Mediterranean Investments Holding p.l.c.

# COMPANY ANNOUNCEMENT

## Group Half-Yearly Report

The Board of Directors of Mediterranean Investments Holding p.l.c. has approved the attached Group Half-Yearly Report for the period ending 30th June 2014.

This report can also be viewed on the Company's website www.mihplc.com.

Stephen Bajada
Company Secretary

29th August 2014

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Company Registration Number: C37513

Mediterranean Investments Holding p.l.c.

# GROUP HALF-YEARLY FINANCIAL REPORT

*For the Period 1 January to 30 June 2014*

**Condensed Income Statement**

| | Unaudited 1 January to 30 June 2014 € | Unaudited 1 January to 30 June 2013 € |
|---|---|---|
| Revenue | 16,348,347 | 15,720,054 |
| Operating expenses | (3,362,999) | (2,428,376) |
| Gross profit | 12,985,348 | 13,291,678 |
| Marketing expenses | (17,647) | (131,998) |
| Administrative expenses | (800,830) | (1,066,758) |
| Operating Profit | 12,166,871 | 12,092,922 |
| Finance income | 53,929 | 698,916 |
| Finance costs | (4,173,451) | (4,054,546) |
| Fair value gain/(loss) on interest rate swap | (21,305) | 135,500 |
| **Profit before income tax** | **8,026,045** | **8,872,792** |
| Tax expense | (697,528) | (418,282) |
| **Profit for the period** | **7,328,516** | **8,454,510** |
| **Basic profit (loss) per share** | **0.153** | **0.176** |

**Condensed Balance Sheet**

| | Unaudited At 30 June 2014 € | Audited At 31 December 2013 € |
|---|---|---|
| **ASSETS** | | |
| Non-current | 334,552,624 | 332,385,182 |
| Current | 25,500,862 | 18,521,771 |
| **Total assets** | **360,053,486** | **350,906,953** |
| **EQUITY** | | |
| **Total equity** | **173,468,047** | **166,139,531** |
| **LIABILITIES** | | |
| Non-current | 152,015,790 | 145,035,218 |
| Current | 34,569,649 | 39,732,204 |
| **Total liabilities** | **186,585,439** | **184,767,422** |
| **Total equity and liabilities** | **360,053,486** | **350,906,953** |

**Consolidated Statement of Changes in Equity**

| | Share capital € | Other components of equity € | Retained earnings € | Total € |
|---|---|---|---|---|
| At 1 January 2013 | 48,002,000 | 46,320 | 104,344,970 | 152,393,290 |
| Profit for the period | - | - | 8,454,510 | 8,454,510 |
| Disposal of available-for-sale financial assets | - | (46,320) | - | (46,320) |
| At 30 June 2013 | 48,002,000 | - | 112,799,480 | 160,801,480 |
| Profit for the period | - | | 5,338,051 | 5,338,051 |
| At 31 December 2013 | 48,002,000 | - | 118,137,531 | 166,139,531 |
| Profit for the period | - | - | 7,328,516 | 7,328,516 |
| **At 30 June 2014** | **48,002,000** | **-** | **125,466,047** | **173,468,047** |

**Condensed Statement of Cash Flows**

| | 1 January to 30 June 2014 € | 1 January to 31 December 2013 € |
|---|---|---|
| Net cash from operating activities | 10,718,491 | 22,527,554 |
| Net cash used in investing activities | (2,238,771) | (9,941,929) |
| Net cash used in financing activities | (5,827,293) | (15,110,924) |
| **Net decrease in cash and cash equivalents** | **2,652,427** | **(2,525,299)** |
| Cash and cash equivalents at beginning of period | 10,289,455 | 12,814,754 |
| **Cash and cash equivalents at end of period** | **12,941,882** | **10,289,455** |

## Selected Explanatory Notes

**Basis of Preparation**

The published figures have been extracted from the unaudited management financial statements for the six months ended 30 June 2014 and its comparative period in 2013. Comparative balance sheet information as at 31 December 2013 has been extracted from the audited financial statements for the year ended on that date. This report is being published in terms of Listing Rule 5.74 issued by the Malta Financial Services Authority - Listing Authority, and has been prepared in accordance with the applicable Listing Rules and the International Accounting Standard 34, "Interim Financial Reporting". The financial statements published in this Half-Yearly Report are condensed in accordance with the form and content requirements of this standard. In terms of Listing Rule 5.75.5 the Directors are stating that this Half-Yearly Financial Report has not been audited or reviewed by the Company's independent auditors.

**Accounting Policies**

The accounting policies adopted in the preparation of the Group's Half-Yearly Report are the same as those adopted in the preparation of the audited financial statements for the year ended 31 December 2013 and therefore in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Companies Act, 1995.

**Principal Activities**

The principal activity of the Group is to directly or indirectly acquire and develop real estate opportunities in North Africa and invest in any related trade and business venture.

**Review of performance**

During the period under review, the Group secured improved revenues at €16,348,347, an encouraging 4% increase over the same period last year when revenue stood at €15,720,054. Meanwhile, the operating profit of €12,166,871 for the period under review was more or less at par with last year when operating profit stood at €12,092,922. The reduction in operating profit is mainly attributed to an increase in operating costs brought about by the rental of generators to ensure an uninterrupted power supply to tenants and new contracted services agreements entered into for the upkeep of the Palm City Residences. The profit after tax for the period amounted to €7,328,516 (2013 - Profit after tax- €8,454,510). The profit after tax for the corresponding period last year included finance income amounting to €698,916 which consisted mainly of a provision for unrealised gain on exchange and also interest due on a related party loan. During the current period rather than booking a provision for exchange gains, a provision for an exchange loss was made due to the fluctuations in the currencies affecting the Group. Furthermore, the interest receivable on a related party loan is very low since the loan was settled at the beginning of the current year.

**State of Affairs**

During the period under review, the Company's operational subsidiary Palm City Limited continued to concentrate its energy and focus to secure near-full occupancy levels. As at 30 June 2014 leased units amounted to 388 units out of 413, which amounts to an occupancy rate of 93.9%. There has also been a systematic shift towards longer-term leases, mainly arising from the reduced presence of NGOs which one typically considers as a short/medium term rental transient trade. This is in line with the Group's strategy to increase long-term lettings providing Palm City added stability and future income visibility.

In June 2014 the Company successfully managed to issue a seven-year bond for €12,000,000 at a coupon rate of 6% per annum. The proceeds from the new bond will be used to partly finance the redemption of the outstanding amount of the first bond issued in 2007, which will mature on 4 December 2014 and which as at the date of this report stands at €14,757,659. The balance of €2,757,659 will be met out of the Company's cashflow.

**Outlook**

The first six months of 2014 proved to be successful on several counts, perhaps most notably on account of the longer term leases that Palm City has managed to secure, converting the dependence on the more lucrative short term leases to a more stable long term revenue stream. This has worked to the advantage of Palm City in that whilst clients have physically evacuated the compound because of the conflict that has ensued during July and August, none of the clients have, as yet, exercised the force majeure clause.

It is too early to predict the financial implications of the current impasse, however, the Company remains resolute to keep the Village open and operational allowing its tenants to continue to retain their belongings, with the hope that tenants will return soon. There is a risk that some tenants will terminate early due to a situation of force majeure, but the Company hopes that this is mitigated by the uniqueness of the product and the strong desire by the tenants to continue to reserve accommodation in the best living experience available near Tripoli.

**Property in Libya**

The conflict in Libya in the past month has brought about an evacuation of most of the tenants, although the rental agreements remain effective. Contractually, clients can only claim a situation of force majeure three months following the start of an agreed force majeure date. Clearly, if the current situation persists for much longer, it is likely that this will negatively impact the financial performance of Palm City Residences. The Group has taken immediate and appropriate measures to protect its staff and its property and to minimise the impact on the operational performance and results. Accordingly, management has downscaled the number of staff and has contained the extent of facilities that remain open given the prevailing situation on the ground.

Given the downturn in business, the value of the Group's property in Libya as at the reporting date would normally need to be tested for impairment. Such an exercise is based on projected cash flows discounted to present day value. However, in view of the unpredictable situation in Libya, we feel it is inappropriate to try to model outcomes where the future is so unclear and it is difficult to make fact-based assumptions. We have thus chosen to defer the asset valuation exercise to a later period when there is some clarity about the geopolitical situation.

**Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority**

We confirm that to the best of our knowledge:

• this condensed set of consolidated financial statement, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position, and profit or loss of Mediterranean Investments Holding p.l.c.; and

• includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

**Alfred Pisani**
**Chairman**

**Samuel Dean Sidiqi**
**Deputy Chairman**