social Responsibility in its management practices, and is committed to enhance the quality of life of all stakeholders and of the employees of the Subsidiary and Affiliate.

## Corporate governance - Statement of compliance - continued

### 4. The Audit Committee

The Audit Committee's primary objective is to assist the Board in fulfilling its responsibilities: in dealing with issues of risk, control and governance; and review the financial reporting processes, financial policies and internal control structure. During the year under review, the Audit Committee oversaw the conduct of the internal and external audit and acted to facilitate communication between the Board, management, the external auditors and the internal audit team.

Although the Audit Committee was set up at the level of the Company its main tasks are related principally to the activities of its subsidiary Melita Infrastructure Limited and to a limited extent to the activities of its affiliate Melita Mobile Limited. The latter's audit committee function is undertaken at the level of Melita plc, its 70% shareholder.

The Board has set formal terms of establishment and the terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change these terms of reference from time to time.

Briefly, the Audit Committee dealt with and advised the Board on:

- monitoring the integrity of the financial statements issued by the Company, as well as the internal control structures (including the appropriateness and security of computer systems being utilized), the financial reporting process (ensuring that the recommendations made by external auditors were implemented in a timely manner) and financial policies of the Company;
- maintaining communications on such matters between the Board, management and the external auditors;
- preserving the Issuer's assets by understanding the Company's risk environment and determining how to deal with those risks;
- the appointment of the external Auditor and the approval of the remuneration and terms of engagement thereof following appointment by the shareholders in general meeting.

Furthermore, pursuant to its terms of reference, the Audit Committee was charged with the monitoring and review of, *inter alia*:

- (a) the Company's internal financial control systems;
- (b) the external audit functions, including the external auditors' independence, objectivity and effectiveness;
- (c) the information upon which the management based its decision to consider the business as a going concern;
- (d) the accounting policies adopted and assumption made;
- (e) whether the Company's financial statements compared well with the industry norm;
- (f) the Company's annual and interim financial statements and evaluated the completeness of the financial information presented;
- (g) the adherence to laws and regulations and compliance with the Listing Rules;
- (h) the financial performance of related companies, in relation to any outstanding borrowings the latter may have with the Company; and
- (i) the Company's tax position.

Furthermore, the Audit Committee had the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction was at arm's length and on a commercial basis and ultimately in the best interests of the Company. These transactions are summarised in note 23 to the financial statements.

## Corporate governance - Statement of compliance - continued

### 4. The Audit Committee - continued

The Audit Committee is composed of 3 non-executive directors, as follows: Joseph A. Gasan acts as chairman of the Audit Committee, whilst Timothy Simon Green and Paul Connolly act as members. Paul Connolly is a non-executive director and a qualified accountant, who the Board considers as independent and competent in accounting as required in terms of the Listing Rules.

The Audit Committee met formally for the purpose of reviewing and approving the interim and annual financial statements of the Company. All members of the Audit Committee were present, either in person or by telephone conference, and the Chairman, CEO, CFO and external auditors were invited to attend. The Chairman of the audit committee updated the full board at every board meeting on any audit committee business.

### 5. Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The Directors are aware that internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against normal business risks.

During the year under review the Company operated a system of internal controls which provided reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

Other key features of the system of internal control adopted by the Company in respect of its own internal control as well as the control of its Subsidiary and Affiliate are as follows:

#### **Organization**

The board of directors of each of the Subsidiary and Affiliate regularly reports to the Board of the Company. The Company's Chairman is also the chairman of the boards of directors of the Subsidiary and Affiliate.

#### **Risk identification**

The Directors, with the assistance of the Management team, is responsible for the identification and evaluation of key risks applicable to the areas of business in which the Company, Subsidiary and Affiliate are involved. These risks are assessed on a continual basis.

#### **Information and communication**


Periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives are regularly convened by the Board. Regular budgets are prepared and performance against these plans is actively monitored and reported to the Board.

In conclusion, the Board considers that the Company has generally been in compliance with the Principles throughout the year as befits a company of this size and nature.

Approved by the Board on 26 April 2012 and signed on its behalf by:



Joseph Gasan  
Chairman



Massimo Prez  
Director



## Independent auditor's report

To the Shareholders of Melita Capital p.l.c.

### Report on the Financial Statements for the year ended 31 December 2011

We have audited the financial statements of Melita Capital p.l.c. on pages 13 to 39 which comprise the statement of financial position as at 31 December 2011 and the statements of comprehensive income, changes in equity and of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Maltese Companies Act, 1995 and International Financial Reporting Standards (IFRSs) as adopted by the EU as applied in accordance with the provisions of the said Act. As described in the directors' report on pages 2 to 3, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 financial statements:

- give a true and fair view of the financial position of the company as at 31 December 2011, and of the financial performance and the cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



## Independent auditor's report - continued

### Report on Other Legal and Regulatory Requirements

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of compliance prepared by the directors.

We read the Statement of compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any 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 cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of compliance set out on pages 4 to 10 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. Our responsibilities do not extend to any other information.

We also have responsibilities:

- Under the Maltese Companies Act, 1995 to report to you if, in our opinion:
  - The information given in the directors' report is not consistent with the financial statements.
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- Under the Listing Rules to review the statement made by the directors, set out on page 3, that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

### PricewaterhouseCoopers

167 Merchants Street  
Valletta  
Malta

David Valenzia  
Partner


26 April 2012

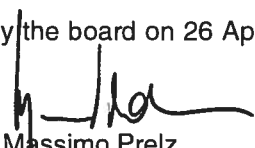
## Statement of financial position

	Notes	Group		Company	
		2011 €'000	2010 €'000	2011 €'000	2010 €'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	4	263	263	-	-
Property, plant and equipment	5	8,358	8,939	-	-
Investment in subsidiary	6	-	-	1	1
Available-for-sale investment	7	120	120	120	120
Loans and receivables	8	27,348	25,888	28,023	27,485
Deferred tax asset	15	4	-	-	-
<b>Total non-current assets</b>		<b>36,093</b>	<b>35,210</b>	<b>28,144</b>	<b>27,606</b>
<b>Current assets</b>					
Loans and receivables	8	-	-	1,500	1,500
Trade and other receivables	9	448	638	131	45
Cash and cash equivalents	10	1,019	182	366	120
<b>Total current assets</b>		<b>1,467</b>	<b>820</b>	<b>1,997</b>	<b>1,665</b>
<b>Total assets</b>		<b>37,560</b>	<b>36,030</b>	<b>30,141</b>	<b>29,271</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	11	4,676	176	4,676	176
Capital contribution	12	-	4,500	-	4,500
Retained earnings		305	(476)	(76)	(758)
<b>Total equity</b>		<b>4,981</b>	<b>4,200</b>	<b>4,600</b>	<b>3,918</b>
<b>Provision for liabilities and charges</b>					
Deferred tax liabilities	15	-	9	-	-
<b>Non-current liabilities</b>					
Borrowings	13	29,436	28,836	24,979	24,790
<b>Current liabilities</b>					
Borrowings	13	1,120	1,120	-	-
Trade and other payables	14	2,023	1,865	562	563
<b>Total current liabilities</b>		<b>3,143</b>	<b>2,985</b>	<b>562</b>	<b>563</b>
<b>Total liabilities</b>		<b>32,579</b>	<b>31,830</b>	<b>25,541</b>	<b>25,353</b>
<b>Total equity and liabilities</b>		<b>37,560</b>	<b>36,030</b>	<b>30,141</b>	<b>29,271</b>

The notes on pages 17 to 39 are an integral part of these financial statements.

The financial statements on pages 13 to 39 were authorised for issue by the board on 26 April 2012 and were signed on its behalf by:

  
Joseph Gasan  
Chairman

  
Massimo Prelz  
Director

## Statement of comprehensive income

	Notes	Group		Company	
		Year ended 31 December 2011 €'000	Period from 16 July 2009 to 31 December 2010 €'000	Year ended 31 December 2011 €'000	Period from 16 July 2009 to 31 December 2010 €'000
Turnover	16	3,728	4,388	275	275
Cost of sales	17	(1,781)	(1,945)	-	-
<b>Gross profit</b>		<b>1,947</b>	<b>2,443</b>	<b>275</b>	<b>275</b>
Administrative expenses	17	(1,150)	(1,849)	(329)	(610)
<b>Operating profit/(loss)</b>		<b>797</b>	<b>594</b>	<b>(54)</b>	<b>(335)</b>
Finance income	18	2,360	1,579	2,584	1,878
Finance costs	19	(2,321)	(2,640)	(1,848)	(2,301)
<b>Profit/(loss) for the year/period before tax</b>		<b>836</b>	<b>(467)</b>	<b>682</b>	<b>(758)</b>
Tax expense	20	(55)	(9)	-	-
<b>Profit/(loss) for the year/period after tax</b>		<b>781</b>	<b>(476)</b>	<b>682</b>	<b>(758)</b>
<b>Profit/(loss) per share</b>	21	<b>0.17</b>	<b>(2.70)</b>	<b>0.15</b>	<b>(4.30)</b>

The notes on pages 17 to 39 are an integral part of these financial statements.



## Statement of changes in equity

Company	Notes	Share capital €'000	Capital contribution €'000	Retained earnings €'000	Total €'000
<b>Comprehensive income</b>					
Loss for the period		-	-	(758)	(758)
<b>Transactions with owners</b>					
Issue of share capital	11	176	-	-	176
Capital contribution	12	-	4,500	-	4,500
		176	4,500	-	4,676
<b>Balance at 31 December 2010</b>		<b>176</b>	<b>4,500</b>	<b>(758)</b>	<b>3,918</b>
<b>Comprehensive income</b>					
Profit for the year		-	-	682	682
<b>Transactions with owners</b>					
Issue of share capital	11	4,500	-	-	4,500
Capital contribution	12	-	(4,500)	-	(4,500)
		4,500	(4,500)	682	682
<b>Balance at 31 December 2011</b>		<b>4,676</b>	<b>-</b>	<b>(76)</b>	<b>4,600</b>
<b>Group</b>					
<b>Comprehensive income</b>					
Loss for the period		-	-	(476)	(476)
<b>Transactions with owners</b>					
Issue of share capital	11	176	-	-	176
Capital contribution	12	-	4,500	-	4,500
		176	4,500	-	4,676
<b>Balance at 31 December 2010</b>		<b>176</b>	<b>4,500</b>	<b>(476)</b>	<b>4,200</b>
<b>Comprehensive income</b>					
Profit for the year		-	-	781	781
<b>Transactions with owners</b>					
Issue of share capital	11	4,500	-	-	4,500
Capital contribution	12	-	(4,500)	-	(4,500)
		4,500	(4,500)	781	781
<b>Balance at 31 December 2011</b>		<b>4,676</b>	<b>-</b>	<b>305</b>	<b>4,981</b>

The notes on pages 17 to 39 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Group		Company	
		Year ended 31 December 2011 €'000	Period from 16 July 2009 to 31 December 2010 €'000	Year ended 31 December 2011 €'000	Period from 16 July 2009 to 31 December 2010 €'000
<b>Cash generated from operations</b>	22	<b>1,915</b>	2,896	<b>48</b>	420
Interest received	18	<b>2,360</b>	1,579	<b>2,584</b>	1,878
Interest paid	19	<b>(2,321)</b>	(2,640)	<b>(1,848)</b>	(2,301)
Group relief paid		<b>(68)</b>	-	-	-
Net cash generated from/ (used in) operating activities		<b>1,886</b>	1,835	<b>784</b>	(3)
<b>Cash flows from investing activities</b>					
Goodwill recognised upon acquisition	4	-	(263)	-	-
Purchase of property, plant and equipment	5	-	(10,130)	-	-
Proceeds from disposal of property, plant and equipment	5	-	353	-	-
Purchase of investment in subsidiary	6	-	-	-	(1)
Purchase of available-for-sale investment	7	-	(120)	-	(120)
Investments in loans and receivables	8	<b>(1,460)</b>	(25,888)	<b>(538)</b>	(28,985)
Net cash used in investing activities		<b>(1,460)</b>	(36,048)	<b>(538)</b>	(29,106)
<b>Cash flows from financing Activities</b>					
Issue of share capital	11	-	176	-	176
Capital contribution from Shareholders	12	-	4,500	-	4,500
Proceeds from bond issue	13	-	25,879	-	25,879
Bond issue cost	13	-	(1,326)	-	(1,326)
Proceeds from bank loans	13	-	2,003	-	-
Proceeds from ultimate shareholder subordinated loans	13	<b>411</b>	3,163	-	-
Transfer to bond redemption fund	10	<b>(100)</b>	-	<b>(100)</b>	-
Net cash generated from/(used in) financing activities		<b>311</b>	34,395	<b>(100)</b>	29,229
<b>Net movement in cash and cash equivalents</b>		<b>737</b>	182	<b>146</b>	120
<b>Cash and cash equivalents at beginning of year/period</b>		<b>182</b>	-	<b>120</b>	-
<b>Cash and cash equivalents at end of year/period</b>	10	<b>919</b>	182	<b>266</b>	120

The notes on pages 17 to 39 are an integral part of these financial statements.

## Notes to the financial statements

### 1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

The consolidated financial statements include the financial statements of Melita Capital p.l.c., (the Company), and its subsidiary undertaking, Melita Infrastructure Limited.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. They have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies (refer to note 3 – Critical accounting estimates and judgements).

*Standards, interpretations and amendments to published standards effective in 2011.*

In 2011, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning 1 January 2010. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

*Standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2011. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

#### 1.2 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

**1. Summary of significant accounting policies - continued**

**1.2 Consolidation - continued**

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**1.3 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the Group's functional and presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All foreign exchange gains and losses are presented in the income statement within 'other income/(expense)'.

**1.4 Intangible assets**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is recognised separately within intangible assets, and is tested annually for impairment and carried at cost less accumulated impairment losses (note 1.5). Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

**1. Summary of significant accounting policies - continued**

**1.5 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**1.6 Plant and equipment**

Plant and equipment, comprising submarine cables, are stated at historical cost less depreciation. The capitalised amount includes all direct costs and certain indirect costs including an element of overhead expenses, incurred during the period of the installation of the submarine cables.

Additions and major improvements are capitalised and are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful life as follows:

Submarine cable wet plant	20 years
Submarine cable day plant	5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with carrying amount and are recognised within 'other income/(expenses)' in the profit or loss account.

**1.7 Financial assets**

**1.7.1 Classification**

The Group classifies its investments in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**1. Summary of significant accounting policies - continued**

**1.7 Financial assets - continued**

**1.7.1 Classification - continued**

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position (refer to note 1.8 and 1.9).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

**1.7.2 Recognition and measurement**

The Group recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Loans and receivables are initially recognised at fair value plus transaction costs. All regular way transactions in assets classified in the loans and receivables category are accounted for using settlement date accounting, i.e. on the date an asset is delivered to or by the entity. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

**1. Summary of significant accounting policies - continued**

**1.7 Financial assets - continued**

**1.7.2 Recognition and measurement - continued**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

**1.8 Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and other direct expenses'. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and other direct expenses' in the profit or loss.

**1.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

**1.10 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

**1.11 Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

**1.12 Finance income and costs**

Finance income and costs are recognised in the profit or loss for all interest-bearing instruments on a time-proportion basis using the effective interest method. Finance costs include the effect of amortising any difference between net proceeds and redemption value in respect of the Group's borrowings. Finance income and costs are recognised as they accrue, unless collectibility is in doubt.

**1. Summary of significant accounting policies - continued**

**1.13 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Issue costs incurred in connection with the issue of the bonds include professional fees, publicity, advertising, printing, listing, registration, underwriting, management fees, selling costs and other miscellaneous costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

**1.14 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**1.15 Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**1.16 Revenue recognition**

*(a) Sales of services*

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.



**1. Summary of significant accounting policies - continued**

**1.16 Revenue recognition - continued**

*(b) Interest income*

Interest income is recognised for all interest-bearing instruments as it accrues unless collectability is in doubt.

*(c) Dividend income*

Dividend income is recognised when the right to receive payment is established.

**1.17 Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**1.18 Dividend distribution**

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

**1.19 Earnings per share**

The Group present basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

**2. Financial risk management**

**2.1 Financial risk factors**

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective Group's financial performance. The Group's board of directors provides principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

*(a) Market risk*

i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group is not exposed to foreign exchange risk given that the majority of its transactions are denominated in euro. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting periods is not deemed necessary.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(a) Market risk - continued*

ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates, comprising bank borrowings (refer to Note 13), expose the Group to cash flow interest rate risk. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on.

The Group's significant interest-bearing assets comprise amounts owed by the subsidiary and owed by the related party and are subject to fixed interest rates (refer to Note 8). Fixed interest instruments comprise ultimate shareholders' loans (Note 13) which are measured at amortised cost and accordingly the Group is not exposed to fair value interest rate risk. The Group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 13) which expose the Group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in the income statement in respect of these instruments.

*(b) Credit risk*

Credit risk arises from cash and cash equivalents, deposits with banks, loan and receivables and intra-group receivables. The maximum exposure to credit risk at the reporting date was:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>€'000</b>	€'000	<b>€'000</b>	€'000
Loans and receivables category:				
Trade and other receivables (Notes 8 and 9)	<b>27,796</b>	26,526	<b>29,654</b>	29,030
Cash and cash equivalents (Note 10)	<b>1,019</b>	182	<b>366</b>	120

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Group does not hold any collateral as security in this respect. The Group banks only with local financial institutions with high quality standing or rating.

The Group's loans and advances consist of advances to related parties of Melita Capital p.l.c (Note 8), which advances have been effected out of the bond issue proceeds and the capital contribution. The Group monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The Group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Group takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *(b) Credit risk - continued*

During the year under review, the Group did utilise all the funds available to it through the bond issue.

The Group's trade and other receivables mainly include interest receivable from the Group's immediate parent and other related parties in respect of the advances referred to previously. As at the end of the reporting periods, the Group had no past due or impaired financial assets.

#### *(c) Liquidity risk*

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise interest-bearing borrowings (Note 13) and trade and other payables (Note 14). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

Management monitors liquidity risk by reviewing expected cash flow and ensures that no additional financing facilities are expected to be required over the coming year. This process is performed through a rigorous assessment of detailed cash flow projections of the fellow subsidiary where matching of cash inflows and outflows arising from expected maturities of financial instruments are assessed on an annual basis.

The liquidity risk arising from the above was extensively tested when the bonds were issued to ensure that the commitments entered into by the Company could be covered by the cashflow generated from operations. A sinking fund arrangement was set up for this purposes (Note 10) and was designed to accumulate, over the life of the bond, the liquidity needed to ensure the repayment of the bond.

A preparation of the profit is invested annually in a Bond redemption fund in accordance with the terms of issue of the bond. In addition, management regularly monitors the accumulation of the fund against the Company's original projections and the Company's current and expected future performance. Where necessary, liquid assets are retained for an amount higher than the Bond redemption fund. At 31 December 2011, liquid funds amounting to €919,000 were retained in excess of the Bond redemption fund.

The following table analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

**2. Financial risk management - continued**

	Carrying amount €'000	Contractual cash flows €'000	Within one year €'000	One to five years €'000	Over five years €'000
<b>Group</b>					
<b>31 December 2011</b>					
Unsecured bonds	24,979	34,668	1,850	5,551	27,267
Borrowings	5,577	84,405	1,160	897	82,348
Trade and other payables	2,023	2,023	2,023	-	-
	<b>32,579</b>	<b>121,096</b>	<b>5,033</b>	<b>6,448</b>	<b>109,615</b>
<b>31 December 2010</b>					
Unsecured bonds	24,790	36,518	1,850	5,551	29,117
Borrowings	5,166	84,315	1,177	898	82,240
Trade and other payables	1,865	1,865	1,865	-	-
	<b>31,821</b>	<b>122,698</b>	<b>4,892</b>	<b>6,449</b>	<b>111,357</b>
<b>Company</b>					
<b>31 December 2011</b>					
Unsecured bonds	24,979	34,668	1,850	5,551	27,267
Trade and other payables	562	562	562	-	-
	<b>25,541</b>	<b>35,230</b>	<b>2,412</b>	<b>5,551</b>	<b>27,267</b>
<b>31 December 2010</b>					
Unsecured bonds	24,790	36,518	1,850	5,551	29,117
Trade and other payables	563	563	563	-	-
	<b>25,353</b>	<b>37,081</b>	<b>2,413</b>	<b>5,551</b>	<b>29,117</b>

**2.2 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or adjust the amount of dividends paid to shareholders.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as structural borrowings divided by the total capital.

Total capital is measured by reference to the amounts reflected in the financial statements. Structural borrowings include all interest bearing borrowings, less funds attributable to the Bond redemption fund (Note 10).

**2. Financial risk management - continued**

**2.2 Capital risk management - continued**

The resultant gearing was as follows:

	Group		Company	
	2011 €'000	2010 €'000	2011 €'000	2010 €'000
Total borrowings (Note 13)	30,556	29,956	24,979	24,790
Less: Bond redemption fund	(100)	-	(100)	-
Net borrowings	30,456	29,956	24,879	24,790
Total equity	4,981	4,200	4,600	3,918
Total capital	35,437	34,156	29,479	28,708
Gearing	85.9%	87.7%	84.4%	86.4%

**2.3 Fair values of financial instruments**

At 31 December 2011 and 2010 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are assumed to approximate their fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

**3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, all other accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

**4. Intangibles**

Group	Goodwill €'000
Opening and closing net book amount	263

During 2010, the Company entered into a business combination where it acquired 100% of the share capital of Melita Infrastructure Limited. Goodwill recognised upon this acquisition amounts to €263,000 and is included in non-current assets.

**5. Property, plant and equipment**

<b>Group</b>	Property, plant and equipment €'000
<b>Period ended 31 December 2010</b>	
Assets taken over at acquisition	9,645
Additions	485
Disposals	(353)
Depreciation for the period	(874)
Depreciation released on disposal	36
Closing net book amount	<u>8,939</u>
<b>At 31 December 2010</b>	
Cost	9,777
Accumulated depreciation	(838)
Net book amount	<u>8,939</u>
<b>Year ended 31 December 2011</b>	
Opening net book amount	8,939
Additions	-
Disposals	(7)
Depreciation for the year	(574)
Depreciation released on disposal	-
Closing net book amount	<u>8,358</u>
<b>At 31 December 2011</b>	
Cost	9,770
Accumulated depreciation	(1,412)
Net book amount	<u>8,358</u>

Included with plant and equipment, is interest capitalised until the commencement of operations amounting to €387,077.

**6. Investment in subsidiary**

<b>Company</b>	€'000
<b>As at 31 December 2011 and 2010</b>	
Closing cost and carrying amount	<u>1</u>

**6. Investment in subsidiary - continued**

The subsidiary at 31 December 2011 and 2010 is shown below:

	Registered office	Class of shares held	Percentage of shares held %
Melita Infrastructure Limited	Gasan Centre Mriehel By-Pass Mriehel	Ordinary Shares	100

**7. Available-for-sale investment**

**Group and Company**

On 3 September 2009 the Company subscribed for 168,079 ordinary shares of €2.329373 in Melita Mobile Limited, 30.65% paid up. This investment represented an equity interest of 30% in Melita Mobile Limited. In view of the control exercised by the 70% shareholder in Melita Mobile Limited, through its equity investment and financing arrangements, the stake held by Melita Capital p.l.c. is not deemed to represent significant influence on the Company's financial and operating policies. Accordingly, this investment has been treated as an available for sale investment.

	€'000
<b>As at 31 December 2011 and 2010</b>	
Closing cost and carrying amount	120

The available-for-sale investment at 31 December 2011 and 2010 is shown below:

	Registered office	Class of shares held	Percentage of shares held %
Melita Mobile Limited	Gasan Centre Mriehel By-Pass Mriehel	Ordinary Shares	30

**8. Loans and receivables**

	Group		Company	
	2011 €'000	2010 €'000	2011 €'000	2010 €'000
<b>Non-current</b>				
Amounts due from subsidiary undertaking	-	-	2,129	3,097
Amounts due from related party	27,348	25,888	25,894	24,388
	27,348	25,888	28,023	27,485
<b>Current</b>				
Amounts due from related party	-	-	1,500	1,500
	-	-	1,500	1,500
<b>Total loans and receivables</b>	27,348	25,888	29,523	28,985

**8. Loans and receivables - continued**

The amounts due from the subsidiary and the related party are repayable in 2013 and 2016 to 2018 respectively, are unsecured and are subject to interest of 7.65% per annum.

**9. Trade and other receivables**

	Group		Company	
	2011 €'000	2010 €'000	2011 €'000	2010 €'000
Prepayments	31	47	-	-
Amounts due from related parties	414	588	73	29
Amounts due from subsidiary	-	-	58	16
Other receivables	3	3	-	-
	<b>448</b>	<b>638</b>	<b>131</b>	<b>45</b>

**10. Cash and cash equivalents**

For the purposes of the statement of cash flows, the year/period-end cash and cash equivalents comprise the following:

	Group		Company	
	2011 €'000	2010 €'000	2011 €'000	2010 €'000
Cash at bank and in hand	1,019	182	366	120
Bond redemption fund	(100)	-	(100)	-
	<b>919</b>	<b>182</b>	<b>266</b>	<b>120</b>

As disclosed above cash and cash equivalents exclude the contribution to the bond redemption fund held in the bank, which use is restricted pursuant to the terms and conditions stated in the bond prospectus.

The establishment of the bond redemption fund was announced on 28 December 2011 in terms of the bond prospectus dated 4 September 2009. By the maturity of the bonds on 30 September 2016, the bond redemption fund is expected to amount to 50% of the total amount of outstanding bonds amounting to €25,878,829.



**11. Share capital**

<b>Group and Company</b>	<b>2011</b>	<b>2010</b>
	<b>€'000</b>	<b>€'000</b>
<b>Authorised</b>		
5,000,000 ordinary shares (2010: 1,000,000) of € 1 each	<b>5,000</b>	1,000
	<hr/>	<hr/>
<b>Issued and fully paid</b>		
4,676,400 ordinary shares (2010: 176,400) of € 1 each	<b>4,676</b>	176
	<hr/>	<hr/>

**12. Capital contribution**

<b>Group and Company</b>	<b>2011</b>	<b>2010</b>
	<b>€000</b>	<b>€'000</b>
Capital contribution at 31 December	-	4,500
	<hr/>	<hr/>

On 21 December 2010, the shareholders advanced €4.5 million to the Group, with a view of this being converted into ordinary share capital. The capitalisation was formalised on the 27 April 2011 upon filing with the Registry of Companies of the amendments to the Company's Memorandum and Articles of Association required in light of the change in capital structure and increase in authorised share capital of the Company.

**13. Borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Current</b>				
Bank loan	<b>1,120</b>	1,120	-	-
Total current borrowings	<b>1,120</b>	1,120	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Non-current</b>				
7.15% bonds 2014-2016	<b>24,979</b>	24,790	<b>24,979</b>	24,790
Bank loans	<b>883</b>	883	-	-
Ultimate shareholders' subordinated loans	<b>3,574</b>	3,163	-	-
Total non-current borrowings	<b>29,436</b>	28,836	<b>24,979</b>	24,790
	<hr/>	<hr/>	<hr/>	<hr/>
Total Borrowings	<b>30,556</b>	29,956	<b>24,979</b>	24,790
	<hr/>	<hr/>	<hr/>	<hr/>

13. **Borrowings** - continued

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective interest method as follows:

	2011 €'000	2010 €'000
<b>Group and Company</b>		
Face value of the secured bonds	25,879	25,879
Issue costs	1,326	1,326
Accumulated amortisation	(426)	(237)
Closing net book amount	900	1,089
<b>Amortised cost at 31 December</b>	<b>24,979</b>	<b>24,790</b>

By virtue of a prospectus dated 4 September 2009, on 9 September 2009, the Group issued bonds with a face value of €100 each. The bonds are redeemable at par (€100 for each bond) and are due for redemption on 30 September 2016, but are redeemable in whole or in part, at the option of the Group at any date between 30 September 2014 and 30 September 2016. The bonds shall become due for final redemption on 30 September 2016, provided that the issuer reserves the right to redeem the bonds or any part thereof on any of the Designated Early Redemption Dates, as the Issuer may determine, on giving not less than thirty (30) days notice to Bondholders. Redemption of the bonds shall be made at the nominal value of the bonds. In addition, the Issuer reserves the right to purchase, from the market at any time after the issue, Bonds for cancellation.

The bonds constitute the general, direct, unconditional, unsubordinated and unsecured obligations of the Group and shall at all times rank *pari passu* without any priority or preference amongst themselves and with other unsecured debt other than subordinated debt, if any.

The bonds are senior to the loans granted by the shareholders to each subsidiary or affiliate. Such loans are subordinated to any and all claims of the creditors of the group companies including the bond holders.

The Listing Authority authorised the bonds as admissible to listing on the Second Tier Market of the Malta Stock Exchange pursuant to the Listing Rules by virtue of a letter dated 28 August 2009. The quoted market price as at 31 December 2011 for the bonds was €101.5 (2010: €100.15), which in the opinion of the directors fairly represents the fair value of these financial liabilities.

The ultimate shareholders' subordinated loans constitute a direct and unsecured interest in the Group, subordinated in accordance with the provisions of the subordinated instrument agreements and are subordinated to any unsecured and subordinated obligations of the Group. Claims in respect of the instruments are subordinated to all the present and future claims of all trade and other payables of the Group.

The interest on the ultimate shareholders subordinated loans will be payable only if declared by the board and if the Group has sufficient funds available to settle any obligations of the Group to which these instruments are subordinated.

The ultimate shareholders subordinated loans are repayable at the discretion of the Group with a maximum repayment period of 30 years from the date the loans were granted to the Group.

**13. Borrowings - continued**

The bank loan is secured by:

- (i) general hypothec on the Group's assets;
- (ii) comfort letter by the shareholders;
- (iii) pledge over future receivables from Melita p.l.c. deriving from the IP transit services agreement;
- (iv) pledge over the Company's bank accounts

The interest rate exposure of borrowings was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>€'000</b>	€'000	<b>€'000</b>	€'000
Total borrowings:				
At fixed rates	<b>28,553</b>	27,953	<b>25,879</b>	25,879
At floating rates	<b>2,003</b>	2,003	-	-
	<b>30,556</b>	29,956	<b>25,879</b>	25,879

Effective interest rates at the end of the reporting period are:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>%</b>	%	<b>%</b>	%
Bonds 2014 - 2016	<b>7.15</b>	7.15	<b>7.15</b>	7.15
Bank loans	<b>2.85</b>	2.52	-	-
Ultimate shareholders' subordinated loan	<b>12.83</b>	12.83	-	-

**14. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>€'000</b>	€'000	<b>€'000</b>	€'000
<b>Current</b>				
Trade payables	<b>341</b>	158	<b>30</b>	35
Accruals	<b>676</b>	821	<b>499</b>	503
Amounts due to related parties	<b>934</b>	744	<b>33</b>	25
Other taxes and social security	<b>72</b>	142	-	-
	<b>2,023</b>	1,865	<b>562</b>	563

**15. Deferred taxation**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
At beginning of year	9	-	-	-
(Credit)/charge to statement of comprehensive income (Note 20)	(13)	9	-	-
At end of year	(4)	9	-	-

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% for 2011, deferred tax arises on the following temporary differences:

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Temporary differences arising fixed assets	(4)	23	-	-
Temporary differences arising on unabsorbed capital allowances	-	(14)	-	-
At the end of the year	(4)	9	-	-

**16. Revenue**

€3,004 thousand (2010: €2,760 thousand) of the group's revenue was derived from the sale of international bandwidth to Melita p.l.c and Melita Mobile Limited.

**17. Expenses by nature**

	<b>Group</b>		<b>Company</b>	
	<b>Year ended</b>	<b>Period from</b>	<b>Year ended</b>	<b>Period from</b>
	<b>31 December</b>	<b>16 July 2009 to</b>	<b>31 December</b>	<b>16 July 2009 to</b>
	<b>2011</b>	<b>31 December</b>	<b>2011</b>	<b>31 December</b>
	<b>€'000</b>	<b>2010</b>	<b>€'000</b>	<b>€'000</b>
Wages and salaries recharged by a related party	60	141	-	-
Depreciation	574	874	-	-
Other expenses	2,297	2,779	329	610
Total expenses	2,931	3,794	329	610

**17. Expenses by nature - continued**

*Auditor's fees*

Fees charged by the auditor for services rendered during the financial period ended 31 December 2011 relate to the following:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b> €'000	2010 €'000	<b>2011</b> €'000	2010 €'000
Annual statutory audit	17	16	10	10
Other assurance services	11	15	9	15
Tax advisory and compliance services	2	7	1	5
	<b>30</b>	<b>38</b>	<b>20</b>	<b>30</b>

**18. Finance income**

	<b>Group</b>		<b>Company</b>	
	<b>Year ended</b> <b>31 December</b> <b>2011</b> €'000	Period from 16 July 2009 to 31 December 2010 €'000	<b>Year ended</b> <b>31 December</b> <b>2011</b> €'000	Period from 16 July 2009 to 31 December 2010 €'000
Interest receivable	<b>2,360</b>	1,579	<b>2,584</b>	1,878

**19. Finance costs**

	<b>Group</b>		<b>Company</b>	
	<b>Year ended</b> <b>31 December</b> <b>2011</b> €'000	Period from 16 July 2009 to 31 December 2010 €'000	<b>Year ended</b> <b>31 December</b> <b>2011</b> €'000	Period from 16 July 2009 to 31 December 2010 €'000
Interest on bank loans	<b>64</b>	144	-	-
Interest on ultimate shareholder loans	<b>409</b>	195	-	-
Interest on secured bonds	<b>1,848</b>	2,301	<b>1,848</b>	2,301
	<b>2,321</b>	<b>2,640</b>	<b>1,848</b>	<b>2,301</b>

**20. Tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>Year ended 31 December 2011 €'000</b>	<b>Period from 16 July 2009 to 31 December 2010 €'000</b>	<b>Year ended 31 December 2011 €'000</b>	<b>Period from 16 July 2009 to 31 December 2010 €'000</b>
Deferred tax expense	(13)	9	-	-
Group relief paid	68	-	-	-
	<b>55</b>	<b>9</b>	<b>-</b>	<b>-</b>

The tax on the Group's and Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Year ended 31 December 2011 €'000</b>	<b>Period from 16 July 2009 to 31 December 2010 €'000</b>	<b>Year ended 31 December 2011 €'000</b>	<b>Period from 16 July 2009 to 31 December 2011 €'000</b>
Profit/(loss) before tax	836	(467)	682	(758)
Tax on profit/(loss) at 35%	293	(163)	239	(265)
Tax effect of: Unrecognised temporary differences	(238)	172	(239)	265
Tax expense in the accounts	55	9	-	-

**21. Loss per share**

Loss per share is based on the loss after taxation attributable to the ordinary shareholders of the Group and the Company divided by the weighted average number of ordinary shares in issue during the year.

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net profit/(loss) attributable to owners of the Company (€'000)	781	(476)	682	(758)
Weighted average number of ordinary shares in issue (Note 11)	4,676,400	176,400	4,676,400	176,400
Profit/(loss) per share (€)	0.17	(2.70)	0.15	(4.30)

## 22. Cash generated from operations

Reconciliation of operating profit/(loss) for the year/period to cash operations:

	Group		Company	
	Year ended 31 December 2011 €'000	Period from 16 July 2009 to 31 December 2010 €'000	Year ended 31 December 2011 €'000	Period from 16 July 2009 to 31 December 2010 €'000
Operating profit/(loss)	797	594	(54)	(335)
Adjustment for:				
Amortisation of capitalised bond issue expenses	189	237	189	237
Depreciation	574	874	-	-
Loss/(gain) on disposal of property, plant and equipment	7	(36)	-	-
	<b>1,567</b>	1,669	<b>135</b>	(98)
Changes in working capital:				
Trade and other receivables	190	(638)	(86)	(45)
Trade and other payables	158	1,865	(1)	563
Cash generated from operations	<b>1,915</b>	2,896	<b>48</b>	420

## 23. Related party transactions

Melita Capital p.l.c. forms part of the Superholdco Group which is owned by Superholdco Lux S.a.r.l. All companies forming part of the above groups are thus considered to be related parties.

All companies forming part of the Superholdco Group are considered to be related parties due to common shareholding.

Transactions entered into during the period, principally by the Group and Company with related parties, were as follows:

	Group		Company	
	Year ended 31 December 2011 €'000	Period from 16 July 2009 to 31 December 2010 €'000	Year ended 31 December 2011 €'000	Period from 16 July 2009 to 31 December 2010 €'000
Revenue from group companies	3,646	4,388	175	175
Management fees charged to subsidiary	-	-	100	100
Interest charged to group companies	2,360	1,441	2,360	1,441
Interest charged to subsidiary	-	-	223	300
Costs recharged by group companies	(112)	346	83	83
Interest charged by ultimate shareholder	(410)	-	-	-
Costs charged by other related parties	(15)	-	-	-

#### **24. Capital restructuring**

As part of a two-phase capital restructuring exercise, on 21 December 2010 the entire issued share capital of the Company (save for one share held by Honey II Group Limited) was transferred to Superholdco Lux S.a.r.l., a company registered in Luxembourg having its registered address at 65, Boulevard Grande Duchesse Charlotte, L-1331 Luxembourg, as follows:

- a) GMT (Honey I) S.a.r.l. transferred 89,522 ordinary shares of a nominal value of €1.00 each to Superholdco Lux S.a.r.l.;
- b) M/C Ventures Partners VI, L.P. transferred 61,740 ordinary shares of a nominal value of €1.00 each to Superholdco Lux S.a.r.l.;
- c) Gee Five Limited transferred 21,168 ordinary shares of a nominal value of €1.00 each to Superholdco Lux S.a.r.l.; and
- d) Grand Canal Capital Limited transferred 3,969 ordinary shares of a nominal value of €1.00 each to Superholdco Lux S.a.r.l..

Superholdco Lux S.a.r.l. is owned by the four shareholders listed above and by Honey II Group Limited which holds the remaining one share. The shareholders' respective holding in Superholdco Lux S.a.r.l. reflects the proportion applicable in respect of their shareholding in the Company prior to the share transfers referred to above taking effect.

The first phase of the capital restructuring exercise was followed immediately by a transfer of the shares in the Company held by Superholdco Lux S.a.r.l. to its subsidiary Superholdco Limited, a private limited liability company registered in Malta with company number C-50696 and having its registered office at Gasan Centre, Mriehel By-Pass, Birkirkara BKR3000, Malta.

#### **25. Contingencies and commitments**

At 31 December 2011, the Group was in dispute with the Commissioner of VAT over amounts claimed by the latter amounting to €1.3 million, and for which no provision has been made in these accounts. The Group has appealed the assessments raised by the Commissioner of VAT and the directors are of the opinion, following advice obtained, that they have strong grounds to support their appeal.

#### **26. Comparatives note**

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of fairer presentation.

#### **27. Statutory information**

Melita Capital p.l.c. is a public limited liability company and is incorporated in Malta.

The immediate parent company of Melita Capital p.l.c is Superholdco Limited, a company registered in Malta, with its registered address at Gasan Centre, Mriehel By-Pass, Mriehel, Birkirkara.



**27. Statutory information - continued**

The ultimate parent company and controlling party of Melita Capital p.l.c. is Superholdco Lux S.a.r.l., a company registered in Luxembourg, with its registered address at 65, Boulevard Grande Ruchesse, Charlotte, L-1331.

The financial statements of the Melita Capital p.l.c. Group are included in the consolidated financial statements prepared by the intermediate parent.

