

Mediterranean Investments Holding
p.l.c.

Report & Consolidated Financial
Statements

31 December 2020

Contents

Directors' report	2
Statement by the directors on the financial statements and other information included in the annual report	5
Directors' statement of compliance with the Code of Principles Of Good Corporate Governance	6
Other disclosures in terms of listing rules	11
Remuneration statement	12
Statements of total comprehensive income	13
Statements of financial position	14
Statements of changes in equity	15
Statements of cash flows	16
Notes to the financial statements	17
Independent auditor's report	55

Directors' report

The directors present their report together with the audited financial statements of Mediterranean Investments Holding p.l.c. (the company) and the consolidated financial statements of the group for the year ended 31 December 2020. The group comprises the company, its two subsidiaries, Palm City Ltd and Palm Waterfront Ltd, and its associate, Medina Tower Joint Stock Company for Real Estate Investment and Development.

Principal activities

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

Review of the business

Throughout the year under review, Palm City Residences, the only operational asset of the group, continued to perform resolutely. Until the most recent conflict that erupted in April 2019, Palm City was registering month-on-month increases in occupancy, reaching a milestone figure of 60.2% in May 2019. Despite there being no significant cessation in hostilities for the rest of 2019, the business model remained resilient with an average occupancy of 54.4% between June and December of that year. Although there were a number of planned contract terminations at the end of 2019, and notwithstanding the travel restrictions imposed in consequence of the global pandemic in 2020, the average occupancy for the 2020 remained stable at 51.7%. During this year, Palm City generated €25.59 million in revenue with an average rent rate of €8,993 per residential unit per month.

During the year under review, management continued to strengthen its maintenance and support capabilities. This enabled the company to capture revenue from many short-term lease opportunities that continued to present themselves, while preparing for and servicing longer term requirements, both in the residential areas and also in back-end system operations. During 2020, management carefully implemented further measures to improve the product and spent money in areas that needed to be refurbished to ensure that all new business could be serviced to client expectations. Providing secure accommodation with a 24 x 7 service continues to be a key criterion to this day.

The stable performance at Palm City level contributed to improve the group's performance and cashflow. From operating activities, the group generated €19.5 million in cash and cash equivalents. At a financing level, the group was successful in issuing a new €20 million 5.5% bond maturing in 2023 and a new €11 million 6% unlisted bond maturing in 2025. This enabled the group to redeem the €18.4 million 5.5% bond and the €11 million 6% unlisted bond which both matured during the year under review. Other financing activities primarily included the full repayment of the outstanding bank loan balances and settling all interest due on bonds and other borrowings. Notwithstanding these outflows, there was a net year-on-year increase in cash and cash equivalents of €12.5 million at the end of 2020.

Results

IAS 40 requires that the value of the group's properties as at the reporting date be tested for impairment. In view of the unstable situation in Libya, such a test would necessarily need to take into account a number of alternative scenarios. Notwithstanding the stable performance of the company, and in consideration of the various scenarios possible in the current political climate, the directors have prudently opted to keep the value of the investment property unchanged in this reporting period.

Given the nature of the leases, which are in their majority medium and long term, and the fact that the group's clientele have significant vested interests in Libya, the business continued to be resilient and overall resist the negative effects of the COVID-19 pandemic and the impact of the ongoing conflict. The calm environment which prevailed in the second half of the year, and after 15 months of conflict, resulted in a slow but steady return of interest in the leasing of units at Palm City, such that the effective occupancy closed at 55.72% at the end of December 2020.

Although revenues at group level decreased by €1.7 million over last year, operating costs and administrative expenses were retained at relatively low operating levels such that the operating profit decreased by €1.5 million over the year before. Finance costs also decreased in consequence of reduced borrowings with the result that the profit for the year before tax was lower than last year by just €1.0 million.

The group registered a consolidated profit after tax of €25.0 million compared to €14.5 million in 2019 after taking into consideration a reversal of an overprovision in previous years for deferred taxes on the investment property.

At parent company level, a dividend of €62.1 million receivable from Palm City Ltd, a wholly owned subsidiary of the parent company, is reported in the income statement. The declaration of such dividend by Palm City Limited resulted in a decrease in reserves and ultimately in the net asset value of this subsidiary. Consequently, since the parent company measures the investment in Palm City Limited at fair value through other comprehensive income, a resulting loss on fair value was reported in other comprehensive income. The net effect, which is a positive one, of the dividend income in the income statement and the loss on fair value in other comprehensive income, primarily reflects the net profit for the year of the subsidiary.

The group's assets stand at €326.6 million as at 31 December 2020, up from €315.2 million as at the end of 2019. This increase mainly reflects the profits registered on trading which is reflected through an increase in current assets particularly cash and cash equivalents.

Directors

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

Mr Alfred Pisani (Chairman)
Mr Joseph Fenech
Mr Faisal J S Alessa
Mr. Mario P. Galea
Mr Joseph M. Pisani
Mr Ahmed Wahedi
Mr Ahmed Yousri Helmy

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

Disclosure of information to the auditor

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

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

Statement of directors' responsibilities


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

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


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

Auditor

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.



Alfred Pisani
Chairman



Ahmed Wahedi
Director

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

27 April 2021

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

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

Signed on behalf of the board of directors on 27 April 2021 by:

A blue ink signature consisting of a large, sweeping horizontal stroke with a smaller, more complex mark underneath.

Alfred Pisani
Chairman

A blue ink signature consisting of a stylized, circular mark with a vertical stroke extending upwards.

Ahmed Wahedi
Director

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

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

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

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

A. COMPLIANCE WITH THE CODE

Principles 1 and 4: The board

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

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

Further to the relevant section in Appendix 5.1 to the Listing Rules, the board of directors acknowledge that they are stewards of the company's assets and their behaviour is focused on working with management to enhance value to the shareholders.

The board is composed of persons who are fit and proper to direct the business of the company with the shareholders as the owners of the company.

All directors are required to:

- Exercise prudent and effective controls which enable risk to be assessed and managed to achieve continued prosperity to the company;
- Be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
- Determine the company's strategic aims and the organisational structure;
- Regularly review management performance and ensure that the company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the company;
- Acquire a broad knowledge of the business of the company;
- Be aware of and be conversant with the statutory and regulatory requirements connected to the business of the company;
- Allocate sufficient time to perform their responsibilities; and
- Regularly attend meetings of the board.

In terms of Listing Rules 5.117 – 5.134, the board has established an audit committee to monitor the company's present and future operations, threats and risks in the external environment and current and future strengths and weaknesses. The audit committee ensures that the company has the appropriate policies and procedures in place to ensure that the company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards. The audit committee has a direct link to the board and is represented by the chairman of the audit committee in all board meetings.

Principle 2: Chairman and Chief Executive

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

In terms of Principle 3.1, which calls for the appointment of a senior independent director, the board has appointed Mr Mario Galea as the indicated senior independent director.

The chairman is responsible to:

- Lead the board and set its agenda;
- Ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company;
- Ensure effective communication with shareholders; and
- Encourage active engagement by all members of the board for discussion of complex or contentious issues.

Principle 3: Composition of the board

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

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

For the purpose of Listing Rules 5.118 and 5.119, the non-executive directors are deemed independent. The board believes that the independence of its directors is not compromised because of long service or the provision of any other service to the group. Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the company.

The board considers that none of the independent directors of the company:

- Are or have been employed in any capacity by the company;
- Have or have had, over the past three years, a significant business relationship with the company;
- Have received or receives significant additional remuneration from the company in addition to its director's fee;
- Have close family ties with any of the company's executive directors or senior employees; and
- Have been within the last three years an engagement partner or a member of the audit team or past external auditor of the company.

Each of the directors hereby declares that he undertakes to:

- Maintain in all circumstances his independence of analysis, decision and action;
- Not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
- Clearly express his opposition in the event that he finds that a decision of the board may harm the company.

The board also believes that the independence of its directors is not compromised because of long service or the provision of any other service to the Corinthia Group. Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the company.

The board is made up as follows:

<i>Executive directors</i>	<i>Date of first appointment</i>
Mr Alfred Pisani – Chairman	12 December 2005
Mr Joseph Fenech – Executive Director	25 August 2006
 <i>Non-executive directors</i>	 <i>Date of first appointment</i>
Mr Faisal J S Alessa	24 June 2009
Mr Mario P. Galea	15 January 2014
Mr Joseph M. Pisani	12 June 2015
Mr Ahmed Wahedi	14 March 2018
Mr Ahmed Yousri Helmy	14 March 2018
 <i>Company secretary</i>	 <i>Date of first appointment</i>
Mr Stephen Bajada	18 April 2012

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

Principle 5: Board meetings

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

The number of board meetings attended by the directors for the year under review is as follows:

Mr Alfred Pisani	- 4 times
Mr Joseph Fenech	- 4 times
Mr Joseph M Pisani	- 4 times
Mr Ahmed Wahedi	- 4 times
Mr Ahmed Yousri	- 4 times
Mr Faisal Sultan Alessa	- 0 times
Mr Mario P Galea	- 4 times

Principle 6: Information and professional development

The company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions. The company is committed to provide adequate and detailed induction training to directors who are newly appointed to the board. The company pledged to make available to the directors all training and advice as required.

Principle 8: Committees

Audit committee

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

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

During the year under review, Mr Mario P. Galea served as Chairman. Mr Joseph M Pisani and Mr Ahmed Yousri served as members whilst Mr Stephen Bajada acted as secretary to the committee.

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

The audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the company (as well as of its subsidiary) for the purpose of advising management and the board, through the audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation. During 2019, the audit committee obtained the necessary advice on aspects of the regulatory framework which affect the day-to-day operations of Palm City Residences.

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

In the year under review the Audit Committee oversaw the implementation of the necessary measures to ensure compliance in terms of the Market Abuse Directive and Regulations which came into effect in 2016. The board of directors approved the new terms of reference of the Audit Committee, bringing them in line with both the changes in the Listing Rules, as well as best international practice.

Pursuant to Articles 16 and 17 of Title III of the provisions of the Statutory Audit Regulations the Audit Committee has been entrusted with overseeing the process of appointment of the statutory auditors or audit firms.

Principle 9: Relations with shareholders and with the market

The company is highly committed to having an open and communicative relationship with its bondholders and investors. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of interim and annual financial statements, the company seeks to address the diverse information needs of its bondholders and investors by providing the market with regular, timely, accurate, comparable and comprehensive information.

Principle 10: Institutional shareholders

The company ensures that it is constantly in close touch with its principal institutional investors. The company is aware that institutional investors who are mainly bondholders have the knowledge and expertise to analyse market information and make their independent and objective conclusions of the information available.

Institutional investors are expected to give due weight to relevant factors drawn to their attention when evaluating the company's governance arrangements in particular those relating to board structure and composition and departure from the Code of Corporate Governance.

Principle 11: Conflicts of interest

The directors are fully aware of their obligations regarding dealings in securities of the company as required by the Listing Rules in force during the year. Moreover, they are notified of blackout periods, prior to the issue of the company's interim and annual financial information, during which they may not trade in the company's bonds.

None of the other directors of the company have any interest in the shares of the company or the company's subsidiaries or investees or any disclosable interest in any contracts or arrangements either subsisting at the end of the last financial year or entered into during this financial year.

Principle 12: Corporate social responsibility

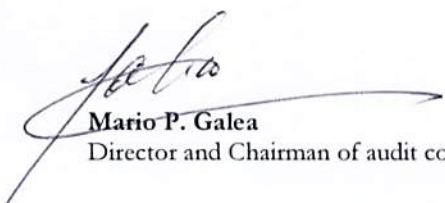
The company understands that it has an obligation towards society at large to put into practice sound principles of Corporate Social Responsibility. This responsibility is carried out by its Maltese shareholder, CPHCL and by its subsidiary Palm City Limited.

B. NON-COMPLIANCE WITH THE CODE


Principle 7: Evaluation of the board's performance

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

Approved by the board of directors on 27 April 2021 and signed on its behalf by:



Mario P. Galea
Director and Chairman of audit committee



Joseph Fenech
Executive director

Other disclosures in terms of listing rules

Statement by the directors pursuant to Listing Rule 5.70.1

Contracts of significance

Loan agreement with Palm Waterfront Ltd

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

Loan agreements with shareholders and an ultimate shareholder

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

Build – Operate – Transfer agreements

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


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

Pursuant to Listing Rule 5.70.2

Company secretary and registered office

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

Signed on behalf of the board of directors on 27 April 2021 by:



Alfred Pisani
Chairman



Ahmed Wahedi
Director

Remuneration statement

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

Remuneration of senior executives

The total remuneration of the senior executives of the company and its subsidiaries for the year ended 31 December 2020 amounted to €141,434.

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

Signed on behalf of the board of directors on 27 April 2021 by:



Alfred Pisani
Chairman



Ahmed Wahedi
Director

Statements of total comprehensive income

	Notes	Group		Company	
		2020	2019	2020	2019
		€	€	€	€
Revenue	6, 7	25,595,140	27,260,839	221,618	211,065
Dividend income		-	-	62,144,286	5,000,000
Operating expenses		(5,093,662)	(5,434,017)	-	-
Gross profit		20,501,478	21,826,822	62,365,904	5,211,065
Other income	9	579,466	471,940	464,139	309,362
Administrative expenses		(2,438,886)	(2,243,188)	(649,310)	(620,991)
Marketing expenses		(308,101)	(258,635)	(307,060)	(257,500)
Operating profit		18,333,957	19,796,939	61,873,673	4,641,936
Finance income	10	1,437,449	679,315	23,820	310,862
Finance costs	10	(5,961,077)	(5,512,352)	(4,896,609)	(5,000,200)
Share of gain (loss) of equity accounted investment		3,385	(149,169)	-	-
Profit (loss) before tax	11	13,813,714	14,814,733	57,000,884	(47,402)
Tax (expense) income					
- Current tax	12	(375,662)	(401,476)	(2,144,286)	(1,682,616)
- Deferred tax on fair value of investment property	12	11,847,524	-	-	-
- Deferred tax – other	12	(280,867)	118,339	(249,465)	119,765
Profit (loss) for the year		25,004,709	14,531,596	54,607,133	(1,610,253)
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss					
Fair value through other comprehensive income:					
- current year (losses) gains		-	-	(32,915,805)	19,463,086
Difference on exchange		(607,398)	177,750	(607,398)	177,750
Income tax relating to components of other comprehensive (loss) income	12, 27	(212,589)	62,212	11,520,533	(6,816,744)
Other comprehensive (loss) income for the year, net of tax		(819,987)	239,962	(22,002,670)	12,824,092
Total comprehensive income for the year		24,184,722	14,771,558	32,604,463	11,213,839
Earnings (loss) per share (basic and diluted)	13	0.50	0.30	1.14	(0.03)

Statements of financial position

	Notes	Group		Company	
		2020	2019	2020	2019
		€	€	€	€
Assets					
Non-current					
Intangible assets	14	2,258	2,258	-	-
Property, plant and equipment	15	9,527,699	9,511,292	-	129
Investment property	16	272,567,609	272,541,797	-	-
Investment accounted for using the equity method	17	12,185,778	12,789,791	-	-
Investments in subsidiaries	18	-	-	218,648,120	251,567,310
Investment in associate	17	-	-	12,185,778	12,789,791
		294,283,344	294,845,138	230,833,898	264,357,230
Current					
Inventories	20	1,111,564	1,004,710	-	-
Trade and other receivables	21	4,781,282	5,874,377	35,123,128	2,303,403
Cash and cash equivalents	22	25,700,114	13,158,175	14,589,840	4,608,650
Tax recoverable		773,501	309,362	773,501	309,362
		32,366,461	20,346,624	50,486,469	7,221,415
Total assets		326,649,805	315,191,762	281,320,367	271,578,645
Equity					
Share capital	23	48,002,000	48,002,000	48,002,000	48,002,000
Other components of equity		(1,045,550)	(225,563)	83,505,644	105,508,314
Retained earnings (accumulated losses)		134,709,685	119,704,976	4,922,355	(39,684,778)
Total equity		181,666,135	167,481,413	136,429,999	113,825,536
Liabilities					
Non-current					
Bank and other borrowings	24	5,000,000	5,000,000	-	-
Bonds	25	70,382,973	51,663,464	70,382,973	51,663,464
Shareholders' loan	26	5,203,300	5,203,300	5,203,300	5,203,300
Deferred tax liability	27	24,823,314	36,177,383	44,198,103	55,469,171
Other non-current liabilities	28	3,373,088	2,714,827	-	-
		108,782,675	100,758,974	119,784,376	112,335,935
Current					
Bank borrowings	24	68,048	3,511,077	-	-
Bonds	25	11,950,000	29,407,800	11,950,000	29,407,800
Trade and other payables	28	24,026,372	13,398,929	13,155,992	16,009,374
Lease liability	19	-	116,994	-	-
Current taxation		156,575	516,575	-	-
		36,200,995	46,951,375	25,105,992	45,417,174
Total liabilities		144,983,670	147,710,349	144,890,368	157,753,109
Total equity and liabilities		326,649,805	315,191,762	281,320,367	271,578,645

The financial statements on pages 13 to 54 were approved by the board of directors, authorised for issue on 27 April 2021 and signed on its behalf by:


Alfred Pisani
Chairman


Ahmed Wahedi
Director

Statements of changes in equity

Group

	Share capital €	Other components of equity €	Retained earnings €	Total equity €
Balance at 1 January 2019	48,002,000	(465,525)	105,173,380	152,709,855
Profit for the year	-	-	14,531,596	14,531,596
Other comprehensive income	-	239,962	-	239,962
Total comprehensive income for the year	-	239,962	14,531,596	14,771,558
Balance at 31 December 2019	48,002,000	(225,563)	119,704,976	167,481,413
Balance at 1 January 2020	48,002,000	(225,563)	119,704,976	167,481,413
Profit for the year	-	-	25,004,709	25,004,709
Other comprehensive loss	-	(819,987)	-	(819,987)
Dividend	-	-	(10,000,000)	(10,000,000)
Total comprehensive (loss) income for the year	-	(819,987)	15,004,709	14,184,722
Balance at 31 December 2020	48,002,000	(1,045,550)	134,709,685	181,666,135

Company

	Share capital €	Other components of equity €	Accumulated losses €	Total equity €
Balance at 1 January 2019	48,002,000	92,684,222	(38,074,525)	102,611,697
Loss for the year	-	-	(1,610,253)	(1,610,253)
Other comprehensive income	-	12,824,092	-	12,824,092
Total comprehensive income (loss) for the year	-	12,824,092	(1,610,253)	11,213,839
Balance at 31 December 2019	48,002,000	105,508,314	(39,684,778)	113,825,536
Balance at 1 January 2020	48,002,000	105,508,314	(39,684,778)	113,825,536
Profit for the year	-	-	54,607,133	54,607,133
Other comprehensive loss	-	(22,002,670)	-	(22,002,670)
Dividend declared	-	-	(10,000,000)	(10,000,000)
Total comprehensive (loss) income for the year	-	(22,002,670)	44,607,133	22,604,463
Balance at 31 December 2020	48,002,000	83,505,644	4,922,355	136,429,999

Statements of cash flows

	Notes	Group		Company	
		2020	2019	2020	2019
		€	€	€	€
Operating activities					
Profit (loss) before tax		13,813,714	14,814,733	57,000,884	(47,402)
Adjustments	29	3,735,109	5,159,265	(57,735,507)	(372,160)
Net changes in working capital	29	2,335,338	(711,120)	14,326,893	3,084,330
Tax paid		(360,000)	(486,870)	-	-
Net cash generated from operating activities		19,524,161	18,776,008	13,592,270	2,664,768
Investing activities					
Payments to acquire property, plant and equipment	15	(197,687)	(190,236)	-	-
Payments to acquire investment property	16	(25,812)	(564,967)	-	-
Loan from subsidiary company		-	-	-	11,513,721
Interest received		23,917	2,512	23,820	654
Net cash (used in) generated from investing activities		(199,582)	(752,691)	23,820	11,514,375
Financing activities					
Repayment of bank loan		(2,802,810)	(4,446,391)	-	-
Repayment of shareholders' loan		-	(4,000,000)	-	(4,000,000)
Proceeds from issue of bond		30,530,276	-	30,530,276	-
Repayment of bonds		(29,457,800)	(1,592,200)	(29,457,800)	(1,592,200)
Payments to lease		(116,994)	(122,142)	-	-
Interest paid		(4,997,482)	(5,289,045)	(4,707,067)	(4,814,855)
Net cash used in financing activities		(6,844,810)	(15,449,778)	(3,634,591)	(10,407,055)
Net change in cash and cash equivalents		12,479,769	2,573,539	9,981,499	3,772,088
Cash and cash equivalents, beginning of year		13,077,318	9,853,949	4,608,650	836,324
Cash and cash equivalents before effect of foreign exchange rate changes		25,557,087	12,427,488	14,590,149	4,608,412
Effect of foreign exchange rate changes		74,979	649,830	(309)	238
Cash and cash equivalents, end of year	22	25,632,066	13,077,318	14,589,840	4,608,650

Notes to the financial statements

1 Nature of operations

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

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

2 General information and statement of compliance with IFRSs

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

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

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

2.1 Overall assessment of the impact of Covid-19

Notwithstanding the travel restrictions imposed in consequence of the global pandemic in 2020, the average occupancy at Palm City Residences for 2020 remained stable at 51.7% and comparable with the level of occupancies registered the year before. Given the nature of the leases, which are in their majority medium and long term, and the fact that the subsidiary's clientele have significant vested interests in Libya, management remains relatively optimistic that the business would continue to be resilient and overall resist the negative effects of the pandemic.

3 Going concern

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

At the reporting date the group had a working capital deficiency of €3.8 million and the company had a positive working capital position of €25.4 million (2019 deficiency of : €26.6 million and €38.2 million respectively).

In the case of the group, the significant improvement in the working capital position is primarily due to two bonds which matured in 2020 totalling €29.4 million which were classified as current liabilities as at 31 December 2019. Both bonds were successfully redeemed through the issue of two new bonds, which as at 31 December 2020 are classified as non-current liabilities. As at 31 December 2020, there is a 6% €11.95 million bond which is classified as a current liability as this matures in 2021. The group has been voluntarily setting aside funds, through a sinking fund, to fully cover the redemption of this bond upon its maturity in June 2021.

Also included in current liabilities is a dividend of €10 million which will be settled in instalments, subject to cashflow permitting.

In the case of the company, besides the maturity of bonds and the dividend mentioned above, the positive working capital position was achieved through the declaration of a dividend by its wholly owned subsidiary, Palm City Limited. The dividend declared exceeded a balance payable to the subsidiary such that the current account balance is now due to the company, MIH Plc.

The directors have taken and are still taking various measures to ensure that the group and the company will continue to have adequate levels of cash to sustain its operations.

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

At the date of authorisation of these financial statements, several new, but not yet effective standards, amendments to existing standards and interpretations have been published by the IASB. None of these standards, amendments or interpretations have been adopted early by the group and company.

Management anticipates that all of the relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the group and company's financial statements.

5 Summary of accounting policies

5.1 Overall considerations

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

5.2 Presentation of financial statements

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

5.3 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2020. Subsidiaries are all entities over which the group has power to control the financial and operating policies. MIH p.l.c. obtains and exercises control through voting rights. All subsidiaries have a reporting date of 31 December.

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

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

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

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

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

5.4 Revenue

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

To determine whether to recognise revenue, the group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The group often enters into transactions involving a range of products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers.

The group recognises deferred income for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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

5.5 Investments in associates

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

The carrying amount of the investments in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate. These changes include subsequent

depreciation, amortisation or impairment of the fair value adjustment of assets and liabilities.

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

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

5.6 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

5.7 Operating expenses

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

5.8 Borrowing costs

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

5.9 Employee benefits

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

5.10 Intangible assets

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

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

5.11 Property, plant and equipment

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

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

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

Assets in the course of construction are not depreciated.

In the case of right of use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter.

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

5.12 Investment property

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

Investment property is revalued annually and is included in the statement of financial position at its fair value. This is determined by the directors based either on management's estimates of expected future cash flows or market values. When based on management's estimates of future cash flows, the value of the property is determined by applying a suitable discount rate.

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

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

5.13 Leased assets

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the group;
- the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;

- the group has the right to direct the use of the identified asset throughout the period of use. The group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

The group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The group also assesses the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use asset has been included in property, plant and equipment and lease liabilities disclosed separately.

5.14 Impairment testing of tangible and intangible assets

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

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

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

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

5.15 Investment in subsidiaries

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

5.16 Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the group and the company do not have any financial assets categorised at FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's and the company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

The group and the company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held within a business model whose objective is to hold to collect the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company made the irrevocable election to account for the investment in subsidiaries and associate at FVOCI.

Any gains or losses recognised in other comprehensive income will be recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included FVOCI, trade receivables and contract assets recognised and measured under IFRS 15.

Recognition of credit losses is no longer dependent on the group and company first identifying a credit loss event. Instead the group and company consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The group and company make use of a simplified approach in accounting for trade and other receivables as well as contract assets and record the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group and company use their historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group and company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics. Refer to note 31.1 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

5.17 Inventories

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

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

5.18 Income taxes

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

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

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

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

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

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

5.19 Cash and cash equivalents

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

5.20 Equity, reserves and dividend payments

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

Other components of equity include movements in fair value of financial assets at FVOCI.

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

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

5.21 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the group and company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

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

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

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

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

5.22 Significant management judgement in applying accounting policies and estimation uncertainty

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

The resulting accounting estimates will, by definition, seldom equal actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

The fair value of investment property is determined by using valuation techniques. Further details of the judgements and assumptions made are disclosed in note 16.

This note highlights information about the fair value estimation of the investment property.

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

(a) Income taxes

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

(b) Impairment of trade and other receivables

The group applies the simplified model of recognising lifetime expected credit losses for all trade receivables. In measuring the expected credit losses, the trade receivables are assessed on a collective basis as they possess shared credit characteristics. They have been grouped according to the past due dates and geographical location. The

group has concluded that the expected credit losses for trade receivables is not material.

(c) Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the group and company. The carrying amounts are analysed in note 15. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

(d) Inventories

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

(e) Fair value of investment property

At each reporting date the investment property is revalued by the directors based either on management's estimates of expected future cash flows or market values. The group has not recognised a fair value uplift to the investment property during the year under review. When based on management's estimates of expected future cash flows the value of each property is determined by applying a suitable discount rate.

The group's investment property is situated in Libya which is still experiencing prolonged political instability. The estimated fair values were arrived at using projected cash flows from the operation of the investment property. On the basis of the valuation carried out by the directors, no uplift was recognised in these financial statements. The significant uncertainty which is still prevailing in Libya and the significant judgements surrounding the valuation of the investment property situated in that country render the valuation of any uplift of the property extremely difficult and judgemental.

5.23 Segment reporting

The standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group board of directors.

An operating segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from that of other segments. The operating segments can be classified as investment property rental, income from food and beverages and others.

The group is engaged in the ownership and leasing of its investment property. The group's country of domicile is Malta and the operation is in Libya.

The board of directors assesses performance based on the measure of earnings before interest, tax, depreciation and amortisation (EBITDA).

The group is not required to report a measure of total assets and liabilities for each reportable segment since such amounts are not regularly provided to the chief operating decision maker. However, in accordance with IFRS 8, non-current assets (other than financial instruments and deferred tax assets) are divided into geographical areas in note 6.

6 Segment reporting

	2020 € Libya	2019 € Libya
Revenue (note 1)		
Investment property rental	23,859,425	25,382,932
Income from food and beverages operations	913,654	813,732
Other	822,061	1,064,175
	25,595,140	27,260,839
EBITDA	18,789,724	20,336,008
Depreciation	(181,151)	(177,150)
Segment operating profit	18,608,573	20,158,858
Non current assets (note 2)	273,197,228	273,269,399

During the year, €8,450,347 or 33% (2019: €3,265,307 or 12%) of the group's revenues depended on two (2019: one) single customer/s in the investment property rental segment.

Note 1: Revenue comprises amounts attributable to the group's country of domicile, Malta, amounting to €76,679 (2019: €4,355), Libya, amounting to €12,627,985 (2019: €7,303,953), United States of America, amounting to €3,006,642 (2019: €3,311,712) and other foreign countries amounting to €9,883,834 (2019: €16,640,819).

Note 2: All non-current assets are located in Libya.

7 Revenue

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Income from management fees	-	-	221,618	211,065
Income from residential leases	22,988,300	24,173,170	-	-
Income from commercial leases	871,125	1,209,762	-	-
Income from food and beverage operations	913,654	813,732	-	-
Administration fees	1,510	19,348	-	-
Water, electricity, internet and telephone recharges	378,828	686,257	-	-
Miscellaneous income	441,723	358,570	-	-
	25,595,140	27,260,839	221,618	211,065

8 Staff costs

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Wages and salaries	2,074,220	2,480,867	-	-
Directors' fees and remuneration	141,434	212,505	-	-
Social security costs	165,699	171,100	-	-
	2,381,353	2,864,472	-	-

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

	2020	2019
	No.	No.
Operating	67	61
Administrative	15	24
	82	85

During the years 2020 and 2019, the company did not have any employees.

9 Other income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Tax recovery	464,139	309,362	464,139	309,362
Reversal of provision for bad debts	65,327	37,578	-	-
Creditors write-off	50,000	125,000	-	-
	579,466	471,940	464,139	309,362

10 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Interest receivable on short term deposits	256	2,512	159	654
Interest charged on loan to subsidiary company		-	-	-
Other interest	23,661	-	23,661	-
Difference on exchange	1,413,532	676,803	-	310,208
Finance income	1,437,449	679,315	23,820	310,862
Interest on bonds	4,428,293	4,409,475	4,428,293	4,409,475
Interest charged on loan from shareholders	278,774	405,380	278,774	405,380
Bank interest	86,680	262,480	-	-
Interest on other loans	200,000	200,000	-	-
Difference on exchange	772,279	12,962	309	-
Interest expense – lease liability	3,735	11,710	-	-
Other finance costs	-	62,235	-	62,235
Amortisation of borrowing costs	2,083	25,000	-	-
Amortisation of bond issue costs	189,233	123,110	189,233	123,110
Finance costs	5,961,077	5,512,352	4,896,609	5,000,200

11 Profit (loss) before tax

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Depreciation of property, plant and equipment	181,280	177,280	129	130
Auditor's remuneration				
- Annual statutory audit	26,400	25,550	9,500	9,250

12 Tax income (expense)

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Profit (loss) before tax	13,813,714	14,814,733	57,000,884	(47,402)
Tax rate	35%	18.75%	35%	35%
Expected tax (expense) income	(4,834,800)	(2,777,762)	(19,950,309)	16,591
Adjustment for non-deductible expenses	(165,730)	(1,768,543)	(67,819)	(1,755,103)
Adjustment for income not subject to tax	4,718,003	2,785,773	17,624,377	175,661
Adjustment for tax rate differences	(270)	1,758,511	-	-
Overprovision of deferred tax	11,849,251	-	-	-
Unabsorbed losses	-	(281,116)	-	-
Unrelieved foreign tax	(375,459)	-	-	-
Actual tax income (expense), net	11,190,995	(283,137)	(2,393,751)	(1,562,851)
Comprising:				
Current tax	(375,662)	(401,476)	(2,144,286)	(1,682,616)
Deferred tax on gain on fair value of investment property	11,847,524	-	-	-
Deferred tax on unabsorbed capital allowances and unused tax losses	(280,867)	118,339	(249,465)	119,765
Tax income (expense)	11,190,995	(283,137)	(2,393,751)	(1,562,851)
Deferred tax income (expense), recognised directly in other comprehensive income	(212,589)	62,212	11,520,533	(6,816,744)

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

13 Earnings (loss) per share

The calculation of earnings per share is based on the net profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares (2020 and 2019: 48,002,000) outstanding during the year. There was no dilution of share capital during the reporting periods presented.

14 Intangible asset

Trademarks

Group	2020	2019
	€	€
Carrying amount		
At 1 January and 31 December	2,258	2,258

15 Property, plant and equipment

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

Group

	Asset in the course of construction €	Computer equipment €	Computer software €	Motor vehicles €	Office furniture and equipment €	Tools €	Machinery and equipment €	Right of use asset €	Total €
Gross carrying amount									
At 1 January 2019	8,681,786	234,065	217,350	169,004	526,549	119,752	601,133	-	10,549,639
Additions	101,775	17,492	-	50,349	16,327	-	4,293	-	190,236
Adjustment on transition to IFRS 16	-	-	-	-	-	-	-	638,897	638,897
Re-classifications	-	(4,291)	-	-	9,500	298	(9,798)	-	(4,291)
At 31 December 2019	8,783,561	247,266	217,350	219,353	552,376	120,050	595,628	638,897	11,374,481
Depreciation									
At 1 January 2019	-	228,048	206,548	112,528	523,622	119,661	495,502	-	1,685,909
Depreciation for the year	-	4,882	6,364	26,836	7,421	199	4,397	127,181	177,280
At 31 December 2019	-	232,930	212,912	139,364	531,043	119,860	499,899	127,181	1,863,189
Carrying amount at 31 December 2019	8,783,561	14,336	4,438	79,989	21,333	190	95,729	511,716	9,511,292
Gross carrying amount									
At 1 January 2020	8,783,561	247,266	217,350	219,353	552,376	120,050	595,628	638,897	11,374,481
Additions	114,519	83,168	-	-	-	-	-	-	197,687
Disposals	-	-	-	(28,977)	(13,000)	-	(117,558)	-	(159,535)
At 31 December 2020	8,898,080	330,434	217,350	190,376	539,376	120,050	478,070	638,897	11,412,633
Depreciation									
At 1 January 2020	-	232,930	212,912	139,364	531,043	119,860	499,899	127,181	1,863,189
Depreciation for the year	-	8,768	2,959	29,334	9,721	190	3,108	127,200	181,280
Release on disposal	-	-	-	(28,977)	(13,000)	-	(117,558)	-	(159,535)
At 31 December 2020	-	241,698	215,871	139,721	527,764	120,050	385,449	254,381	1,884,934
Carrying amount at 31 December 2020	8,898,080	88,736	1,479	50,655	11,612	-	92,621	384,516	9,527,699

Company	Computer equipment €
Gross carrying amount	
At 1 January 2019 and 31 December 2020	6,033
Depreciation	
At 1 January 2019	5,774
Depreciation for the year	130
At 31 December 2019	5,904
Carrying amount at 31 December 2019	129
Gross carrying amount	
At 1 January 2019 and 31 December 2020	6,033
Depreciation	
At 1 January 2020	5,904
Depreciation for the year	129
At 31 December 2020	6,033
Carrying amount at 31 December 2020	-

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

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

16 Investment property

Group

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

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

	2020 €	2019 €
Carrying amount as at 1 January	272,541,797	271,976,830
Capitalisation of project related expenses	25,812	564,967
Carrying amount as at 31 December	272,567,609	272,541,797

Investment property valued at €272,567,609 (2019: €272,541,797) was pledged as security for related borrowings. Although these borrowings have been fully repaid, the relative cancellation of the mortgage encumbering the investment property has not occurred as at the date of the sign-off of these financial statements.

Rental income for 2020 amounting to €23,859,425 (2019: €25,382,932) is included within 'revenue'. No contingent rents were recognised. Direct operating expenses of €5,093,662 (2019: €5,434,017) were reported within 'operating expenses'.

The fair value of the investment property was determined by discounting the forecast future cash flows generated by Palm City Residences for the remaining period of 51 years of the Build-Operate-Transfer agreement signed between Corinthia Palace Hotel Company Limited and Palm City Ltd in 2007. In the previous reporting period, a valuation exercise was carried out by the directors to determine the fair value of the investment property, and a composite pre-tax discount rate of 12.52% in real terms was applied to the projected cash flows.

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

During the last year, there were no major changes when it comes to the political situation of Libya. Provided that uncertainties are still persistent, the situation in Libya is still considered to be relatively unstable at the moment. As such, given the aforementioned situation management have decided to slightly increase last year's country risk premium. In the current exercise, the country risk premium used was 11.47% (equivalent to 8.72% post-tax (2019: 10.1% equivalent to 7.7% post-tax)). The valuation also assumes a gradual linear reduction in country risk as from 2023 onwards, to settle at pre-tax rate of 4.7% by 2030. In March 2021, Libya's parliament endorsed a new, unified government, and the two previous rival governments agreed to dissolve. This transitional government is due to stay in power until the end of 2021, when national presidential and legislative elections will take place.

Previous valuations of the property had factored in a property risk premium of 1.25% and a BOT premium of 1% in the computation of the discount rate. This has been kept at the same level for the current valuation.

The operating performance of the asset has remained relatively stable when compared to last year even when taking into account the level of uncertainty brought about by the COVID-19 pandemic. Given this, management have decided to decrease the projection risk premium by 50 basis points amounting to 2.1% (2019: 2.6%).

The composite pre-tax discount rate for the year under review, for all the above inputs, including a risk-free rate of 0.06% (2019: 0.26%) is 12.52% (2019:12.65%).

The valuation arrived at when using all the above inputs, combined with the projected income streams amounts to €293,311,000 (2019: €280,677,000). This figure is €20,743,391 higher than the carrying value of the investment property as at the end of the reporting period.

If the discount rate is increased or decreased by 100 basis points, the fair value of the investment property would decrease and increase by €24 million and €29 million (2019: €22 million and €26 million), respectively.

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

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

	2020	2019
	%	%
Within 1 year	6	13
1-5 years	94	87
	100	100

17 Other investments

17.1 Investment accounted for using the equity method

Group

In the group financial statements, the investment in MTJSC is accounted for using the equity method.

	2020 €	2019 €
Shares in associate company (unquoted)	12,185,778	12,789,791

17.2 Investment in associate

Company

In the company financial statements, the investment in MTJSC is shown as FVOCI. The fair value has been derived based on the latest financial information available.

	2020 €	2019 €
Shares in associate company (unquoted)	12,185,778	12,789,791

The below table sets out the financial information of the associate.

Associate company	Percentage holding in ordinary shares %	Nature of business	Capital and reserves 31.12.2020 €
Medina Tower Joint Stock Company for Real Estate Investment and Development (MTJSC) Suite 107, Tower 2, Level 10 Tripoli Towers, Tripoli, Libya	25	Property development	48,743,112 (LYD80,075,185)

Summarised financial information for MTJSC is as follows:

	2020 €	2019 €
Total assets	49,327,238	51,381,968
Total liabilities	(584,126)	(222,804)
Profit/(loss) for the year	13,540	(596,676)

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

	2020 €	2019 €
Total net assets	48,743,112	51,159,164
Proportion of ownership held by group	25%	25%
Carrying amount of investment	12,185,778	12,789,791

18 Investments in subsidiaries

Company

	Notes	2020 €	2019 €
Shares in subsidiary companies (unquoted)	18.1	211,648,120	244,567,310
Loans to subsidiary companies	18.2	7,000,000	7,000,000
		218,648,120	251,567,310

18.1 Shares in subsidiary companies (unquoted)

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

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

The company pledged 116,490,000 of its ordinary shares in Palm City Ltd as security for the bank borrowings of said company (note 24). Although the bank borrowings were settled in full during the year, the relative cancellation of the share pledge has been completed after the year end but before the date of signing of these financial statements.

18.2 Loan to subsidiary company

The loan to Palm Waterfront Ltd is unsecured, is interest free and is repayable after more than 5 years. The carrying amount of the loans is considered a reasonable approximation of fair value.

19 Leases

Group

Lease liability is presented in the statement of financial position as follows:

	2020 €	2019 €
Lease liability	-	116,994

The group has leases for the right to operate the Palm City Residences and power generators.

On 2 October 2007, Corinthia Palace Hotel Company Limited entered into a Build-Operate-Transfer agreement with Palm City Ltd effective from 6 July 2006. The arrangement, which gives Palm City Ltd the right to operate the Palm City Residences in Janzour, Libya for a period of 65 years, contains a lease element which is classified as an operating lease. The payment for the operating lease element has been estimated at €494,827 on the basis of the original lease granted by the Government of Libya to Corinthia Palace Hotel Company Limited, and is classified as a lease prepayment. At 1 January 2019, the remaining lease prepayment amounting to €384,516 was classified as right-of-use asset under property, plant and equipment (Note 15).

The lease contracts for power generators have a term for one year commencing in 2015 and 2018, both of which have an automatic renewal period for an indefinite term unless otherwise terminated. The lease contracts can be terminated anytime by the lessee by giving the lessor one month notice prior to termination date. At 1 January 2019, management had the intention to lease the power generators up until 31 December 2020. The group classifies its lease as right-of-use asset under property, plant and equipment. Both leases were terminated at the end of the year.

The future minimum lease payments are as follows:

	2020 €	2019 €
<i>Within 1 year</i>		
Lease payments	-	113,083
Finance charges	-	3,911
	<u>-</u>	<u>116,994</u>
	2020 €	2019 €
<i>Within 1-2 years</i>		
Lease payments	-	-
Finance charges	-	-
	<u>-</u>	<u>-</u>

20 Inventories

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

Group	2020 €	2019 €
Food and beverage stocks	39,477	44,011
Electrical materials and spare parts	1,088,948	960,699
Less: Inventory write-off	(16,861)	-
Total inventories	<u>1,111,564</u>	<u>1,004,710</u>

In 2020, a total of €278,324 (2019: €281,659) of inventories was included in profit and loss as an expense.

21 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Trade receivables, gross	3,883,733	5,064,706	-	-
Allowance for credit losses	(344,624)	(195,024)	-	-
Trade receivables	3,539,109	4,869,682	-	-
Amount due by subsidiary	-	-	34,762,792	1,802,708
Amounts due by other related companies	312,548	260,827	262,270	260,827
Accrued income	359,033	156,083	-	-
Financial assets	4,210,690	5,286,592	35,025,062	2,063,535
Advance payments to creditors	132,238	51,962	-	-
VAT refundable	143,552	288,284	98,066	239,868
Deposits	96,978	96,978	-	-
Other prepayments	186,950	119,203	-	-
Other receivables	10,874	31,358	-	-
Non-financial assets	570,592	587,785	98,066	239,868
Total trade and other receivables	4,781,282	5,874,377	35,123,128	2,303,403

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

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

All of the group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision was recorded accordingly. The impaired trade receivables were with respect to rent receivable.

	2020	2019
	€	€
Balance 1 January	195,024	232,602
Reversal of provision for bad debts	(65,327)	(37,578)
Impairment loss	214,927	-
Balance 31 December	344,624	195,024

An analysis of unimpaired trade receivables that are past due is given in note 31.1.

22 Cash and cash equivalents

Cash and cash equivalents include the following components:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Cash at bank and in hand:				
- euro	19,490,719	10,564,209	14,556,121	4,572,178
- Libyan dinar	6,116,722	2,557,011	-	-
- US dollar	82,572	26,281	23,618	25,798
- Pound sterling	10,101	10,674	10,101	10,674
Cash and cash equivalents in the statement of financial position	25,700,114	13,158,175	14,589,840	4,608,650
Bank balance overdrawn (note 24)	(68,048)	(80,857)	-	-
Cash and cash equivalents in the statement of cash flows	25,632,066	13,077,318	14,589,840	4,608,650

The group has a bank deposit amounting to €1,645,024 (2019: €1,679,900) which is specifically designated for security deposits from lessees. This is not available for general use by the group. In 2019, the company had an amount of €250,000 which was being held as security deposit related to a pending court case. This was subsequently released into free cashflow upon the court case being resolved in January 2020.

23 Share capital

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

	Group and Company	
	2020	2019
	€	€
Shares issued and fully paid		
24,001,000 ordinary 'A' shares of €1 each	24,001,000	24,001,000
24,001,000 ordinary 'B' shares of €1 each	24,001,000	24,001,000
	48,002,000	48,002,000
Shares authorised		
50,000,000 ordinary 'A' shares of €1 each	50,000,000	50,000,000
50,000,000 ordinary 'B' shares of €1 each	50,000,000	50,000,000
	100,000,000	100,000,000

24 Bank and other borrowings

Borrowings include the following financial liabilities:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Bank balance overdrawn	68,048	80,857	-	-
Bank loans	-	3,430,220	-	-
Other borrowings	5,000,000	5,000,000	-	-
	5,068,048	8,511,077	-	-
Comprising:				
Long-term borrowings				
- due within 2-5 years	5,000,000	5,000,000	-	-
Borrowing due within 12 months				
- Bank balance overdrawn	68,048	80,857	-	-
- Bank loans	-	3,430,220	-	-
	68,048	3,511,077	-	-

The group's banking facilities as at 31 December 2020 were settled (2019: €3,430,220).

The bank borrowings were secured by a general hypothec over Palm City Ltd's assets and other security documents which, apart from the general hypothec, have all been cancelled after the year end but before the date of signing of these financial statements. These borrowings were subject to floating interest rates. In 2019, the Libyan dinar bank borrowings amounting to €1,685,805 were subject to an effective interest rate of 1.5% over the Central Bank of Libya discount rate, whilst the euro bank borrowings were subject to an effective interest rate of 4%. Syndicate loan repayments made on a semi-annual basis for both the euro bank borrowings and the Libyan dinar bank borrowings, amounted to €910,129 being capital repayment on euro loan and €421,344 – LYD 659,362 (using end of year exchange rate) being capital repayment on Libyan dinar portion.

Other borrowings comprise of a loan from LFICO amounting to €5,000,000 to the group. The loan was advanced to support the group in its corporate needs and working capital requirements. The loan is supported by a corporate guarantee being provided in favour of LFICO by Corinthia Palace Hotel Company Limited (CPHCL).

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

25 Bonds

			Group		Company	
	Notes	Interest rate	2020	2019	2020	2019
			€	€	€	€
Bond IV	25.1	6%	11,950,000	12,000,000	11,950,000	12,000,000
Bond V	25.2	5.5%	-	18,407,800	-	18,407,800
Bond VI	25.3	6%	-	11,000,000	-	11,000,000
Bond VII	25.4	5%	39,793,185	39,663,464	39,793,185	39,663,464
Bond VIII	25.5	5.5%	19,621,192	-	19,621,192	-
Bond IX	25.6	6%	10,968,569	-	10,968,596	-
			82,332,973	81,071,264	82,332,973	81,071,264

Comprising:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Current	11,950,000	29,407,800	11,950,000	29,407,800
Non-current	70,382,973	51,663,464	70,382,973	51,663,464
	82,332,973	81,071,264	82,332,973	81,071,264

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

In 2015, the company issued a €20 million 5.5% bond maturing in 2020 (Bond V) and an €11 million unlisted 6% bond maturing in 2020 (Bond VI). Both bonds were redeemed in full during the year under review.

In 2017, the company issued a €40 million 5% bond maturing in 2022 (Bond VII).

In 2020, the company redeemed Bond V and issued a €20 million 5.5% bond maturing in 2023 (Bond VIII). During the year under review, the company also redeemed Bond VI and issued an €11 million unlisted 6% bond maturing in 2025 (Bond IX).

All of the bonds constitute general, direct, unconditional, unsecured and unsubordinated obligations of the issuer and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations. Redemption of the bonds shall be made at the face value of the bonds. The company also reserves the right to purchase from the market at any time after issue, bonds for cancellation. During the year, the company exercised its right and purchased €50,000 in nominal value of the 5.5% Bonds maturing in 2020 for cancellation in line with the prospectus.

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

25.1 Bond IV

	Group €	Company €
Balance at 31 December 2019	12,000,000	12,000,000
Buy-back and cancellation of bonds	(50,000)	(50,000)
Balance at 31 December 2020	11,950,000	11,950,000

25.2 Bond V

	Group €	Company €
Balance at 31 December 2019	18,407,800	18,407,800
Redemption of bond	(18,407,800)	(18,407,800)
Balance at 31 December 2020	-	-

25.3 Bond VI

	Group €	Company €
Balance at 31 December 2019	11,000,000	11,000,000
Redemption of bond	(11,000,000)	(11,000,000)
Balance at 31 December 2020	-	-

25.4 Bond VII

	Group €	Company €
At 31 December 2019	39,663,464	39,663,464
Amortisation of transaction costs	129,721	129,721
Balance at 31 December 2020	39,793,185	39,793,185

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

25.5 Bond VIII

	Group €	Company €
Proceeds from issue	19,564,353	19,564,353
Amortisation of transaction costs	56,839	56,839
Balance at 31 December 2020	19,621,192	19,621,192

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

25.6 Bond IX

	Group €	Company €
Proceeds from issue	10,965,923	10,965,923
Amortisation of transaction costs	2,673	2,673
Balance at 31 December 2020	10,968,596	10,968,596

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

26 Shareholders' loan

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

27 Deferred tax liability

Group

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

	2020	2019
	€	€
Non-current assets		
Investment property	25,858,540	37,706,065
Unused tax losses and capital allowances	(1,224,973)	(1,474,548)
Other temporary differences	189,747	(54,134)
	24,823,314	36,177,383

The movement can be analysed as follows:

Movement for the year	11,354,069	180,551
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Recognised directly in equity:

Deferred tax relating to difference on exchange	(212,589)	62,212
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Recognised in profit or loss:

Deferred tax on investment property	11,847,524	-
Deferred tax on unabsorbed capital allowances and unused tax losses	(249,575)	120,002
Deferred tax on other temporary differences	(31,291)	(1,663)
	11,354,069	180,551

Company

	2020	2019
	€	€
Non-current assets		
Investment in subsidiaries and associate	45,266,165	56,999,287
Unused tax losses and capital allowances	(1,224,973)	(1,474,548)
Other temporary differences	156,911	(55,568)
	44,198,103	55,469,171

	2020	2019
	€	€
The movement can be analysed as follows:		
Movement for the year	11,271,068	(6,696,979)

Recognised directly in equity

Deferred tax on gain on fair value of investment in subsidiaries and associate	11,520,533	(6,816,744)
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Recognised in profit or loss

Deferred tax on other temporary difference	(249,465)	119,765
	11,271,068	(6,696,979)

See note 12 for information on the group's and the company's tax income (expense).

28 Trade and other payables

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Non-current				
Security deposit	2,402,228	2,075,347	-	-
Taxation	970,860	639,480	-	-
Total non-current	3,373,088	2,714,827	-	-
Current				
Trade payables	959,301	741,421	101,306	3,296
Capital creditors	25,000	75,000	-	-
Amounts owed to shareholder	707,593	680,084	707,593	680,084
Amounts owed to subsidiary company	-	-	-	13,176,386
Amounts owed to other related companies	469,306	497,577	425	1,307
Dividend payable	10,000,000	-	10,000,000	-
Accrued expenses	4,454,988	4,412,423	2,038,116	1,982,655
Financial liabilities	16,616,188	6,406,505	12,847,440	15,843,728
Deferred income	5,764,145	5,340,944	-	-
Security deposits	1,026,371	1,218,207	-	-
Other payables	619,668	433,273	308,552	165,646
Non-financial liabilities	7,410,184	6,992,424	308,552	165,646
Total current	24,026,372	13,398,929	13,155,992	16,009,374
Total trade and other payables	27,399,460	16,113,756	13,155,992	16,009,374

Amounts owed to shareholder, subsidiary and other related companies are unsecured, interest free and repayable on demand.

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

29 Cash flow adjustments and changes in working capital

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Adjustments:				
Depreciation	181,280	177,280	129	130
Interest receivable	(23,917)	(2,512)	(23,820)	(654)
Interest payable	4,997,482	5,289,045	4,707,067	4,814,855
Amortisation of borrowing costs	2,083	25,000	-	-
Amortisation of bond issue costs	189,233	123,110	189,233	123,110
Difference on exchange	(1,259,989)	(129,887)	309	(239)
Increase (decrease) in allowance for credit losses	149,600	(37,578)	-	-
Dividend income	-	-	(62,144,286)	(5,000,000)
Other income – tax recovery	(464,139)	(309,362)	(464,139)	(309,362)
Other income – creditor write off	(50,000)	(125,000)	-	-
Share in net (gain) loss in investment	(3,385)	149,169	-	-
Inventories write-off	16,861	-	-	-
Total adjustments	3,735,109	5,159,265	(57,735,507)	(372,160)
Net changes in working capital:				
Change in trade and other receivables	1,282,852	(1,904,803)	14,003,889	(200,158)
Change in trade and other payables	1,176,201	1,250,629	323,004	3,284,488
Change in inventories	(123,715)	(56,946)	-	-
Total changes in working capital	2,335,338	(711,120)	14,326,893	3,084,330

30 Related party transactions

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

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

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

30.1 Transactions with related parties

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Consultancy and other services charged to subsidiary	-	-	(221,618)	(211,065)
Interest charged by shareholder	278,774	405,380	278,774	405,380
Consultancy and other fees paid to related parties	468,881	411,211	-	-
Services and expenses recharged to related companies	42,425	-	-	-

Balances with related parties are disclosed in notes 17, 18, 21, 26 and 28.

31 Financial instrument risk

Risk management objectives and policies

Credit risk is the risk that a counterparty fails to discharge an obligation to the group and the company. The group and company are exposed to various risks in relation to financial instruments. The group and company's financial assets and liabilities by category are summarised in note 31.4. The main types of risks are credit risk, liquidity risk and market risk.

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

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

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

31.1 Credit risk analysis

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

	Notes	Group		Company	
		2020	2019	2020	2019
		€	€	€	€
Classes of financial assets - carrying amounts					
Shares in subsidiary companies	18	-	-	211,648,120	244,567,310
Shares in associate company	17	-	-	12,185,778	12,789,791
Loans to subsidiary company	18	-	-	7,000,000	7,000,000
Trade and other receivables	21	4,210,690	5,286,592	35,025,062	2,063,535
Cash and cash equivalents	22	25,700,114	13,158,175	14,589,840	4,608,650
		29,910,804	18,444,767	280,448,800	271,029,286

The credit risk is managed based on the group's and company's credit risk management policies and procedures.

Bank balances at year end are mainly held with a local financial institution which has a credit rating by an international credit rating agency, Standard & Poor's of BBB. Such rating translates into an immaterial expected credit loss. Included in cash and cash equivalents is an amount of €6,116,722 (2019: €2,557,011) which is held in Libyan banks for which no credit rating is available.

The company continuously monitors defaults and the credit quality of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties. The standard credit terms given to customers is 60 days. The credit terms as negotiated with customers are subject to an internal review process. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Trade receivables consist of a large number of customers in various industries.

Trade receivables

The group applies IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

Based on the length of time a trade receivable is outstanding, customer's payment history as well as current and forward-looking information on macroeconomic factors affecting the customer's ability to pay, management concluded that the credit quality of trade receivables including those that are past due but not impaired to be good. Furthermore, the company has taken a full provision against old balances due from local government entities, such that the trade debtors primarily consist of government and non-government agencies situated outside of Libya. Over and above this, there is an amount of €5.7 million (2019: €5.3 million) in deferred income and €3.4 million (2019: € 3.3 million) held in security deposits. Credit risk for trade receivables is considered low and expected credit losses for trade receivables are not material.

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

	2020 €	2019 €
Not more than 30 days	234,595	336,106
More than 30 days but not more than 120 days	1,699,515	2,448,306
More than 120 days	1,604,999	2,085,270
Total	3,539,109	4,869,682

31.2 Liquidity risk

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

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

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

As at 31 December 2020, the group's and the company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Group

	Current		Non-current	
	within 6	6 to 12	2 to 5	later than
	months	months	years	5 years
31 December 2020	€	€	€	€
Other borrowings	-	-	5,000,000	-
Interest on bank loan	-	1,419,643	-	-
Interest on other borrowings	200,000	-	200,000	-
Bonds in issue	11,950,000	-	70,382,973	-
Interest on bonds in issue	717,000	3,760,000	6,840,000	-
Bank balance overdrawn	68,048	-	-	-
Trade and other payables	959,301	11,889,069	-	-
Shareholders' loan	-	-	5,203,300	-
	13,894,349	17,068,712	87,626,273	-

Company

	Current		Non-current	
	within 6	6 to 12	2 to 5	later than
	months	months	years	5 years
31 December 2020	€	€	€	€
Bonds in issue	11,950,000	-	70,382,973	-
Interest on bonds in issue	717,000	3,760,000	6,840,000	-
Trade and other payables	101,306	10,776,596	-	-
Shareholders' loan	-	-	5,203,300	-
	12,768,306	14,536,596	82,426,273	-

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

Group

	Current		Non-current	
	within 6	6 to 12	2 to 5	later than
	months	months	years	5 years
31 December 2019	€	€	€	€
Bank loan	2,165,758	1,264,461	-	-
Other borrowings	-	-	5,000,000	-
Interest on bank loan	28,686	1,424,174	-	-
Interest on other borrowings	200,000	-	400,000	-
Bonds in issue	-	29,407,800	51,663,464	-
Interest on bonds in issue	741,422	3,672,429	4,720,000	-
Bank balance overdrawn	80,857	-	-	-
Trade and other payables	720,000	2,096,534	-	-
Shareholders' loan	-	-	5,203,300	-
	3,936,723	37,865,398	66,986,764	-

Company

	Current		Non-current	
	within 6	6 to 12	2 to 5	later than
	months	Months	years	5 years
31 December 2019	€	€	€	€
Bonds in issue	-	29,407,800	51,663,464	-
Interest on bonds in issue	720,000	3,672,429	4,720,000	-
Trade and other payables	3,296	13,906,051	-	-
Shareholders' loan	-	-	5,203,300	-
	723,296	46,986,280	61,586,764	-

31.3 Market risk analysis

Foreign currency risk

Group

Exposure to currency exchange rates mainly arises from certain transactions and payments denominated in Libyan dinars. Cash inflows and cash outflows in foreign currency are matched at subsidiary level, hence, the group is only exposed to foreign currency risk as shown below.

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

	Short term	Long term
	LYD	LYD
	€	€
31 December 2020		
Financial assets	8,606,289	-
Financial liabilities	(3,548,082)	-
Total exposure	5,058,207	-
31 December 2019		
Financial assets	7,352,226	-
Financial liabilities	(2,363,342)	-
Total exposure	(4,988,884)	-

The following table illustrates the sensitivity of the net result for the year in regards to the group's financial liabilities and the LYD/euro exchange rate.

The following table assumes a +/- 5% change of the LYD/euro exchange rate at year end (2019: 1%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the group's foreign currency financial instruments held at the end of the reporting period.

If the euro had strengthened or weakened against the LYD by 5% (2019: 1%), then this would have had the following impact on the net result for the year.

	Net result for the year LYD €
31 December 2020	+ / - 252,910
31 December 2019	+ / - 49,889

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

Interest rate risk

The group's exposure to interest rate risk is limited to the variable interest rate of borrowings. The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of + / - 100 basis points (2019: +/-100 basis points) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the group's financial instruments held at each reporting date. All other variables are held constant.

	2020 €		2019 €	
	+ 100 basis points	-100 basis points	+ 100 basis points	-100 basis points
Net result for the year	-	-	34,302	(34,302)

31.4 Categories of financial assets and liabilities

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

	Notes	Group		Company	
		2020 €	2019 €	2020 €	2019 €
Financial assets					
Investments					
- Shares in subsidiary company	18	-	-	211,648,120	244,567,310
- Shares in associate company	17	-	-	12,185,778	12,789,791
- Loans to subsidiary companies	18	-	-	7,000,000	7,000,000
		-	-	230,833,898	264,357,101
Loans and receivables					
- Trade and other receivables	21	4,210,690	5,286,592	35,025,062	2,063,535
- Cash and cash equivalents	22	25,700,114	13,158,175	14,589,840	4,608,650
		29,910,804	18,444,767	49,614,902	6,672,185

Financial liabilities

Financial liabilities measured at amortised cost

Non-current

- Borrowings	24	5,000,000	5,000,000	-	-
- Bonds	25	70,382,973	51,663,464	70,382,973	51,663,464
- Shareholders' loan	26	5,203,300	5,203,300	5,203,300	5,203,300
		80,586,273	61,866,764	75,586,273	56,866,764

Current

- Borrowings	24	68,048	3,511,077	-	-
- Bonds	25	11,950,000	29,407,800	11,950,000	29,407,800
- Trade and other payables	28	16,616,188	6,406,505	12,847,440	15,843,728
		28,634,236	39,325,382	24,797,440	45,251,528

See note 5.16 for a description of the accounting policies for each category of financial instruments. The fair values are presented in the related notes. A description of the group's risk management objectives and policies for financial instruments is given in note 34.

32 Fair value measurement

32.1 Fair value measurement of financial instruments

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

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

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

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

Company

31 December 2020	Level 1	Level 2	Level 3
	€	€	€
Financial assets			
Fair value through other comprehensive income (a)	-	-	223,833,898
31 December 2019	Level 1	Level 2	Level 3
	€	€	€
Financial assets			
Fair value through other comprehensive income (a)	-	-	257,357,101

Measurement of fair value

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

Financial assets at fair value through other comprehensive income

- a) Fair value information for these financial assets has been obtained from the latest available financial information. In prior year, these were classified as AFS.

Level 3 fair value measurements

The reconciliation of the carrying amounts of financial assets at fair value through other comprehensive income classified within Level 3 is as follows:

Company	2020 €	2019 €
Balance at 1 January	257,357,101	237,716,264
Gain recognised in other comprehensive income	(33,526,588)	19,790,006
Other movement	3,385	(149,169)
Balance at 31 December	223,833,898	257,357,101

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

32.2 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2020 and 31 December 2019.

Group

31 December 2020	Level 1 €	Level 2 €	Level 3 €
Investment property	-	-	272,567,609
31 December 2019	Level 1 €	Level 2 €	Level 3 €
Investment property	-	-	272,541,797

The fair value of the subsidiary's investment property is estimated based on a valuation exercise carried out by the directors. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors at each reporting date. During the year under review, the valuation arrived at when using these inputs amounted to €293,311,000 (see note 16).

33 Capital management policies and procedures

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

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

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

34 Post-reporting date events

On the 16th December 2020, the Central Bank of Libya issued a statement regarding an exchange rate modification to come into effect as from 3rd January 2021. The Libyan Dinar was modified to equate to 4.48 Dinars to the US Dollar. On this day, Lyd5.4416 was equal to €1. (31/12/2020 rate was Lyd1.6428 to the €1). The group has certain assets and liabilities denominated in Libyan Dinars, and the net exposure to Libyan Dinars is as follows:

	Original currency Lyd	Unrealised gain (loss) 03/01/21 €
Financial assets:		
Loss on Investment in Medina Towers – through OCI	20,018,796	(8,506,934)
Financial assets and liabilities:		
Cash and bank balances	10,047,328	(4,269,586)
Creditors and accruals	(5,828,789)	2,476,928
Debtors	4,091,083	(1,738,495)
Loss on exchange through Income statement	8,309,622	(3,531,153)

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

Independent auditor's report

To the shareholders of Mediterranean Investments Holding p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mediterranean Investments Holding plc (the “Company”) and of the Group of which it is the parent, set out on pages 13 to 54, which comprise the statements of financial position as at 31 December 2020, and the statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the “Act”).

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. Total remuneration payable to the parent company's auditors in respect of the audit of the group's and company's financial statements amounted to €26,400 (2019: €25,550) and €9,500 (2019: €9,250) respectively. Other fees payable to the parent company's auditors in respect of tax compliance services rendered to the group and the company amounted to €3,575 (2019: €3,250) and € (2019: €1,950) respectively.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group's going concern and significant uncertainty

Key audit matter

The political situation in Libya, which has remained unstable during the year under review, and the ongoing COVID-19 pandemic are a cause of significant uncertainty. Given that the Group's business is entirely conducted in Libya, we placed special focus on the Group's assets in that country. These comprise the Palm City Residences with a carrying amount of €272 million, land under construction owned by Palm Waterfront Ltd with a carrying amount of €8.8 million and a 25% holding in an associate carried at €12.1 million which in turn owns land in Tripoli, Libya earmarked for development.

At balance sheet date the Group had net current liabilities amounting to €3.8 million which is primarily due to an €11.9 million bond maturing in 2021 and which is classified as a current liability. This deficiency also warrants specific audit focus. The future performance and the fair value of group's property assets are heavily dependent on how the political situation in Libya and the COVID-19 pandemic will develop and on the time required for the situation to return to normality.

The directors are continuing to monitor the situation in Libya closely and are taking immediate and appropriate action in the best interests of all stakeholders. Palm City Residences is still fully operational. Moreover, the directors confirm that all the existing signed contracts are still in full force and effect. Furthermore, as explained in note 3 to these financial statements the directors have taken and are still taking various measures to ensure that the Group will continue to have adequate levels of cash to sustain its operations and to meet its obligations as they fall due.

However, different scenarios in terms of the future political landscape in Libya are plausible, which scenarios, negative and positive, could significantly influence the timing and amount of projected cash flows.

How the key audit matter was addressed in our audit

We reviewed the plans prepared by management showing how the working capital deficiency of the Group is to be addressed. As part of this process we reviewed cash flow projections prepared by management.

We attended meetings with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions relating to the Group's plans. We also assessed the adequacy of the disclosures made in Note 3, Going concern, which we consider to be of fundamental importance to the users' understanding of the going concern assumption underlying the preparation of these financial statements.

Based on the audit work done, we concluded that management's use of the going concern assumption in the preparation of the financial statements is appropriate.

In addition to the above procedures we have also conducted the procedures explained in the following Key Audit Matter for the valuation of investment property.

Valuation of investment property of the Group

Key audit matter

One of the subsidiaries of the Group has a property situated in Zanzour, Libya, held under a 65-year Build, Operate and Transfer agreement. The property consists of a number of individual units within a gated complex. The units were constructed to be leased out under short-term and long-term leases to third parties for use as accommodation. At 31 December 2020 the property is carried at €272 million.

Management has conducted an internal valuation of the property as at 31 December 2020. This valuation is based on the projected rental income streams discounted to present value. The underlying assumptions consist of the projected rental rates and occupancy levels of the units and take into consideration contracted rates for units that are leased out.

The valuation of the subsidiary's investment property is inherently subjective mainly due to the judgemental nature of the factors used in arriving at the value. Moreover, the property is situated in Libya which is still passing through a period of great uncertainty. The significance of the estimates made, the judgement involved and the uncertainty in Libya could result in a material misstatement. Consequently, this warrants specific audit focus.

How the key audit matter was addressed in our audit

We obtained an understanding of the methodology used by management to arrive at the valuation of the property at 31 December 2020 and tested the arithmetical accuracy of the workings. We also agreed the information in the valuation report to the accounting records.

We engaged our internal specialist resources to review and challenge the valuation methodology and the underlying assumptions.

We attended meetings with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions.

We assessed the adequacy of the disclosures made in Notes 5.22 (f) and 16 of the financial statements including those regarding the key assumptions.

Based on the audit work done we concluded that the carrying amount of the investment property falls within a reasonable range of values.

The significant uncertainty in Libya and the significant judgements surrounding the valuation of the Group's Investment Property situated in that country render the fair valuation of the property extremely difficult and judgemental. We consider this matter to be of fundamental importance to the users' understanding of these financial statements because should the assumptions underlying the valuation not materialise the fair value of the investment property which, at 31 December 2020 is carried at €272 million would vary significantly.

Other information

The directors are responsible for the other information. The other information comprises the (i) Chairman's Statement, (ii) the Directors' report, (iii) the Statement by the Directors on the Financial Statement and Other Information included in the Annual Report, (iv) the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance and (v) Other Disclosures in terms of the Listing Rules (amend as required) which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, including the Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the Directors' report has been prepared in accordance with the Act.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The directors are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In terms of article 179A(4) of the Act, the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority (the "Listing Rules") require the directors to prepare and include in their Annual Report a Corporate governance statement 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 us, as the auditor of the Company, to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance with the Code of Principles of Good Corporate Governance 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 with the Code of Principles of Good Corporate Governance 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 Corporate governance statement set out on pages 6 to 10 has been properly prepared in accordance with the requirements of the Listing Rules.

Other matters on which we are required to report by exception

We also have responsibilities

- under the Companies Act, Cap 386 to report to you if, in our opinion:

- - 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.
- in terms of Listing Rules to review the statement made by the Directors 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.

Auditor tenure

We were first appointed as auditors of the Company and the Group when the Company was registered on 12 December 2005 and our first audit was for the period ended 31 December 2006. Our appointment has been renewed annually by shareholders' resolutions representing a total period of uninterrupted engagement appointment of 14 years. The Company first issued listed securities on the Malta Stock Exchange on 7 November 2007.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
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27 April 2021