TUMAS GROUP COMPANY LIMITED

Annual Report and Consolidated Financial Statements
31 December 2010

Company Registration Number: C7820

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2010.

Principal activities

The group which operates predominately in the local market, has a number of principal activities which remained unchanged since last year. These include:

- the ownership of prime tourism and leisure properties, which include the operation of a number of hotels situated both locally and in France, and the provision of ancillary services to this industry;
- the ownership of prime tourism and leisure properties, which include the operation of two casinos and the provision of ancillary services to this industry;
- the development of residential, retail and commercial property for trading and renting purposes;
- the importation and sale of motor vehicles and other retail operations; and the operation of a private jet hire service.
- the provision of management services;

The group also has a number of joint ventures with local partners in the property development sector and with foreign strategic partners in the cargo handling operations at the port of Valletta in Malta.

Review of the business

The group's turnover for 2010 amounted to €79.6 million, €1.4 million below that recorded in the previous year. This is reflective of the persistent lacklustre performance of the global economy in general,having a detrimental effect on the performance of the group and that of the local economy as a whole, particularly the real estate sector that is going through a prolonged, low ebb. Reviewing the revenue components, another drop in sales was noted from this segment emphasising the already pronounced downward trend. This drop in turnover represented no less than 40.4% over 2009. The majority of the real estate sales related to apartments at Portomaso which amounted to €2.2 million and somewhat fewer units at tas-Sellum which amounted to €1.8 million. It is worthwhile noting that the stock of the remaining apartments at both localities represents a few units and hence no hard-core stock position. Our real estate division, which also covers the leasing of property, has now seen the shift of one of our hotels into its fold, as the Topaz Hotel was leased out as from 2010. This masks part of the drop in turnover when compared to 2009, as total revenue from this hotel was substituted by rental income. The leasing of office space has increased, as full saturation of our current space has been achieved.

The downward shift in real estate sales was practically all offset by higher turnover in our hospitality and gaming sectors, although this does not translate itself into a proportionate increase in profits. Both segments improved performance by €7.0 million or 13.5% in total, over the previous year. As noted above, the group's hospitality division saw the shifting of the Topaz Hotel out of its sector and into the property sector, thus impacting turnover within the hospitality and gaming division. Moreover, 2010 was also the first year when the Halland Apart-hotel ceased operations. The turnover at the Malta based hotels continued to improve as both occupancy and room rate edged up. The hotel in France also saw an increase in the number of rooms sold. The room rate at these hotels moved up from the previous year but was still below that of 2008 which was one of the best years on record. Referring to the gaming sector this has managed an increase in turnover despite further competition from other gaming entities. The unregulated gaming shops which had closed down in 2009 were inoperative during the year under review, pending new regulations which were being drafted in 2010.

The performance of the transportation sector that comprises of vehicle distribution and the corporate jet operations retained practically the same turnover as last year at €7.9 million. A further drop in the sale of cars was registered in the year under review and hence the lower turnover, this being the result of a shrinking new car market as opposed to the second hand market. Despite this, the group still managed to retain its market share. The weaker revenue was also partly made up for by an increase in the sale of coaches.

Directors' report - continued

Review of the business - continued

Eurojet also managed to improve on its flying hours and hence its results, although the operation remains a marginal one. Turnover by sector lists the hospitality and gaming as the prime mover, accounting for no less than 73.9% of turnover. This is followed by property at 15.9% with the balancing 10.2% going to transportation and other services.

The operations, overall, led to a gross profit of €24.5 million, 1.0% above that of the previous year. Administrative expenses edged up by €645,406. In total, expenses both direct and indirect amounted to €70.0 million, representing a slight drop on last year. This, however, disguises a number of shifts in costs, mainly in property development that has gone down in line with a lower turnover but that was totally offset by other increases. The main overhead components are staff cost (€21.9 million), depreciation (€10.7 million), operating supplies (€14.7 million) and utilities (€4.0 million). It is worth noting that the increases in both direct and indirect costs originated from a higher activity within the hospitality and gaming sector except for the hike in the cost of utilities, which is practically all due to higher unit rates. Bearing in mind the prolonged declining general economic conditions, the group maintained a tight control on both its direct and indirect cost base. In fact, after excluding property development costs and utilities, the increase in the expense base is very much in line with the higher turnover at both hotels and casinos. The group's head count dropped to 1,237 mainly due to the shift in the operations of the Topaz Hotel referred to above. This was partially offset by additional staff in the hospitality and gaming sectors.

Operating profit at €9.5 million makes up for a margin of 12.0%, 1.6 percentage points below that of last year. This lower margin is derived from inferior property sales. Net finance costs increased to €7.8 million or 11.4% over the previous year. During the course of 2010 the group paid off €6.5million in bank borrowings while it refinanced its €16.3 million 2012, 6.7% bond, through a fresh bond issue which was offered to the public and oversubscribed in July 2010. This amounted to €25 million and was issued at a 6.2% coupon, maturing in 2017 -2020. Financing through the bond market forms an integral part of the group's financial management strategy whereby the group realigns the tenor of its external debt in line with the developments projects in hand and hence their cash-flow generation. Today 36% of our debt represents medium to long-term fixed debt funding. Additionally, the shift from variable rate financing into fixed rate bonds also forms part of the group's interest rate hedging policy. This resulted in an average cost of borrowing of 4.94% versus last year's 5.05%. Interest cash cover for the year under review stood at 2.7 against last year's 3.2 times.

The group's share of results from associated companies improved by €48,577 to € 191,858 up by 33.9% over 2009, totally attributable to a better performance at Valletta Gateway Terminals, which continues to consolidate its position despite the economic downturn. The company did witness a drop in cargo-handling revenue, however, we managed to offset this by revenue from other maritime related operations. Overall, this led to the group's profit before tax of just under €2.0 million, a drop of €2.2 million from the previous year which follows from the lower operating profit referred to above and higher net finance costs. Tax for the year amounted to €939,890 leading to a profit after tax of just over €1 million. Considering the stormy waters around us this was quite a satisfactory result.

Reviewing the group's statement of financial position, total assets stood at €290.0 million or 8.4% below that of 2009. 50.7% related to property plant and equipment which dropped by €15.1 million from the previous year, following the annual depreciation charge of €8.9 million. Another reduction came through the transfer of the Topaz Hotel to investment property; this measuring marginally over €9.7 million. On other hand, these reductions were partly offset by net additions of €3.6 million in the form of equipment and furniture and fittings going into our hospitality and gaming segments. Investment property moved up by €9.4 million, totally due to the transfer of the Topaz Hotel just referred to above and additional rentable floors within our leasing property portfolio. The fair market value of investment property amounts to €84.3 million against its value in the group's financial statements of €45.7 million.

Directors' report - continued

Review of the business - continued

Current assets increased by €6.3 million to €92.0 million, due to higher inventories in the form of property held for resale; increased trade and other receivables, in line with higher activities at our hotels; and a flow of deposits on apartments sold at Portomaso which are nearing completion and should be handed over in 2011. Cash in hand continued to improve in-spite of the fact that during the year under review the group pre-paid 50% of the Dolmen Properties bond amounting to €5.5 million. Cash totalled €17.3 million up by €1.6 million over the previous year. This cash reserve is partly earmarked to source the group's approaching Bond Sinking Fund requirements and to act as a buffer backing the group's operations in general.

Current liabilities dropped by 4.3% to €53.3 million reflecting higher trade and other payables at €40.7 million. This is mainly due to the shift in operations of the Topaz and the completion of works at one of our office blocks that is now fully leased out. This was, however, partly offset by higher creditors in the form of finishing works at our latest residential block at Portomaso. Advance deposits on sale of property continued to increase, mainly, in respect of the said Portomaso residential block. These advance deposits will convert into sales in 2011 and 2012. Capital and other creditors pursued an upward trend as refurbishment works at Portomaso, mainly refurbishing works at the Hilton, were settled. On the other hand, accruals in general, shifted upwards due to various utility bills that have since been settled. Short-term bank borrowing was reduced by €8.1 million as a result of repayments and group treasury functions. The group working capital ratio improved to 1.72 from 1.54 when netting off higher cash at bank and receivables against trade payables.

Long-term borrowings reached €138.7 million from last year's €137.5 million; pushed up by the Bond issued in July 2010. Total borrowings therefore dropped to €149.5 million against the previous years' €156.4 million, a reduction of €6.8 million. This is the first year a drop in total borrowings has been witnessed since 2004. Out of the total non-current borrowings, €54.4 million represent fixed interest securities quoted on the local stock exchange. On a total basis, the current mix of fixed / floating rate borrowings is a 36/64 one. The groups' equity position at €79.1 million is virtually the same as the previous year following the payment of dividends. Our gearing ratio works out at 1.45 compared to last year's figure of 1.55.

Outlook for the financial year ending 31 December 2011

2011 has been characterised by a protracted sluggish economy which somewhat mirrors one of the worse economic cycles abroad. The current impasse which has resulted from this has been particularly felt in the property sector. Although nowhere as bad as what is happening in a number of other European countries, the year opened with a drop in turnover which has persisted throughout this year. To our advantage, this has occurred at a time when our stock of residential units at both Portomaso and tas-Sellum is at its lowest level and the number of apartments available for sale cannot be said to be material. Of course, this is all relative as the sale and delivery of these apartments, once this happens, will unlock funds which will go to reduce our debt portfolio and hence augments liquidity. Another real estate project we are developing with third parties in the South of the island is approaching its completion stage and a rigorous marketing campaign is underway. We pride ourselves of being standard bearers in developing large scale real estate projects to high levels. We should be at the forefront in selling these units as they come to the market, although this will need further longevity then initially planned for. As indicated above, the latest residential block at Portomaso is now fully completed and is being handed over to clients whilst the remaining units at tas-Sellum are gradually being internally fitted off and timely placed on the market.

Directors' report - continued

Outlook for the financial year ending 31 December 2011 - continued

During the course of 2011 we have embarked on another project; that of adding more office and parking space at one of our office complexes. Demand for state of the art office environs has come of age and we, as a group, have delivered. These works are scheduled to be completed by mid-next year, adding further to our leasing unit portfolio and thus harnessing the continued demand for first class office space. In line with this we should, early next year also commence the development of yet another office complex, which we are undertaking together with other investors.

The hospitality and gaming division has continued to consolidate through further investment with the extension of the Casino at Portomaso which has recently been inaugurated and has enabled us to attract new clientele particularly from outside our shores. The recent legislation enacted with respect to gaming shops should enable a positive consideration of our participation in this sector. This should go to complement both our casinos. Our upgrading programme at the hotels has become an on-going feature with further upgrading works at both the Hilton and the Dolmen. The performance of this sector has been a positive one with fair return throughout the year. The political turmoil faced by many of our neighbouring North African states during the whole of 2011 did not have any material effect on our hospitality industry.
Cost control will continue to be a prime objective this year with efforts being put in place to manage costs particularly those utility-related. As one of the major enterprises on the Island, eco-friendly measures are high on our list of priorities so as to strive towards a sustainable level of energy consumption. Progress continues to be registered at the Hilton Evian, which now sees its fourth full year of operation, yet this property is highly dependent on conference and incentive business and considering the current economic state of affairs, its full potential has yet to be exploited.

The transport division has been through a bumper year as revenue spiked with the supply of the public transport buses earlier on in 2011. This more than balanced off further deterioration in the new car market. The contribution being made by this division in 2011 is therefore considered a one-off. During the course of 2011 we amalgamated our car franchise sector with that of another prime distributor on the Island, as our long drawn studies have directed us towards teaming up resources. The amalgamation took place in mid-year. Another matter worth noting is our participation in Arriva where we hold a 33% share. The 10-year concession won late last year came into operation in July and is currently going through its start-up phase.

Considering the above, 2011 has been a challenging one indeed and the current state of play points to a more turbulent future as we act as players in a volatile global economic market, which is suffering under heavy debt burdens and austerity measures imposed by a number of European states. This is bound to have its repercussions on our open economy and an available purchasing power. Further consolidation is high on our agenda.

Results and dividends

The income statements and the statements of comprehensive income are set out on pages 10 and 11. The directors have proposed and paid a final net dividend of €888,345 (2009: €2,272,345).

Directors

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

George Fenech
Raymond Fenech

The company's Articles of Association do not require any directors to retire.

Directors' report - continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent company as at the end of each reporting period and of the profit or loss for that period.

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

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

The directors are also responsible for designing, implementing and maintaining internal control relevant 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, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Tumas Group Company Limited for the year ended 31 December 2010 are included in the Annual Report 2010, which is published in hard-copy printed form and may be made available on the group's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board

George Fenech	Raymond Fenech
Director	Director

Registered office:
Tumas Group Corporate Office
Level 3
Portomaso Business Tower
Portomaso
St. Julians
Malta

9 December 2011

Independent auditor's report

To the Shareholders of Tumas Group Company Limited

Report on the Financial Statements for the year ended 31 December 2010

We have audited the consolidated and stand-alone parent company financial statements of Tumas Group Company Limited (together the "financial statements") on pages 8 to 80, which comprise the consolidated and parent company statements of financial position as at 31 December 2010, and the consolidated and parent company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 5, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the group and the parent company as at 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

PricewaterhouseCoopers

167 Merchants Street
Valletta
Malta

John Zarb
Partner

12 December 2011

Statements of financial position

	Notes	**Group** **2010** **€**	Group 2009 €	**Company** **2010** **€**	Company 2009 €
		As at 31 December			
ASSETS					
Non-current assets					
Property, plant and equipment	5	**146,974,549**	162,097,804	**-**	-
Investment property	6	**45,712,445**	36,268,519	**-**	-
Investments in subsidiaries	7	**-**	-	**20,757,143**	21,233,689
Investments in associates	8	**1,487,726**	1,302,868	**1,201,504**	1,069,429
Investments	9	**-**	3,000,000	**-**	-
Other investments	10	**2,434**	2,434	**-**	-
Deferred tax assets	11	**3,627,619**	3,788,265	**2,796,430**	-
Trade and other receivables	12	**135,714**	226,510	**-**	-
Total non-current assets		**197,940,487**	206,686,400	**24,755,077**	22,303,118
Current assets					
Inventories	14	**44,610,246**	42,896,285	**195,956**	195,956
Investments	9	**2,818,302**	2,837,580	**-**	-
Trade and other receivables	12	**26,389,352**	23,496,396	**27,948,448**	30,018,373
Current tax assets		**878,161**	784,337	**381,495**	182,580
Cash at bank and in hand	15	**17,268,521**	15,682,974	**-**	-
Total current assets		**91,964,582**	85,697,572	**28,525,899**	30,396,909
Total assets		**289,905,069**	292,383,972	**53,280,976**	52,700,027

Statements of financial position - continued

	Notes	As at 31 December			
		Group		Company	
		2010	2009	**2010**	2009
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	**102,497**	102,497	**102,497**	102,497
Revaluation reserves	17	**37,460,726**	37,699,857	**-**	-
Other reserves	18	**3,033,182**	2,028,459	**-**	-
Retained earnings		**38,511,414**	39,292,066	**21,761,066**	9,227,539
Total equity		**79,107,819**	79,122,879	**21,863,563**	9,330,036
Non-current liabilities					
Deferred tax liabilities	11	**14,913,238**	16,133,626	**-**	-
Other provisions	20	**493,832**	483,831	**-**	-
Trade and other payables	21	**2,887,290**	3,392,506	**2,884,869**	3,387,190
Borrowings	22	**138,738,162**	137,467,485	**-**	-
Derivative financial instruments	23	**507,003**	154,912	**-**	-
Total non-current liabilities		**157,539,525**	157,632,360	**2,884,869**	3,387,190
Current liabilities					
Trade and other payables	21	**40,730,365**	35,148,871	**28,532,544**	39,982,801
Borrowings	22	**10,792,501**	18,857,092	**-**	-
Derivative financial instruments	23	**320,000**	358,579	**-**	-
Current tax liabilities		**1,414,859**	1,264,191	**-**	-
Total current liabilities		**53,257,725**	55,628,733	**28,532,544**	39,982,801
Total liabilities		**210,797,250**	213,261,093	**31,417,413**	43,369,991
Total equity and liabilities		**289,905,069**	292,383,972	**53,280,976**	52,700,027

The notes on pages 16 to 80 are an integral part of these financial statements.

The financial statements on pages 8 to 80 were authorised for issue by the board of directors on 9 December 2011 and were signed on its behalf by:

George Fenech
Director

Raymond Fenech
Director

Income statements

		Year ended 31 December			
		Group		Company	
	Notes	**2010**	2009	**2010**	2009
		€	€	**€**	€
Revenue	24	**79,591,357**	80,958,501	**17,567**	30,743
Cost of sales	25	**(55,141,700)**	(56,746,632)	**-**	(3,751)
Gross profit		**24,449,657**	24,211,869	**17,567**	26,992
Administrative expenses	25	**(14,867,505)**	(14,222,099)	**(267,053)**	(58,459)
Other operating (expenses)/income	27	**(33,833)**	1,025,027	**(99,524)**	-
Operating profit/(loss)		**9,548,319**	11,014,797	**(349,010)**	(31,467)
Finance income	28	**512,726**	467,810	**21,902,939**	13,042,836
Finance costs – net	29	**(8,297,434)**	(7,454,031)	**(594,452)**	(582,074)
Impairment of amount owed by subsidiaries	12	**-**	-	**(8,311,905)**	(13,000,000)
Increase in impairment provision of investments in subsidiaries	7	**-**	-	**(476,546)**	(632,296)
Increase in impairment provision of investments in associates	8	**-**	-	**-**	(11,647)
Share of results of associates	8	**191,858**	143,281	**-**	-
Profit/(loss) before tax		**1,955,469**	4,171,857	**12,171,026**	(1,214,648)
Tax (expense)/income	30	**(939,890)**	(1,866,380)	**1,250,846**	(1,713,475)
Profit/(loss) for the year		**1,015,579**	2,305,477	**13,421,872**	(2,928,123)

The notes on pages 16 to 80 are an integral part of these financial statements.

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	**2010**	2009	**2010**	2009
		€	€	**€**	€
Profit/(loss) for the year		**1,015,579**	2,305,477	**13,421,872**	(2,928,123)
Other comprehensive income:					
Movement in deferred tax determined on the tax basis applicable to capital gains	11	**7,871**	15,400	**-**	-
Cash flow hedges net of deferred tax	18	**(203,783)**	(333,769)	**-**	-
Other movements	18, 19	**53,618**	20,210	**-**	-
Other comprehensive income for the year		**(142,294)**	(298,159)	**-**	-
Total comprehensive income for the year		**873,285**	2,007,318	**13,421,872**	(2,928,123)

The notes on pages 16 to 80 are an integral part of these financial statements.

Statements of changes in equity

	Notes	Attributable to owners of the parent				Non-controlling interest €	Total €
		Share capital €	Revaluation reserves €	Other reserves €	Retained earnings €		
Group							
Balance at 1 January 2009		102,497	37,997,311	152,240	41,167,920	(32,062)	79,387,906
Comprehensive income							
Profit for the year		-	-	-	2,305,477	-	2,305,477
Other comprehensive income:							
Transfer of depreciation through asset use, net of deferred tax	17	-	(210,314)	-	210,314	-	-
Movement in deferred tax determined on the tax basis applicable to capital gains	11	-	15,400	-	-	-	15,400
Transfer upon realisation through property disposals held for resale, net of deferred tax	17	-	(102,540)	-	102,540	-	-
Transfer of reserves subject to income at a reduced rate of tax		-	-	2,221,840	(2,221,840)	-	-
Cash flow hedges net of deferred tax		-	-	(333,769)	-	-	(333,769)
Other movements	18, 19	-	-	(11,852)	-	32,062	20,210
Total comprehensive income		-	(297,454)	1,876,219	396,491	32,062	2,007,318
Transactions with owners							
Dividends for 2009	32	-	-	-	(2,272,345)	-	(2,272,345)
Balance at 31 December 2009		**102,497**	**37,699,857**	**2,028,459**	**39,292,066**	**-**	**79,122,879**

Statements of changes in equity - continued

		Attributable to owners of the parent				
	Notes	Share capital €	Revaluation reserves €	Other reserves €	Retained earnings €	Total €
Group						
Balance at 1 January 2010		102,497	37,699,857	2,028,459	39,292,066	79,122,879
Comprehensive income						
Profit for the year		-	-	-	1,015,579	1,015,579
Other comprehensive income:						
Transfer of depreciation through asset use, net of deferred tax	17	-	(159,717)	-	159,717	-
Movement in deferred tax determined on the tax basis applicable to capital gains	11	-	7,871	-	-	7,871
Transfer upon realisation through property disposals held for resale, net of deferred tax	17	-	(87,285)	-	87,285	-
Transfer of reserves subject to income at a reduced rate of tax		-	-	1,154,888	(1,154,888)	-
Cash flow hedges net of deferred tax		-	-	(203,783)	-	(203,783)
Other movements	18	-	-	53,618	-	53,618
Total comprehensive income		-	(239,131)	1,004,723	107,693	873,285
Transactions with owners						
Dividends for 2010	32	-	-	-	(888,345)	(888,345)
Balance at 31 December 2010		**102,497**	**37,460,726**	**3,033,182**	**38,511,414**	**79,107,819**

The notes on pages 16 to 80 are an integral part of these financial statements.

Statements of changes in equity - continued

	Note	Share capital €	Retained earnings €	Total €
Company				
Balance at 1 January 2009		102,497	14,428,007	14,530,504
Comprehensive income				
Loss for the year		-	(2,928,123)	(2,928,123)
Transactions with owners				
Dividends for 2009	32	-	(2,272,345)	(2,272,345)
Balance at 31 December 2009		102,497	9,227,539	9,330,036
Comprehensive income				
Profit for the year		-	13,421,872	13,421,872
Transactions with owners				
Dividends for 2010	32	-	(888,345)	(888,345)
Balance at 31 December 2010		**102,497**	**21,761,066**	**21,863,563**

The notes on pages 16 to 80 are an integral part of these financial statements.

Statements of cash flows

	Notes	Group 2010 €	Group 2009 €	Company 2010 €	Company 2009 €
		Year ended 31 December			
Cash flows from operating activities					
Cash generated from/(used in) operations	33	**20,818,184**	11,177,082	**(18,543,568)**	(8,072,593)
Investment income		**519,726**	467,810	**21,902,939**	13,042,836
Interest paid		**(8,130,983)**	(7,270,474)	**(594,452)**	(582,074)
Income tax paid		**(1,825,188)**	(1,825,269)	**(1,744,499)**	(1,896,719)
Net cash generated from operating activities		**11,381,739**	2,549,149	**1,020,420**	2,491,450
Cash flows from investing activities					
Payments for tangible assets, net of receipts from disposals		**(5,030,380)**	(7,859,504)	**-**	-
Increase in investments in subsidiaries	7	**-**	-	**-**	(219,105)
Increase in investments in associates	8	**-**	-	**(132,075)**	-
Repayment of loans to third parties	9	**60,316**	36,452	**-**	-
Movement in available-for-sale financial assets	9	**(41,038)**	128,534	**-**	-
Proceeds from disposal of investments - loans and receivables	9	**3,000,000**	-	**-**	-
Net cash used in investing activities		**(2,011,102)**	(7,694,518)	**(132,075)**	(219,105)
Cash flows from financing activities					
Dividends paid	32	**(888,345)**	(2,272,345)	**(888,345)**	(2,272,345)
Net proceeds from issue of 6.2% bonds		**12,431,288**	25,000,000	**-**	-
Bond issue costs		**(465,355)**	(595,674)	**-**	-
Proceeds from bank borrowings		**5,830,635**	9,857,411	**-**	-
Repayments of borrowings		**(6,494,265)**	(24,752,496)	**-**	-
Contributions to bond redemption funds		**(5,255,787)**	(1,486,396)	**-**	-
Release of bond redemption funds		**10,614,977**	-	**-**	-
Net redemption of bonds		**(9,110,790)**	-	**-**	-
Redemption of FRN secured bonds		**(5,241,089)**	-	**-**	-
Redemption and purchase of own bonds		**-**	(587,005)	**-**	-
Net cash generated from/(used in) financing activities		**1,421,269**	5,163,495	**(888,345)**	(2,272,345)
Net movement in cash and cash equivalents		**10,791,906**	18,126	**-**	-
Effect of exchange rate changes	18	**53,618**	(11,852)	**-**	-
Cash and cash equivalents at beginning of year		**2,903,727**	2,897,453	**-**	-
Cash and cash equivalents at end of year	15	**13,749,251**	2,903,727	**-**	-

The notes on pages 16 to 80 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Tumas Group Company Limited and its subsidiaries.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the land buildings class of property, plant and equipment, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires company directors to exercise their judgement in the process of applying the group's accounting policies (see Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2010

In 2010, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2010. With the exception of IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements' and IAS 28' Investments in associates', the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements' and IAS 28, 'Investments in associates', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed, while goodwill is now determined only at the acquisition date, rather than also at subsequent increases in ownership interest.

IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (Revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the group's accounting periods beginning after 1 January 2010. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, with the exception of IFRS 9, 'Financial instruments', there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to adoption by the EU, IFRS 9 is effective for financial periods beginning on, or after, 1 January 2013. The group is considering the implications of the standard and its impact on the group's financial results and position, together with the timing of its adoption taking cognisance of the endorsement process by the European Commission.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 1.9).

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(a) Subsidiaries - continued

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

As disclosed in Note 1.1, the group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control (or significant influence) from 1 January 2010 when IAS 27 (Revised), 'Consolidated and separate financial statements', became effective. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in associates'.

In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

A listing of the subsidiaries is set out in Note 7 to the consolidated financial statements.

(b) Transactions with non-controlling interests

The group treats transactions with non-controlling interests, where the acquisition or disposal of partial interests in a subsidiary has no impact on the group's ability to govern the subsidiary's financial and operating policies, as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Previously, when the group ceased to have control over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(c) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. Refer to Note 1.9 for the impairment of non-financial assets including goodwill.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

In the company's separate financial statements, investments in associates are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

A listing of the associates is set out in Note 8 to the consolidated financial statements.

(d) Joint ventures

A jointly controlled asset involves joint control and ownership by the group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

The group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the company's functional and the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or finance cost - net'. All other foreign exchange gains and losses are presented in the income statement within 'administrative expenses'.

(c) Group companies

Income statements of foreign entities are translated into the group's presentation currency at the average exchange rates for the year and statements of financial position are translated at the exchange rates ruling at year-end. All resulting translation differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to other comprehensive income. On disposal of a foreign entity, such translation differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.4 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is recognised separately within intangible assets, and is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

1.4 Intangible assets - continued

The group gathers objective evidence that goodwill is impaired using the same process disclosed in Note 1.9.

Franchise rights are initially shown at historical cost. Franchise rights have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise rights over their estimated useful lives (ten years).

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (refer to Note 1.9).

1.5 Group holdings of land and buildings

The group owns extensive property holdings of land and buildings which are accounted for under three categories depending on their current or intended use:

(a) Properties used as business premises by the group including hotels, offices, showrooms and industrial buildings, are accounted for as property, plant and equipment and are included under non-current assets.

(b) Other properties held by the group for capital appreciation and for long term rental purposes are accounted for as investment property and are also included under non-current assets.

(c) Properties held for trading and resale are included under inventories.

1.6 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings, are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out every five years such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

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

The property, plant and equipment acquired under finance leases are initially recognised at cost that is the capitalised finance leases till the time of commencement of the lease. Initial direct costs incurred in connection with a finance lease are to be capitalised and allocated over the lease term.

1. Summary of significant accounting policies - continued

1.6 Property, plant and equipment - continued

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Buildings and improvements	1 - 14
Plant, machinery and equipment	5 - 30
Furniture, fixtures, fittings and office equipment	7 - 50
Flight equipment and motor vehicles	15 - 25

Freehold land and land held on perpetual emphyteusis are not depreciated as they are deemed to have an indefinite life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 1.9).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.7 Investment property

Investment property principally comprises of property held for long-term rental yields or for capital appreciation or both, and is not occupied by the group. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made.

The group adopts the cost model under IAS 40, 'Investment property', whereby investment property is stated in the statement of financial position at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

1. Summary of significant accounting policies - continued

1.7 Investment property - continued

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Land is not depreciated as it is deemed to have an indefinite life. The capitalised costs of buildings is depreciated using the straight-line method over a maximum of one hundred years at most, in accordance with their useful lives. Useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

A property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.9).

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its cost and accumulated depreciation at the date of the reclassification becomes its cost and accumulated depreciation for subsequent accounting purposes. When the group decides to dispose of an investment property without development, the group continues to treat the property as an investment property. Similarly, if the group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, its cost and accumulated depreciation at the date of the reclassification becomes its cost and accumulated depreciation for subsequent accounting purposes.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its carrying amount at the date of change in use.

The fair value of these properties is disclosed in the financial statements and is based on active market prices, taking into consideration the mature, location or condition of the specific asset. These valuations are revised annually by the directors.

1. Summary of significant accounting policies - continued

1.8 Finance leases - where the group is a lessee

The group has certain property, plant and equipment acquired under finance leases. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments. Finance leases are recognised at the earlier of the lease's commencement or the time when the group's obligations come into affect.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1.9 Impairment of non-financial assets

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

1.10 Financial assets

1.10.1 Classification

The group classifies its financial assets (other than investments in associates, and, only in the company's case, investments in subsidiaries) in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.14 and 1.16).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

1. Summary of significant accounting policies - continued

1.10 Financial assets - continued

1.10.2 Recognition and measurement

The group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within ‘investment income’.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss within ‘investment income’ Dividends on available-for-sale equity instruments are recognised in profit or loss when the group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.10.3 Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The group first assesses whether objective evidence of impairment exists.

1. Summary of significant accounting policies - continued

1.10 Financial assets - continued

1.10.3 Impairment - continued

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

For debt securities, the group uses the criteria referred to in (a) above. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also considered an indicator that the assets are impaired. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Impairment testing of trade receivables is described in Note 1.14.

1. Summary of significant accounting policies - continued

1.11 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments including interest rate linked collar arrangements and interest rate swap arrangements, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability if the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

On the date a derivative contract is entered into, the group designates certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met. In accordance with the requirements of IAS 39, the criteria for a derivative instrument to be accounted for as a cash flow hedge include:

- formal documentation of the hedging instrument, hedging item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

Accordingly, the group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific forecast transactions. The group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the hedging reserve in equity. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise amounts deferred in equity are transferred to profit or loss and classified as revenue or expense in the periods during which the hedged forecast transaction affects profit or loss.

1. Summary of significant accounting policies - continued

1.11 Accounting for derivative financial instruments and hedging activities - continued

Certain derivative transactions, while providing effective economic hedges under the group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

The fair value of derivative instruments used for hedging purposes are disclosed in Note 23. Movements on the hedging reserve in equity are shown in Note 18.

1.12 Inventories

Goods held for resale

Inventories are stated at the lower of cost and net realisable value and include transport and handling costs. Inventories of motor vehicles are valued by specifically identifying the cost of individual items. Other inventories are generally valued on a weighted average cost method. The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property held for development and resale

When the main object of a property project is development for resale purposes, the asset is classified in the financial statements as inventories. Property is also classified as inventory where there is a change in use of investment property evidenced by the commencement of development with a view to sale. Such property would be reclassified at the deemed cost, which is the fair value at the date of reclassification. Development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development, including costs incurred on demolition, site clearance, excavation, construction and other related activities. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

1.13 Construction contracts

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that these costs will be recoverable; and contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. The group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period; the stage of completion is measured by reference to professional valuers' certifications. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1. Summary of significant accounting policies - continued

1.13 Construction contracts - continued

In determining costs incurred up to the year end, any costs relating to future activity on a contract are excluded and shown as contract work in progress. The aggregate of the costs incurred and the income or expense recognised on each contract is compared against the progress billing up to the year end.

Where costs incurred plus recognised income (less recognised expenses) exceed progress billings, the balance is shown as due from customers on construction contracts, under trade and other receivables. Where progress billings exceed costs incurred plus recognised income (less recognised expenses), the balance is shown as due to customers on construction contract, under trade and other payables.

1.14 Trade and other receivables

Trade receivables are amounts due from customers for property sold or services performed and rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.13). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within cost of sales and administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales and administrative expenses in profit or loss.

1.15 Hire purchase receivables

Hire purchase receivables, covered by bills of exchange, are recognised as trade receivables at the face value of the debts financed with the interest element of the bills of exchange being accounted for as interest accrues with the passage of time. Receivables covered by bills of exchange factored out to bankers with an option to repurchase them at face value as they fall due are not derecognised from the group's statement of financial position. The group does not lose control of the contractual rights that are embedded within the hire purchase receivables which it factors out to bankers. The transferee does not have the ability to obtain the benefits of the receivables and accordingly the transferor retains substantially all the risks of the assets. Control would not have been surrendered since the transferor has the right to reacquire the receivables, the assets are not readily obtainable in the market and the re-acquisition price is not specified as the fair value of the assets at the time of re-acquisition. Essentially this trade bills facility is accounted for as collateralised borrowings for an amount of the face value of the bills of exchange subject to interest charges.

Bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the group since the transferor would have lost control over the receivables. The transferee has the ability to obtain the benefits of the underlying receivables, that is, the right to receive a stream of cash flows in the form of principal and interest amounts. The banker's right of recourse under this facility is the full value of the bills factored in the preceding six months. This right of recourse is accounted for as a separate financial liability assumed by the group upon factoring bills of exchange. It is recognised at fair value based on the probability that an outflow of resources will be required to settle the obligation implied in the financial instrument assumed, that is, based on the present value of expected credit losses covered by the right of recourse.

1. Summary of significant accounting policies - continued

1.16 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the statement of financial position, the bank overdrafts are included under borrowings in current liabilities.

1.17 Share capital

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

1.18 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.19 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

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

1.20 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.21 Offsetting financial instruments

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

1. Summary of significant accounting policies - continued

1.22 Current and deferred tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

Under this method the group is required to make provision for deferred income taxes on the revaluation of certain property assets, derivative contracts and provisions on the difference between the carrying values for financial reporting purposes and their tax base. Such deferred tax is charged or credited directly to the respective reserve.

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

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

1.23 Provisions

Provisions for legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions principally comprise termination benefits.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

1.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group’s activities. Sales are recognised upon delivery of products or performance of services, net of sales tax, returns, rebates and discounts.

1. Summary of significant accounting policies - continued

1.24 Revenue recognition - continued

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

(a) Property sales

Property sales are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the subsidiaries' obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership still rest with the subsidiaries are treated as advance payments received and included with current payables.

(b) Sales of services in the hospitality and gaming activity

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales arising on hospitality activities are recognised when the service is performed and goods are supplied. Sales arising on gaming activities are recognised when a net win in favour of the group occurs. Revenue is usually in cash, credit card or on credit. The recorded revenue includes credit card fees payable for the transaction.

(c) Sales of goods - retail

Sales of goods are recognised when the group has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products. Retail sales are usually in cash, credit card or on credit. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in finance costs. Restaurant and bar sales are recognised upon performance of the service.

(d) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Income on contracting services rendered and from amounts receivable is included in the statements of comprehensive income of the accounting period in which the right to receive payment is established.

(e) Property rentals and related income

Rentals receivable, short term lets receivable and premia charged to tenants of immovable property are recognised in the period when the property is occupied. Premia are taken to profit or loss over the period of the leases to which they relate.

(f) Dividend income

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

All such revenues are included in the financial statements as revenue.

1. Summary of significant accounting policies - continued

1.25 Finance income and costs

Finance income and costs are recognised in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method.

When a receivable is impaired, the subsidiary reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate. Finance costs includes the effect of amortising any difference between net proceeds and redemption value in respect of the group's borrowings.

The group enters into interest rate derivative arrangements in order to manage its exposure to fluctuations of variable interest rates on specific borrowings. Further information is disclosed in Note 1.14 - Accounting for derivative financial instruments and hedging activities.

1.26 Operating leases

(a) A group company is the lessee

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) A group company is the lessor

Assets leased out under operating leases are included in investment property in the statement of financial position and are accounted for in accordance with accounting policy 1.6. They are depreciated over their expected useful lives on a basis consistent with similar owned investment property. Rental income is recognised as it accrues, unless collectability is in doubt.

1.27 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, investment property or property held for development and resale are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the group's interest-bearing borrowings.

1.28 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

The group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. In order to manage exposures to risks arising from fluctuations in interest rates, the group makes use of derivative financial instruments. The respective derivative transactions are concluded only with first rate counterparties.

The board provides policies for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective group's functional currency.

The group's principal cash and cash equivalents (Note 15), borrowings (Note 22), principal loans and receivables (Note 10), finance lease (Note 34), principal trade and other receivables (Note 12) and principal trade and other payables (Note 21) are denominated in euro, except as disclosed below.

The group is exposed to foreign exchange risk arising from the group's sales and purchases denominated in Sterling, which sales and purchases are not considered significant. The main risk exposures reflecting the carrying amount of payables denominated in foreign currencies as at the reporting date were as follows:

	Group	
	2010	2009
	€	€
Sterling		
Trade and other receivables	**63,363**	64,610
Trade and other payables	**(371,880)**	(810,566)
	(308,517)	(745,956)

The group is exposed to foreign exchange risk arising from the group's borrowings denominated in US Dollars amounting to €2,605,182 (2009: €2,885,903). This facility was issued during the financial year ended 31 December 2008 to finance the acquisition of an executive jet for the group's private jet hire operations. During the year, the group made unrealised foreign exchange losses of €139,944 (2009: gain of €83,772) attributable to fluctuations in exchange rates between the euro and US Dollar. Up to the end of the reporting period the group did not have any hedging arrangements with respect to this foreign currency exchange risk exposure. Since 2008, the group enters into sales jet hire operations transactions denominated in US Dollars to mitigate this exchange risk and has also transferred portions of the original bank loans from US Dollars to euro denominated loans.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

The group is not significantly exposed to foreign exchange risk arising from the group's other purchases or sales. Management does not consider foreign exchange risk attributable to recognised assets and liabilities arising from sales and purchase transactions to be significant since balances are settled within very short periods in accordance with the negotiated credit terms, except in exceptional circumstances were such credit is extended. In such instances foreign exchange risk attributable to fluctuations in exchange rates are not deemed significant by the directors due to the notional value of the related principal amounts.

Also, foreign exchange risk attributable to future transactions is not deemed to be material since the group manages the risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices.

Accordingly, based on the above disclosures the company is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Price risk

The group is exposed to commodity price risk in relation to purchases of certain raw materials and services. The group enters into contractual arrangements for the procurement of these raw materials and services at variable market prices but as at the end of the reporting period, there were no outstanding contractual commitments in this respect. Management does not consider the potential impact of a defined shift in commodity prices on profit or loss to be significant, particularly in view of the weighting of purchases of such raw materials in relation to the group's total purchases.

(iii) Cash flow and fair value interest rate risk

The group's operating cash flows are substantially influenced by market interest rates. The group's significant interest-bearing instruments mainly comprise the following:

Subject to fixed interest rates

Assets
Loans to third parties
Hire purchase receivables

Liabilities
Unsecured bonds
Secured bonds

Subject to floating interest rates

Assets
Loans and receivables
Available for sale financial assets
Cash at bank

Liabilities
Bank borrowings
FRN secured bonds
Finance lease liabilities

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

(a) Market risk - continued

(iii) Cash flow and fair value interest rate risk - continued

Notes 9, 13, 15, 22, 23, 34 and 35 incorporate interest rates and maturity information with respect to the group's main interest-bearing instruments.

The group's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates, comprising bank borrowings, finance leases and floating rate notes (refer to Note 22), expose the group to cash flow interest rate risk. The group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank.

The group's borrowings include finance leases subject to variable interest rates based on EURIBOR. Up to 2009, the group used interest rate linked collar arrangements, as cash flow hedges of future variable interest payments, which had the economic effect of restricting interest costs on these non-current borrowings within a predetermined interest rate fluctuation band. Under the interest rate linked collar arrangements, the group agreed with the derivative counterparties to exchange at specific intervals (mainly quarterly or on a six monthly basis), the difference between the predetermined cap and floor rates in the band and variable market interest rates calculated by reference to the agreed notional principal amounts.

Significant exposure to cash flow interest rate risk arises in respect of interest payments relating to borrowings, in particular to a loan amounting to €24 million that is subject to interest at floating rates linked to EURIBOR. In 2009, the group entered into interest-rate swap agreements, which provided a cash flow hedging relationship in respect of variability of future floating interest payments. These agreements cover interest payments on borrowings of €16 million. Accordingly, these hedging instruments have been designated as cash flow hedges on the interest rate risk, that is, volatility in floating interest amounts. Up to the reporting date, the group did not have any hedging arrangements with respect to the exposure of interest rate risk on other interest-bearing liabilities.

Based on the analysis above, management does not consider the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be significant taken cognisance of the derivative instrument referred to and the resultant extent of unhedged exposures. Accordingly the level of interest rate risk is quite contained. The group's operating cash flows are substantially independent of changes in market interest rates.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, loans and receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the end of the reporting period was:

	Group	
	2010	2009
	€	€
Carrying amount		
Investments (Note 9)	**2,818,302**	5,837,580
Trade and other receivables (Note 12)	**26,525,066**	23,722,906
Cash at bank and in hand (Note 15)	**17,268,521**	15,682,974
	46,611,889	45,243,460

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the consolidated financial statements. The maximum exposure to credit risk at the end of the reporting period in respect of the trade receivables by type of customer was:

	Group	
	2010	2009
	€	€
Hospitality	**4,955,071**	4,123,002
Property development and management	**3,253,516**	2,276,036
Transportation	**526,351**	447,319
Other	**105,180**	84,020
	8,840,118	6,930,377

The group banks only with local and French financial institutions with high quality standing or rating. The group's operations are carried out in Malta, the UK and in Evian, France. The group has no concentration of credit risk that could materially impact the sustainability of its operations.

The group holds collateral as security for the receivables within the property related sector for an amount of €564,217 (2009: €159,030).

The group is exposed to concentration of credit risk with respect to hire purchase receivables since €500,179 (2009: €450,565) are due from 57 (2009: 76) customers. €49,599 (2009: €24,154) of these receivables are impaired and accordingly an impairment provision has been booked against these dues. It is the group's policy that trade and other receivables are presented net of an impairment allowance.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are affected to customers with an appropriate credit history in the case of credit sales. Sales to retail customers are made in cash or via major credit cards. The group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the group's receivables taking into account historical experience in collection of accounts receivable.

Standard credit terms are in place for individual clients, before the group's standard payment and service delivery terms and conditions are offered. The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures.

The group's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

Impairment losses

The ageing of trade receivables at the end of the reporting period was:

	2010		2009	
	Gross	**Impairment**	Gross	Impairment
	€	**€**	€	€
Group				
Not passed due	**2,174,336**	**-**	2,182,357	-
Up to 90 days	**3,016,303**	**8,929**	2,691,371	11,364
Over 90 days	**4,684,430**	**1,026,022**	2,975,518	988,225
	9,875,069	**1,034,951**	7,849,246	999,589

As at year end, impairment provisions of €1,197,279 (2009: €1,163,277) were made in respect of receivables that were overdue and that were not expected to be recovered. Other overdue debts that were not impaired were in large part settled since the year-end.

Derivative financial instruments

Credit risk arising from derivative financial instruments lies in the insolvency of the contracting party and as a consequence, in the amount of the sum, on balance, of positive market values vis-à-vis the respective derivative counterparties. Interest rate swap derivative transactions are concluded with first rate local banking institutions only.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings (refer to Notes 21 and 22). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period detailed by the group's segments to ensure that no additional financing facilities are expected to be required over the coming year.

The group has a substantial portion of its trading property portfolio which is expected to be realised within a finite time span. Annual detailed cash flow projections are prepared to assess the matching of cash inflows and outflows arising from expected maturities of financial instruments.

The group manages its liquidity risk through this continuous assessment, coupled with the group's committed borrowing facilities (that it can access) to meet liquidity needs as referred to previously.

The carrying amounts of the group's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the respective notes to the consolidated financial statements.

The following table analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group

	Carrying amount €	Contractual cash flows €	Within one year €	One to five years €	Over five years €
31 December 2010					
Bank borrowings	76,672,754	96,905,368	11,068,160	58,066,841	27,770,367
Finance lease liabilities	18,413,527	19,522,614	1,471,205	6,756,946	11,294,463
Secured and unsecured bonds	54,444,382	74,862,363	3,078,562	12,458,527	59,325,274
Trade and other payables	43,617,655	43,617,655	40,730,365	2,656,957	230,333
	193,148,318	**234,908,000**	**56,348,292**	**79,939,271**	**98,620,437**
31 December 2009					
Bank borrowings	77,216,892	105,046,920	17,563,986	53,920,328	33,562,606
Finance lease liabilities	22,433,807	24,921,886	1,758,665	7,819,286	15,343,935
Secured and unsecured bonds	56,673,878	60,898,317	3,981,533	28,787,503	28,129,281
Trade and other payables	38,541,377	38,541,377	35,148,871	2,401,298	991,208
	194,865,954	229,408,500	58,453,055	92,928,415	78,027,030

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

Company

	Carrying amount €	Contractual cash flows €	Within one year €	Between one to five years €	Over five years €
31 December 2010					
Trade and other payables	31,417,413	31,417,413	28,532,544	2,654,536	230,333
	31,417,413	**31,417,413**	**28,532,544**	**2,654,536**	**230,333**
31 December 2009					
Trade and other payables	43,369,991	43,369,991	39,982,801	2,395,982	991,208
	43,369,991	43,369,991	39,982,801	2,395,982	991,208

The table below analyses the group's principal derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at 31 December 2010 to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Group

	Within one year €	One to five years €	Over five years €	**Total €**
At 31 December 2010				
Interest rate swap derivatives	320,000	632,000	(124,997)	**827,003**
At 31 December 2009				
Interest rate swap derivatives	358,579	512,800	(357,888)	**513,491**

2.2 Fair values of financial instruments

Fair values of instruments not carried at fair value

The carrying amounts of receivables (net of impairment provisions, if any) and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

2. Financial risk management - continued

2.2 Fair values of financial instruments - continued

As at the end of the reporting period, the fair values of financial assets and liabilities approximate the carrying amounts shown in the statement of financial position.

Fair values estimation in relation to financial instruments carried at fair value

The group's financial instruments which are carried at fair value include derivative financial instruments designated as hedging instruments (Note 23) and investments designated as available-for-sale financial assets (Note 9).

The group is required to disclose fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

- Quoted prices (unadjusted) in active markets for identical assets (level 1).
- Inputs 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 (level 2).
- Inputs for the asset that are not based on observable market data i.e. unobservable inputs (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31 December:

	2010	2009
	€	€
Assets - Level 1		
Available-for-sale financial assets	**2,712,550**	2,671,512
Liabilities - Level 2		
Derivative financial instruments	**827,003**	513,491

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of interest rate swaps is mainly based on the present value of the estimated future cash flows.

2. Financial risk management - continued

2.3 Capital risk management

Group

The capital of the group is managed with a view of maintaining a controlled relationship between capital and structural borrowings in order to maintain an optimal capital structure which reduces the cost of capital. To maintain or adjust its capital structure, the group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

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

Total capital is measured by reference to the amounts reflected in the consolidated financial statements where the property, plant and equipment are stated at revalued amounts that are regularly assessed and updated.

Reported equity is adjusted for fair value surplus (net of deferred tax) over the notional carrying amount of investment property. Equity includes a portion of revaluation surplus on property related to the 'Portomaso' development not yet released dating back to 1994 when property inventory was reclassified from non-current assets. No account is taken of further fair value surplus on trading property inventory since that date. Reported equity was not adjusted for fair value surplus (net of deferred tax) over the notional carrying amount of property inventory with the exception for the fair value of land for development related to the 'Tas-Sellum' development. According to the directors there is a substantial increase in land value, related to this project, between the carrying amount and the architect's valuation prior to development. Equity has been adjusted by this surplus (net of deferred tax) with reference to land valuations made in 2005 prior to the commencement of development.

Structural borrowings include all borrowings, less cash and cash equivalents which includes the bond redemption funds (refer to Note 22).

The gearing ratios at 31 December 2010 and 2009 were as follows:

	2010	2009
	€	€
Total borrowings (Note 22)	**149,530,663**	156,324,577
Less: Cash and cash equivalents (Note 15)	**(13,749,251)**	(8,262,917)
Net borrowings	**135,781,412**	148,061,660
Reported equity	**79,107,819**	79,122,879
Adjustment for fair value of investment property	**33,919,380**	30,924,713
Adjustment for fair value of inventories	**3,023,638**	3,247,044
Total equity	**116,050,837**	113,294,636
Total capital	**251,832,249**	261,356,296
Gearing	**54%**	57%

2. Financial risk management - continued

2.3 Capital risk management - continued

The group manages the relationship between equity injections and borrowings, being the constituent elements of capital, as reflected above with a view to managing the cost of capital. The level of capital of Tumas Group Company Limited is maintained by reference to its respective financial obligations and commitments arising from operational and investment requirements of the group. In view of the nature of the group's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the directors.

3. Critical accounting estimates and judgements

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

In the opinion of the directors (except as disclosed in Note 5), the accounting estimates and judgements made in the course of preparing these consolidated financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Intangible assets

	Group	
	2010	2009
	€	€
Franchise and distribution rights		
Opening net book amount	**-**	7,244
Additions	**6,928**	-
Impairment charge	**(6,928)**	-
Amortisation charge	**-**	(7,244)
Closing net book amount	**-**	-
Cost	**97,635**	97,635
Accumulated amortisation	**(97,635)**	(97,635)
Net book amount	**-**	-

As at 1 January 2009, the cost and accumulated amortisation of the group's franchise rights amounted to €97,635 and €90,391 respectively. Amortisation of €Nil (2009: €7,244) is included within cost of sales.

5. Property, plant and equipment

Group	Land and buildings, including assets in course of construction	Plant, machinery and equipment	Furniture, fixtures, fittings and office equipment	Flight equipment and motor vehicles	Total
	€	€	€	€	€
At 1 January 2009					
Cost or valuation	142,907,039	54,764,965	37,088,442	5,361,346	240,121,792
Accumulated depreciation	(19,268,014)	(22,891,214)	(22,544,962)	(886,952)	(65,591,142)
Net book amount	123,639,025	31,873,751	14,543,480	4,474,394	174,530,650
Year ended 31 December 2009					
Opening net book amount	123,639,025	31,873,751	14,543,480	4,474,394	174,530,650
Commissioned assets and additions	1,218,552	2,304,050	2,763,831	17,444	6,303,877
Disposals	(12,696)	(155,231)	(327,149)	(5,871)	(500,947)
Transfer to investment property	(437,247)	-	-	-	(437,247)
Transfer to inventories	(8,774,370)	(211,182)	(104,091)	-	(9,089,643)
Depreciation charge	(2,593,894)	(3,608,711)	(2,645,665)	(316,504)	(9,164,774)
Depreciation released on disposals	9,943	130,845	211,687	2,935	355,410
Depreciation released on transfer to inventories	-	100,478	-	-	100,478
Closing net book amount	113,049,313	30,434,000	14,442,093	4,172,398	162,097,804
At 31 December 2009					
Cost or valuation	134,901,278	56,702,602	39,421,033	5,372,919	236,397,832
Accumulated depreciation	(21,851,965)	(26,268,602)	(24,978,940)	(1,200,521)	(74,300,028)
Net book amount	113,049,313	30,434,000	14,442,093	4,172,398	162,097,804
Year ended 31 December 2010					
Opening net book amount	113,049,313	30,434,000	14,442,093	4,172,398	162,097,804
Commissioned assets and additions	(579,267)	2,198,269	1,947,413	747	3,567,162
Disposals	-	(130,820)	(245,875)	-	(376,695)
Net transfers to investment property	(8,770,890)	(404,472)	(584,087)	-	(9,759,449)
Depreciation charge	(2,315,179)	(3,718,169)	(2,474,952)	(364,285)	(8,872,585)
Depreciation released on disposals	-	93,240	225,072	-	318,312
Closing net book amount	**101,383,977**	**28,472,048**	**13,309,664**	**3,808,860**	**146,974,549**
At 31 December 2010					
Cost or valuation	125,551,121	58,365,579	40,538,484	5,373,666	229,828,850
Accumulated depreciation	(24,167,144)	(29,893,531)	(27,228,820)	(1,564,806)	(82,854,301)
Net book amount	101,383,977	28,472,048	13,309,664	3,808,860	146,974,549

5. Property, plant and equipment - continued

On 31 December 1998, the directors approved revaluations of most of the property owned by the group. The revaluations of the Dolmen Complex and the Topaz Aparthotel were determined on the basis of open market value, after considering the returns being obtained by these hotels and the intrinsic value of the property, as evaluated by professional architects. The directors also approved revaluations carried out by the group's architects of other land and buildings on the basis of open market value. The directors have confirmed that the carrying amount of land and buildings as at 31 December 2010 does not differ materially from that which would be determined using fair values which take account of the above considerations.

In the case of the Dolmen Complex, an independent architect's valuation was last performed on 28 October 2003. Since the approval of this valuation assessment, the fair value of the Dolmen Complex is in line with expectations. The directors take cognisance of certain economic factors that have negatively impacted the group net cash inflows including increases in utility prices and changes in interest rates which they believe have been counterbalanced by higher operating revenues and by appreciation in property values.

On 31 December 2008, the directors approved the revaluation of property owned by the group on which the Halland Aparthotel is constructed. This revaluation was determined on the basis of open market value, after considering the projected returns to be obtained by the group and the intrinsic value of the property together with the freehold title and permits at hand, as evaluated by professional architects. During the financial year ended 31 December 2009, the group terminated its hospitality activities and timeshare obligations operated through the Halland Aparthotel. Upon closure the group transferred this property to inventories upon the director's decision to hold this property for development purposes (Note 14).

Prior to 31 December 1998, the directors approved the revaluation of land and foreshore situated in St. Julians surrounding the site occupied by the Portomaso project on the basis of advice from the professional architects, having regard to current property values in the area, the location of the site and its intended use, which until the year ended 31 December 2005 was held under a temporary emphyteutical grant expiring on 19 May 2114. This site has been developed into a complex that includes the Hilton (Malta) Hotel and its convention centre, the Portomaso Business Tower, a casino, a car park and commercial outlets. During 2005, the freehold title was acquired by the group.

During the financial year ended 31 December 2010, the group leased its hospitality activities and timeshare obligations operated through the Topaz Aparthotel to a third party. Therefore, the group transferred its property, plant and equipment to investment property (Note 6).

As at 31 December 2010, the carrying amount of land and buildings would have been €70,293,985 (2009: €76,517,321) had these assets been included in the financial statements at historical cost less depreciation. The cost of assets in course of construction, including advance payments, amounted to €260,707 (2009: €1,209,311).

The charge for depreciation and impairment charges as disclosed in Note 25 is included in the income statement as follows:

	Group	
	2010	2009
	€	€
Continuing operations:		
- Cost of sales	**8,667,451**	8,638,835
- Administrative expenses	**205,134**	525,939
	8,872,585	9,164,774

5. Property, plant and equipment - continued

Bank borrowings are secured on the group's property, plant and equipment (Note 22).

In June 2004, the group entered into a number of agreements including a finance lease arrangement relating to the acquisition of the flying freehold land in Evian-Les-Bains, France and the development of a hotel on this site. These agreements included the construction of buildings and integral plant of a four star hotel on a turnkey basis whose completion ensued in mid 2006 when the hotel commenced operations. Due to certain contractual obligations in favour of the lessor which emanate from the lease contract, the directors consider the finance lease as a financing arrangement. Accordingly, the group has recognised the asset being constructed in line with the allocated financing advances made by the lessor to the contractors with the corresponding build-up of the finance lease liability (Note 22).

6. Investment property

	Group	
	2010	2009
	€	€
Year ended 31 December		
Opening net book amount	**36,268,519**	34,756,347
Additions	**1,493,131**	3,313,441
Disposals	**-**	(880,058)
Transferred from assets in the course of construction (Note 5)	**-**	437,247
Transferred from property, plant and equipment (Note 5)	**9,759,449**	-
Depreciation charge (Note 25)	**(1,808,654)**	(1,361,624)
Depreciation released on disposal	**-**	3,166
Closing net book amount	**45,712,445**	36,268,519
At 31 December		
Cost	**58,465,450**	42,047,081
Accumulated depreciation	**(12,753,005)**	(5,778,562)
Net book amount	**45,712,445**	36,268,519

Included in investment property is land with a cost of €876,288 (2009: €540,135), which is stated at its carrying value of €1,808,171 (2009: €1,918,068). This represents the revalued amount at which the land was transferred from property, plant and equipment to investment property upon commissioning of these assets.

The fair value of investment property at 31 December 2010 amounted to €84,257,195 (2009: €71,410,238). These valuations are approved by the directors having regard to current property value in the respective area and location.

Depreciation charge of €1,808,654 (2009: €1,361,624) disclosed in Note 25 is included in the income statement as follows: €850,482 (2009: €525,303) in cost of sales and €958,172 (2009: €836,321) in administrative expenses.

Bank borrowings are secured on the group's investment property (Note 22).

6. **Investment property** - continued

Leased assets included above, where the group is the lessor, comprise property leased out under operating leases:

	Group	
	2010	2009
	€	€
Year ended 31 December		
Opening net book amount	**28,756,530**	22,490,163
Commissioned assets and additions	**2,723,020**	7,429,244
Transferred from property, plant and equipment	**9,328,275**	-
Depreciation charge	**(1,619,224)**	(1,162,877)
Closing net book amount	**39,188,601**	28,756,530
At 31 December		
Cost	**48,316,182**	32,234,763
Accumulated depreciation	**(9,127,581)**	(3,478,233)
Net book amount	**39,188,601**	28,756,530

During the financial year ended 31 December 2010, the group leased its hospitality activities and timeshare obligations through the Topaz Aparthotel to a third party. Commissioned assets and additions in relation to this lease amounted to €9,311,779 (2009: €Nil).

The following amounts have been recognised in the income statement:

	Group	
	2010	2009
	€	€
Rental income	**5,907,633**	4,610,639
Direct operating expenses arising from investment property that generate rental income	**(1,134,710)**	(800,066)

7. Investments in subsidiaries

	Company	
	2010	2009
		€
Year ended 31 December		
Opening net book amount	**21,233,689**	21,646,880
Additions	**-**	219,105
Increase in impairment provision of investments in subsidiaries	**(476,546)**	(632,296)
Closing net book amount	**20,757,143**	21,233,689
At 31 December		
Cost	**22,541,909**	22,541,909
Impairment provision for investments	**(1,784,766)**	(1,308,220)
Net book amount	**20,757,143**	21,233,689

The principal subsidiaries all of which are unlisted at 31 December 2010, except for Dolmen Properties p.l.c. and Tumas Investments p.l.c., are shown below:

	Registered Office	**Class of shares held**	**Percentage of shares held**	
			2010	2009
A&A Properties Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Alternative Renewable Energy Solutions Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**51**	51
Choice Holidays Limited	37, Southwick Street London, England	Ordinary shares	**100**	100
Choice Holidays Malta Limited (formerly known as IMCO Distributors Limited)	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Commercial Vehicles Imports Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**90**	90
Dolmen Complex Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100

7. Investments in subsidiaries - continued

	Registered office	Class of shares held	Percentage of shares held 2010	2009
Dolmen Properties p.l.c	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Easysell Caterers Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Easysell Caterers (Gozo) Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Easysell Kia (Malta) Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Easysell Properties Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Easysell Retailers Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Eurojet Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Express Travel Tours Limited	37, Southwick Street London, England	Ordinary shares	**100**	100
G&M Investments & Properties Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares Preference shares	**100** **100**	100 100
Halland Developments Company Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100

7. Investments in subsidiaries - continued

	Registered office	Class of shares held	Percentage of shares held 2010	2009
Kenuna Estates Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
		Preference shares	**100**	100
Kromus Estates Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
		Preference shares	**100**	100
Mill Street Complex Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
		Preference shares	**100**	100
Norma Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Portomaso Leasing Company Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Qormi Construction Company Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Spinola Development Company Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
		Preference shares	**100**	100
Spinola Investments Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
St. Andrews Hotels Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Sun Island Services Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100

7. Investments in subsidiaries - continued

	Registered office	**Class of shares held**	**Percentage of shares held 2010**	2009
T.G. Land Developers Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**95**	95
T.G. Services Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Tas-Sellum Administration Company Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Tas-Sellum Development Company Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
TF Shipping Agencies Limited (liquidated)	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**-**	100
TG Leasing Company Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
TG Properties Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares Preference shares	**100** **100**	100 100
Tumas Gaming Limited (formerly known as Tomino Limited)	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Tumas Casino Caterers Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Tumas Group Finance Company Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100

7. Investments in subsidiaries - continued

	Registered office	Class of shares held	Percentage of shares held 2010	2009
Tumas Group Management Company Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Tumas Hotel Operations Evian SAS	10 Place Charles Beraudier Immeuble L'Orient 69428 Lyon, France	Ordinary shares	**100**	100
Tumas Hotels-Evian SAS	10 Place Charles Beraudier Immeuble L'Orient 69428 Lyon, France	Ordinary shares	**100**	100
Tumas Investments p.l.c.	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100
Visa Cleaners Limited (in liquidation)	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**100**	100

8. Investments in associates

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Year ended 31 December				
Opening net book amount	**1,302,868**	1,159,587	**1,069,429**	1,081,076
Additions	**-**	-	**132,075**	-
Share of results of associates	**191,858**	143,281	**-**	-
Net dividends	**(7,000)**	-	**-**	-
Increase in impairment provision of investments in associates	**-**	-	**-**	(11,647)
Closing net book amount	**1,487,726**	1,302,868	**1,201,504**	1,069,429
At 31 December				
Cost	**1,287,799**	1,287,799	**1,213,729**	1,081,654
Share of associates' results and reserves	**199,927**	15,069	**-**	-
Impairment provision for investments	**-**	-	**(12,225)**	(12,225)
Net book amount	**1,487,726**	1,302,868	**1,201,504**	1,069,429

8. Investments in associates - continued

The principal associates all of which are unlisted at 31 December 2010 are shown below:

	Registered office	Class of shares held	Percentage of shares held 2010	2009
Allcare Insurance Agency Limited	University Roundabout Msida, Malta	Ordinary shares	**25**	25
ARRIVA Malta Limited	192, Old Bakery Street, Valletta, Malta	Ordinary shares	**33**	-
Kemmuna Limited	30, Archbishop Street, Valletta, Malta	Ordinary shares	**24**	24
Land Developers Limited (in liquidation)	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**50**	50
Ropes Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**50**	50
Tal - Wilga Limited	Gasan Centre Mriehel By-Pass, Mriehel, Malta	Ordinary Shares	**49**	49
Thirty-Two Limited (in liquidation)	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**50**	50
TumasGasan Holdings Limited (formerly known as Ta' Monita Estates Limited)	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**50**	50
Valletta Gateway Terminal Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	**45**	45
Valletta Links Limited (in liquidation)	Gasan Centre Mriehel By-Pass, Mriehel, Malta	Ordinary shares	**33**	33

Summarised financial information of the principal associates as at 31 December is as follows:

	Assets €	Liabilities €	Revenues €	Results €
At 31 December 2009	45,044,734	41,428,945	8,747,145	474,483
Movements	22,819,063	15,316,912	2,699,384	(211,126)
At 31 December 2010	**67,863,797**	**56,745,857**	**11,446,529**	**263,357**

9. Investments

Group

	Loans to third parties €	Loans and receivables €	Available-for-sale financial assets €	Total €
At 31 December 2009				
Cost and net book amount	166,068	3,000,000	2,671,512	5,837,580
Year ended 31 December 2010				
Opening net book amount	166,068	3,000,000	2,671,512	5,837,580
Movements	(60,316)	(3,000,000)	41,038	(3,019,278)
Closing net book amount	**105,752**	**-**	**2,712,550**	**2,818,302**
At 31 December 2010				
Cost and net book amount	105,752	-	2,712,550	2,818,302

Maturity of investments:

	2010 €	2009 €
Non-current		
Between 2 and 5 years	**-**	3,000,000
Current		
Within 1 year	**2,818,302**	2,837,580
Total investments	**2,818,302**	5,837,580

Loans to third parties

On 5 February 2003, the group created a loan amounting to €2,096,436 as consideration for the disposal of investment property. On 11 April 2003, the group created a further loan amounting to €861,868 as part consideration for the disposal of another investment property.

IAS 39 (revised) requires that on issue of loans, the fair value of the asset should be determined using a market interest rate for an equivalent asset; this amount should be carried as a financial asset on the amortised cost basis until maturity or repayment of the loan.

9. **Investments** - continued

Loans to third parties - continued

The loans are measured at the amount of the proceeds upon origination, adjusted for the amortisation of the difference between the initial measurement amount and the maturity amount using the effective interest rate as follows:

	2010	2009
	€	€
Original face value proceeds of loans	**2,958,304**	2,958,304
Repayments	**(2,775,629)**	(2,695,662)
Discount on early repayment	**(76,923)**	(96,574)
Amortised cost at 31 December	**105,752**	166,068

Loans and receivables and available-for-sale financial assets

Loans and receivables and available-for-sale financial assets are held with a French financial institution. During 2010, the company disposed of these loans and receivables and the related proceeds were utilised to partly repay pledged borrowings as noted hereunder. Year-end effective interest rate for the available-for-sale financial assets was 1.0% (2009: 1.0%) while that for the loans and receivables in 2009 was 1.1%. The loans and receivable rate of return is based on a pre-established base rate over the six month EURIBOR index ruling at the date of the interest roll over.

Investments for an amount of €2,487,000 (2009: €5,487,000) were pledged in favour of the lessor for minimum future finance payments as disclosed in Note 34. In the opinion of the directors, the carrying amount of these investments as at 31 December 2010 does not differ materially from that which would be determined using fair values.

10. **Other investments**

	Group	
	2010	2009
	€	€
Year ended 31 December		
Opening and closing net book amount	**2,434**	2,434
At 31 December		
Cost and net book amount	**2,434**	2,434

11. Deferred tax

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
At beginning of year	**12,345,361**	12,838,899	**-**	-
Credited to the income statement (Note 30):				
Transfer of depreciation through asset use	**(85,998)**	(100,797)	**-**	-
Transfer upon realisation through property disposals	**(46,999)**	(55,215)	**-**	-
Deferred tax on temporary differences arising on unabsorbed capita allowances and depreciation of non-current assets	**(24,486)**	(88,717)	**-**	-
Deferred tax on temporary differences arising on provisions	**(36,315)**	(43,193)	**(2,796,430)**	-
Deferred tax on temporary differences arising on amortisation of issue costs	**(8,791)**	(15,930)	**-**	-
Deferred tax on temporary differences attributable to capital and tax losses	**660,605**	-	**-**	-
Release of deferred tax on temporary differences arising on gains on fixed income and other securities	**(1,400,158)**	-	**-**	-
Transferred to current tax:				
Deferred tax on temporary differences attributable to tax losses	**-**	5,436	**-**	-
Debited to reserves:				
Movement in deferred tax determined on the tax basis applicable to capital gains	**(7,871)**	(15,400)	**-**	-
Net tax effect of re-measurement of derivatives (Note 23)	**(109,729)**	(179,722)	**-**	-
At 31 December	**11,285,619**	12,345,361	**(2,796,430)**	-
Disclosed as:				
Deferred tax assets	**(3,627,619)**	(3,788,265)	**(2,796,430)**	-
Deferred tax liabilities	**14,913,238**	16,133,626	**-**	-
	11,285,619	12,345,361	**(2,796,430)**	-

11. Deferred tax - continued

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2009: 35%) except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 12% (2009: 12%) on the carrying amounts.

The balance at 31 December represents temporary differences on or attributable to:

	Group	
	2010	2009
	€	€
Revaluation of property, plant and equipment (Note 17)	**9,571,265**	10,836,223
Revaluation of investment property (Note 17)	**2,226,698**	1,055,612
Revaluation of property held for resale (Note 17)	**2,328,084**	2,375,083
Intra-group transactions	**219,423**	219,423
Capital allowances and depreciation of non-current assets	**324,537**	349,023
Provisions and referrals	**(305,602)**	1,130,871
Amortisation of issue costs	**-**	8,791
Tax and capital losses	**(2,789,337)**	(3,449,943)
Re-measurement of derivative instruments	**(289,449)**	(179,722)
	11,285,619	12,345,361

At 31 December 2010, the group had unrecognised and recognised deferred tax assets amounting to €8,998,102 (2009: €4,446,075) and €2,840,429 (2009: €1,988,971) respectively, consisting of unutilised tax credits and temporary differences arising from:

	Unrecognised		Recognised	
	2010	2009	**2010**	2009
	€	€	**€**	€
Unutilised tax credits arising from:				
unabsorbed tax and capital losses	**23,409,138**	10,169,686	**8,004,934**	10,049,590
unabsorbed capital allowances	**1,966,703**	1,675,874	**6,903,005**	6,826,555
provisions and derivatives	**596,795**	668,859	**1,588,086**	1,183,047
tangible assets	**182,447**	379,595	**(510,903)**	(722,478)
Taxable temporary differences arising on:				
provisions	**-**	-	**76,663**	99,834
tangible assets	**-**	-	**(7,319,348)**	(7,101,283)
amortisation of issue costs	**-**	-	**-**	(25,117)
gains on fixed income and other securities	**-**	-	**-**	(4,000,451)
Intra-group transactions	**-**	-	**(626,923)**	(626,923)
	26,155,083	12,894,014	**8,115,511**	5,682,774

Whereas tax losses have no expiry date, unabsorbed capital allowances are forfeited upon cessation of trade.

12. Trade and other receivables

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Non-current				
Hire purchase receivables (Note 13)	**135,714**	226,510	**-**	-
Current				
Trade receivables	**8,840,118**	6,930,376	**-**	-
Advance deposits	**4,146,867**	3,804,095	**3,629,535**	3,104,345
Hire purchase receivables (Note 13)	**314,866**	199,899	**-**	-
Amounts owed by subsidiaries (Note 36)	**-**	-	**15,459,646**	19,197,520
Amounts owed by related parties (Note 36)	**833,402**	58,115	**670,000**	-
Amounts owed by associates (Note 36)	**9,104,491**	8,327,058	**8,087,267**	7,464,508
Other taxation recoverable	**70,124**	135,031	**-**	-
Other receivables	**558,015**	1,276,529	**102,000**	252,000
Prepayments and accrued income	**2,521,469**	2,765,293	**-**	-
	26,389,352	23,496,396	**27,948,448**	30,018,373
Total receivables	**26,525,066**	23,722,906	**27,948,448**	30,018,373

Amounts owed by subsidiaries, related parties and associates are unsecured, interest free and are repayable on demand.

The group's and company's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in Note 2. The other classes within receivables do not contain impaired assets.

Amounts due from associates include an amount of €8,439,982 (2009: €7,795,105) relating to advances by the group to different associates to finance the acquisition of various major properties in Malta.

As at 31 December 2010, these amounts were fully performing and hence do not contain impaired assets. The company does not hold any collateral as security.

Receivables are stated net of provision for impairment charges as follows:

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Trade receivables	**1,034,951**	999,589	**-**	-
Amounts owed by subsidiaries	**-**	-	**21,311,905**	13,000,000
Other receivables	**162,328**	163,688	**-**	-
	1,197,279	1,163,277	**21,311,905**	13,000,000

Provision for impairment of receivables on amounts receivable from hire purchase receivables are disclosed separately in Note 13.

12. Trade and other receivables - continued

Net charges of provisions for and impairment of receivables disclosed in Note 25 are included in the income statement as follows:

	Group	
	2010	2009
	€	€
Cost of sales	**(3,274)**	2,256
Administrative costs	**102,538**	279,566
	99,264	281,822

13. Hire purchase receivables

	Group	
	2010	2009
	€	€
Receivables on whom bills of exchange were drawn		
Current	**364,465**	224,053
Non-current	**135,714**	226,510
	500,179	450,563
Provision for impairment of receivables	**(49,599)**	(24,154)
Total hire purchase receivables	**450,580**	426,409

Hire purchase receivables are subject to an effective interest rate of 8.1% (2009: 8.1%).

The group's exposure to credit and currency risks and impairment losses relating to hire purchase receivables are disclosed in Note 2.

Receivables covered by bills of exchange factored out to the bank with an option to repurchase them as they fall due are not derecognised from the statement of financial position. The amounts advanced under this facility are treated as collateralised borrowings amounting to the face value of the bills factored out (Note 22). Receivables covered by bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the group. The group has derecognised from the statement of financial position receivables amounting to €545,896 and €296,317 in the financial years ended 31 December 2010 and 2009 respectively. The group retains a portion of the credit risk in these receivables through the bank's right of recourse. This right of recourse is recognised as a financial liability measured at its fair value which is deemed to be insignificant at the end of the reporting periods.

14. Inventories

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Motor vehicles	**608,326**	896,553	**-**	-
Spare parts and consumables	**1,039,748**	1,236,807	**-**	-
Food and beverage	**500,755**	567,462	**-**	-
Finished goods for resale	**66,192**	80,739	**-**	-
	2,215,021	2,781,561	**-**	-
Property held for development and resale	**42,395,225**	40,114,724	**195,956**	195,956
	44,610,246	42,896,285	**195,956**	195,956

During the year ended 31 December 2010 and 2009, property transferred to property held for development and resale upon change in intended use was as follows:

	Group	
	2010	2009
	€	€
Transferred from property, plant and equipment (Note 5)	**-**	9,089,643

Included in the group's property held for development and resale is land and buildings with a cost of €9,558,220 (2009: €9,592,440) which is stated at its carrying value of €11,147,563 (2009: €11,309,538). This represents the revalued amount at which land and buildings were transferred from tangible non-current assets to property held for development and resale upon the change in intended use of the asset.

As disclosed in Note 5, during 2009, the group transferred the property previously operated as the Halland Aparthotel to inventories upon closure of hospitality activities and timeshare obligations and the directors decision to hold this property for development purposes.

15. Cash and cash equivalents

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

	Group	
	2010	2009
	€	€
Cash at bank and in hand	**17,268,521**	15,682,974
Bank overdrafts	**(3,483,363)**	(7,320,807)
Bank overdrafts - trade bills facility	**(35,907)**	(99,250)
	13,749,251	8,262,917
Bond redemption funds	**-**	(5,359,190)
	13,749,251	2,903,727

15. **Cash and cash equivalents** - continued

As disclosed above, cash and cash equivalents for the purposes of the statement of cash flows, exclude contributions to bond redemption funds, which have been set-up and are restricted pursuit to the terms and conditions stated in the private placement memorandum of the FRN secured bonds and the offering memorandum of the secured bonds.

During 2010 group exercised its redemption option by redeeming the FRN secured bonds. The group utilised the bond redemption fund (in accordance with the terms set in the said Private Placement Memorandum) and allocating €325,033 to this fund in accordance with the terms and conditions set in the noted memorandum and a further €4,107,827 of its liquid funds to be able to redeem €5,236,494 of its outstanding secured bonds.

On 17 September 2010 the group announced that it will exercise its early redemption option by redeeming 50% of the outstanding secured bonds 2010-2013. The group contributed €348,809 to its bond redemption fund (in accordance with the terms set in the Offering Memorandum) and allocated a further €469,520 from its liquid funds to be able to redeem €5,374,620 of its outstanding bonds.

Cash and cash equivalents include an amount of €2,491,894 (2009: €1,923,151) which is held at call and earns interest at floating rates. The effective weighted average interest rate at the end of the reporting period was 1.0% (2009: 1.0%).

The bank overdrafts - trade bills facility are treated as a cash equivalent as these form an integral part of the group's cash management.

16. Share capital

	Group and Company	
	2010	2009
	€	€
Authorised		
44,001 ordinary shares of €2.329373 each	**102,495**	102,495
1 ordinary 'B' share of €2.329373	**2**	2
	102,497	102,497
Issued and fully paid		
44,001 ordinary shares of €2.329373 each	**102,495**	102,495
1 ordinary 'B' share of €2.329373	**2**	2
	102,497	102,497

17. Revaluation reserves

	Group	
	2010	2009
	€	€
Surplus arising on revaluation of:		
Property, plant and equipment	**25,289,861**	29,724,675
Investment property	**7,537,491**	3,254,523
Property held for resale	**4,633,374**	4,720,659
Revaluation reserves at end of year	**37,460,726**	37,699,857

Revaluation of property, plant and equipment		
At beginning of year, before deferred tax	**40,560,898**	46,271,064
Transfer to revaluation reserve on investment property	**(5,537,142)**	-
Transfer to revaluation on property held for resale	**-**	(5,396,669)
Transfer of depreciation to retained profits through asset use	**(162,630)**	(313,497)
	34,861,126	40,560,898
Deferred tax (Note 11)	**(9,571,265)**	(10,836,223)
At 31 December	**25,289,861**	29,724,675

Revaluation of investment property		
At beginning of year, before deferred tax	**4,310,135**	4,320,191
Transfer from revaluation on property, plant and equipment	**5,537,142**	-
Transfer of depreciation to retained profits through asset use	**(83,088)**	(10,056)
	9,764,189	4,310,135
Deferred tax (Note 11)	**(2,226,698)**	(1,055,612)
At 31 December	**7,537,491**	3,254,523

Revaluation of property held for resale		
At beginning of year, before deferred tax	**7,095,742**	1,856,827
Transfer from revaluation on property, plant and equipment	**-**	5,396,669
Transfer upon realisation through property disposals held for resale	**(134,284)**	(157,754)
	6,961,458	7,095,742
Deferred tax (Note 11)	**(2,328,084)**	(2,375,083)
At 31 December	**4,633,374**	4,720,659

The revaluation reserves are non-distributable reserves.

18. Other reserves

Group	Hedging reserve €	Incentives and benefits reserve €	Exchange Translation Reserve €	Total €
At 1 January 2009	-	172,718	(20,478)	152,240
Exchange differences for the year	-	-	(11,852)	(11,852)
Losses from changes in fair value, net of deferred tax	(487,474)	-	-	(487,474)
Transferred to income statement, net of deferred tax (Note 29)	153,705	-	-	153,705
Transfer from retained earnings	-	2,221,840	-	2,221,840
At 31 December 2009	(333,769)	2,394,558	(32,330)	2,028,459
At 1 January 2010	(333,769)	2,394,558	(32,330)	2,028,459
Exchange differences for the year	-	-	53,618	53,618
Losses from changes in fair value, net of deferred tax	(498,305)	-	-	(498,305)
Transferred to income statement, net of deferred tax (Note 29)	294,522	-	-	294,522
Transfer from retained earnings	-	1,154,888	-	1,154,888
At 31 December 2010	**(537,552)**	**3,549,446**	**21,288**	**3,033,182**

In accordance with Sections 24B and 36 of the Business Promotion Act, transfers have been made to an incentives and benefits reserve representing the net amount of profits subject to income tax at a reduced rate of tax. Such profits are set aside for the exclusive purpose of financing the upgrading projects within the group as approved by Malta Enterprise Corporation in accordance with Article 6 of the Business Promotion Act.

The incentives and benefits reserve is not distributable. The incentives and benefits reserve will be retained for a period of eight years after which it can be distributed by means of a bonus issue.

The net fair value losses recognised in equity at 31 December 2010 on the interest-rate swap contract will be transferred from the hedging reserve to the income statement during the remaining term of the contract up to June 2018. As at the reporting period date, this contract is designated as hedging anticipated variable interest payments which will also accrue over the term of the derivative contract.

19. Non-controlling interest

	Group	
	2010	2009
	€	€
At beginning of year	**-**	(32,062)
Transfer upon acquisition of investment	**-**	32,062
At 31 December	**-**	-

20. Other provisions

	Group	
	2010	2009
	€	€
At beginning of year	**483,831**	453,049
Charged to the income statement	**25,150**	30,782
Utilised during the year	**(15,149)**	-
At 31 December	**493,832**	483,831

The amounts shown above comprise gross provisions in respect of legal claims of €369,219 (2009: €344,069) and tax claims of €124,613 (2009: €139,762) brought against the group. In the opinion of the directors, after taking appropriate advice, the outcome of the claims will not give rise to any significant loss beyond the amounts provided at 31 December 2010.

21. Trade and other payables

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Non-current				
Deferred income arising on long term rights of use sales	**2,884,869**	3,387,190	**2,884,869**	3,387,190
Other deferred income	**2,421**	5,316	**-**	-
	2,887,290	3,392,506	**2,884,869**	3,387,190
Current				
Trade payables	**9,531,938**	11,152,749	**-**	-
Deferred income arising on rights of use sales	**633,972**	799,329	**633,972**	799,329
Advanced deposits on sale of property	**13,329,419**	7,089,736	**-**	-
Amounts owed to subsidiaries (Note 36)	**-**	-	**27,817,151**	39,115,044
Amounts owed to associates	**621,808**	957,626	**-**	-
Amounts owed to related parties (Note 36)	**729,276**	650,281	**5,002**	44,445
Indirect taxes and social security	**2,079,244**	1,651,375	**-**	-
Capital and other payables	**4,825,253**	5,784,586	**70,919**	19,483
Accruals and deferred income	**8,979,455**	7,063,189	**5,500**	4,500
	40,730,365	35,148,871	**28,532,544**	39,982,801
Total payables	**43,617,655**	38,541,377	**31,417,413**	43,369,991

21. Trade and other payables - continued

Amounts owed to subsidiaries and related parties to the company are unsecured, interest free and are repayable on demand except for an amount of €11,889,036 (2009: €11,889,036) which bears interest of 5.0% (2009: 4.9%) per annum. Included in amounts owed to related parties are amounts of €53,685 (2009: €75,996) for the group and €5,002 (2009: €44,445) for the company which are owed to the shareholders.

The group's and the company's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 2.

22. Borrowings

	Group	
	2010	2009
	€	€
Non-current		
Bank loans	**67,225,765**	61,020,998
550 FRN secured bonds 2009-2011	**-**	4,071,807
163,056 6.7% unsecured bonds 2010- 2012	**-**	16,280,496
109,513 6.0% secured bonds 2010-2013	**5,374,617**	10,414,603
250,000 6.25% unsecured bonds 2014-2016	**24,571,807**	24,742,285
250,000 6.20% unsecured bonds 2017-2020	**24,497,958**	-
Finance lease liabilities (Note 34)	**17,068,015**	20,937,296
	138,738,162	137,467,485
Current		
Bank overdrafts	**3,483,363**	7,320,807
Bank overdrafts - trade bills facility	**35,907**	99,250
Bank loans	**5,927,719**	8,775,837
550 FRN secured bonds 2009-2011	**-**	1,164,687
Finance lease liabilities (Note 34)	**1,345,512**	1,496,511
	10,792,501	18,857,092
Total borrowings	**149,530,663**	156,324,577

Group

The group's banking facilities as at 31 December 2010 and 2009 amounted to €95,281,264 and €93,398,060 respectively. These facilities include an amount of €363,970 (2009: €363,970) which is held as a gaming reserve as established by the Lotteries and Gaming Authority by virtue of section 39(1) of the Gaming Act, 1998.

Finance lease liabilities relate to the financing of the turnkey contract for the construction of the property, plant and equipment in Evian-Les-Bains, France. The group's finance lease facility as at 31 December 2010 amounted to €18,413,527 (2009: €22,433,807). Disclosure of the finance lease arrangements, security and commitments is made in Note 34.

22. Borrowings - continued

The above mentioned borrowings can be classified into the following financing categories:

	Group	
	2010	2009
	€	€
Bank borrowings	**76,672,754**	77,216,892
Secured and unsecured bonds	**54,444,382**	56,673,878
Finance lease	**18,413,527**	22,433,807
	149,530,663	156,324,577

The bank loans and overdrafts are secured by:

(a) general and special hypothecs over the group's tangible assets and certain property held for development and resale;
(b) special privilege over certain of the group's property held for development and resale;
(c) pledge on motor vehicles held in bond;
(d) pledge over bills of exchange;
(e) guarantees given by the shareholders;
(f) guarantees given by third parties;
(g) pledge on insurance policies of subsidiaries and third parties;
(h) letters of undertaking.

Bonds and notes in issue by the group during 2010 and 2009

Date of issue	**Type of instrument**	**Principal amount**	**Redemption dates and options**
10 July 2002	Unsecured bonds	€16,305,614	2010 to 2012
28 October 2003	Secured bonds	€10,948,055	2010 to 2013
16 April 2004	Secured bonds	€12,811,554	2009 to 2011
10 July 2009	Unsecured bonds	€25,000,000	2014 to 2016
9 June 2010	Unsecured bonds	€25,000,000	2017 to 2020

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

	Group	
	2010	2009
	€	€
Face value of the bonds and secured notes	**55,374,617**	57,295,208
Issue costs	**(1,361,679)**	(1,258,020)
Accumulated amortisation	**431,444**	636,690
Closing net book amount	**(930,235)**	(621,330)
Amortised cost at 31 December	**54,444,382**	56,673,878

22. **Borrowings** - continued

During the year ended 31 December 2002, the group issued unsecured bonds maturing between 2010 and 2012 for an amount of €16,305,614. The bonds are guaranteed by Spinola Development Company Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. During 2010, the group exercised its early redemption option by redeeming these bonds as disclosed below.

During the year ended 31 December 2004, the group issued a private placement in the form of secured bonds for an amount of €12,811,554. These bonds were due for redemption between 2009 and 2011. These bonds were secured by a general hypothec over all the group's assets and by special hypothecs and privileges on property held for resale as identified in the private placement memorandum. The group had also undertaken to set up a bond redemption fund as described in the offering memorandum. During 2010, the group redeemed these bonds as disclosed in note 15.

By virtue of an offering memorandum dated 10 July 2009, the group issued 25,000,000 unsecured bonds with a face value of €100 each. The bond's interest is payable semi-annually in arrears on 31 January and 31 July. The bonds are redeemable at par and are due for redemption on 31 July 2016 but are redeemable in whole or in part, at the option of the group between 31 July 2014 and 31 July 2016 (the optional redemption periods). The bonds are guaranteed by Spinola Development Company Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum.

By virtue of an offering memorandum dated 9 June 2010, the company issued 25,000,000 bonds with a face value of €100 each. The bond's interest is payable semi-annually in arrears on 9 January and 9 July. The bonds are redeemable at par and are due for redemption on 9 July 2020 but are redeemable in whole or in part, at the option of the group between 9 July 2017 and 9 July 2020 (the optional redemption periods). The bonds are guaranteed by Spinola Development Company Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum.

Bondholders holding 6.70% bonds 2010 – 2012 for a total amount of €12,568,712 exercised the bond exchange programme option set in the 6.20% bond prospectus dated 9 June 2010.

The €10,948,055 secured bonds have been issued by the group through a public offering memorandum dated 28 October 2003. The secured bonds' interest is payable annually in arrears on 20 November. The bonds are redeemable at par and are due for redemption on 20 November 2013 but are redeemable in whole or in part, at the option of the group on each of 20 November 2010, 20 November 2011 and 20 November 2012 (the optional redemption dates). Pursuant to and subject to the terms and conditions contained in the said offering memorandum, the bonds are secured by a first special hypothec over the Dolmen Complex property, except for the block of 47 timeshare apartments. The group had also undertaken to set up a bond redemption fund as described in the offering memorandum. During 2010, the group redeemed part of these bonds as disclosed in note 15. During 2010, the group acquired own bonds for the amount of €Nil (2009: €4,660). These bonds have been netted-off within the face value above.

22. **Borrowings** - continued

The quoted market prices as at 31 December for the listed bonds and notes, and their respective dates of admittance on the Official List of the Malta Stock Exchange are listed below:

	Official listing date	Quoted market prices 2010	2009
6.70% unsecured bonds 2010-2012	2 August 2002	**-**	101
6.00% secured bonds 2010-2013	17 November 2003	**101**	100
6.25% unsecured bonds 2014-2016	27 July 2009	**103**	101
6.20% unsecured bonds 2017-2020	15 July 2010	**104**	-

In the opinion of the directors, these market prices fairly represent the fair value of the respective financial liabilities.

The interest rate exposure of borrowings was as follows:

	Group 2010 €	2009 €
Total borrowings:		
At fixed rates	**54,444,382**	67,437,384
At floating rates	**95,086,281**	88,887,193
	149,530,663	156,324,577

The carrying amounts of the group's borrowings are mainly denominated in the following currencies:

	Group 2010 €	2009 €
Euro	**146,925,481**	153,438,674
US Dollars	**2,605,182**	2,885,903
	149,530,663	156,324,577

Weighted average effective interest rates at the end of the reporting period:

	Group 2010	2009
Bank overdrafts	**5.30%**	5.90%
Bank overdrafts - trade bills facility	**4.60%**	4.70%
Bank loans	**4.50%**	4.40%
FRN secured bonds 2009-2011	**-**	4.20%
Unsecured bonds 2010-2012	**-**	6.70%
Secured bonds 2010-2013	**6.00%**	6.00%
Unsecured bonds 2014-2016	**6.25%**	6.25%
Unsecured bonds 2017-2020	**6.20%**	-
Finance lease	**2.90%**	4.00%

22. Borrowings - continued

The group enters into interest rate linked arrangements to hedge part of the variable interest amounts related to borrowings (Note 23).

This note provides information about the contractual terms of the group's and the company's borrowings. For more information about the group's and the company's exposure to interest rate, foreign currency and liquidity risks, refer to Note 2.

23. Derivative financial instruments

The fair values of derivative financial instruments held for hedging at the end of the reporting year are as follows:

Fair values liabilities	**Group**	
	2010	2009
	€	€
At 31 December 2010		
Interest rate derivative - interest-rate swap	**827,003**	513,491

The above are included in the statement of financial position under the following classifications:

	Group	
	2010	2009
	€	€
Derivatives financial liabilities		
Non-current	**507,003**	154,912
Current	**320,000**	358,579
	827,003	513,491

Interest rate swap

In 2009, the group entered into two interest rate swap arrangements for the purposes of providing an economic hedge against interest rate risk arising on a €16 million portion of its main financing loan of €24 million (Note 22). The interest rate swap arrangements, maturing on 18 June 2018 and the contract's notional amount is €16 million. Under the contracts' pay-fixed, receive-floating interest terms, the group agreed to exchange with its counterparty, at specific intervals from 18 March 2009 (mainly on a quarterly basis), variable interest amounts against the payment of fixed interest amounts. The variable interest amounts were determined by reference to the applicable three-month EURIBOR rate. The interest rate applicable on the fixed leg of the swap is 3.48% on 50% of the hedged principal and 3.52% on the remaining 50% of the hedged principal.

Gains and losses recognised in the hedging reserve in equity (Note 18) on the interest rate swap contracts as of 31 December 2010 will be released to the income statement over the period until maturity of the contracts.

The swap has been designated as a cash flow hedge for the interest rate risk relating to variable interest outflows on the borrowings.

The terms of the interest rate swap agreements provide a continuation of the cash flow hedging relationship in respect of variability of future floating interest payments. Accordingly, this instrument has been treated as a cash flow hedge instrument in terms of the hedge accounting rules as prescribed by IAS 39.

23. Derivative financial instruments - continued

Interest rate linked collar

During the financial year ended 31 December 2005, the group entered into an interest rate linked collar arrangement to hedge the variable interest amounts which are based on reference rates such as EURIBOR in respect of the finance lease agreement entered into in 2004. The contract, which expired on 1 June 2009 and which involves six monthly settlements, has a notional amount of €13.7million and the contracted fluctuation band is 2.4% and 5.0%. During the financial year ended 31 December 2006, the group entered into another interest rate linked collar arrangement to hedge the variable interest rates of the finance lease agreement noted above. This contract expired on 1 June 2009 and involved six monthly settlements. The contract was based on a notional amount of €13.7million and the contracted fluctuation band is 2.47% and 4.65%. In 2009, upon termination of this contract, the group incurred a loss of €250,748.

24. Revenue

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Revenue by segment				
Hospitality, leisure and ancillary services	**45,757,656**	41,819,724	**-**	-
Gaming operations	**13,059,861**	9,981,097	**-**	-
Property development and rentals	**12,645,759**	21,227,422	**17,567**	30,743
Transport operations	**7,869,102**	7,748,970	**-**	-
Other operations	**258,979**	181,288	**-**	-
	79,591,357	80,958,501	**17,567**	30,743

The group's operations consist of the ownership of prime tourism and leisure properties, which include the operation of a number of hotels, two casinos, and the provision of ancillary services to this industry; the importation and sale of motor vehicles and other retail operations; the development of residential, retail and commercial property for trading and renting purposes; and the provision of management services and the operation of a private jet.

25. Expenses by nature

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Employee benefit expense (Note 26)	**21,968,208**	21,531,334	**-**	-
Depreciation on tangible assets:				
- Property, plant and equipment (Note 5)	**8,872,585**	9,164,774	**-**	-
- Investment property (Note 6)	**1,808,654**	1,361,624	**-**	-
Amortisation of intangible assets (Note 4)	**-**	7,244	**-**	-
Impairment of intangible assets	**6,928**	-	**-**	-
Property development costs	**2,020,478**	5,534,070	**-**	3,751
Operating supplies and related expenses	**14,686,178**	14,081,904	**-**	-
Operating lease rentals payable	**-**	17,443	**-**	-
Operators' charges	**1,717,674**	1,568,993	**-**	-
Utilities	**4,006,954**	3,335,473	**-**	-
Repairs and maintenance	**398,183**	505,893	**-**	-
Increase in provision for impairment of receivables (Notes 12, 13)	**59,447**	240,422	**-**	-
Impairment of receivables	**65,724**	41,400	**-**	-
Release of impairment of receivables	**(25,907)**	-	**-**	-
Exchange differences	**130,460**	(60,655)	**-**	-
Loss on disposal of non-current assets	**27,655**	76,149	**-**	-
Loss upon acquisition of investment	**-**	32,062	**-**	-
Other expenses	**14,265,984**	13,530,601	**267,053**	58,459
Total cost of sales and administrative expenses	**70,009,205**	70,968,731	**267,053**	62,210

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2010 and 2009 relate to the following:

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Annual statutory audit	**156,773**	145,614	**5,000**	4,000
Other assurance services	**21,540**	38,950	**13,614**	6,359
Tax advisory and compliance services	**4,318**	15,000	**568**	300
Other non-audit services	**40,500**	114,100	**-**	-
	223,131	313,664	**19,182**	10,659

26. Employee benefit expense

	Group	
	2010	2009
	€	€
Wages and salaries	**19,973,481**	19,642,206
Social security costs	**2,123,238**	2,051,279
	22,096,719	21,693,485
Recharged to third parties	**(104,054)**	(54,000)
	21,992,665	21,639,485

During the year ended 31 December 2010, the group capitalised €24,457 (2009: €108,151) of the above employee benefit expense within assets in course of construction (Note 5) and property held for development and resale (Note 14).

Average number of persons employed by the group during the year:

	Group	
	2010	2009
Direct	**864**	984
Managerial and administrative	**373**	325
	1,237	1,309

27. Other operating (expenses)/income

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Gain on disposal of investment property	**-**	1,011,102	**-**	-
Other (expenses)/income	**(33,833)**	13,925	**(99,524)**	-
	(33,833)	1,025,027	**(99,524)**	-

28. Finance income

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Income from shares in subsidiaries and associates	**-**	-	**21,887,210**	13,021,007
Interest from investments	**253,351**	59,291	**-**	-
Interest from loans and advances to subsidiaries and associates	**-**	-	**15,729**	21,829
Interest receivable	**259,375**	408,519	**-**	-
	512,726	467,810	**21,902,939**	13,042,836

29. Finance costs - net

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Bank loans and overdrafts	**2,916,669**	3,407,096	**-**	-
Finance lease interest	**806,824**	433,737	**-**	-
Coupon interest payable on bonds and secured notes	**3,602,321**	2,685,239	**-**	-
Amortisation of bonds and notes issue costs (Note 22)	**156,450**	124,541	**-**	-
Advances from subsidiaries	**-**	-	**594,452**	582,074
Other interest payable	**62,375**	43,514	**-**	-
Other finance charges	**296,499**	263,717	**-**	-
Facility transaction costs	**3,185**	8,970	**-**	-
Net finance costs on derivative financial instruments (Note 18)	**453,111**	236,469	**-**	-
Net fair value losses on interest rate linked collar (Note 23)	**-**	250,748	**-**	-
	8,297,434	7,454,031	**594,452**	582,074

Borrowing costs incurred during the year amounting to €320,387 (2009: €491,384) have been capitalised within assets in course of construction (Note 5) and property held for development and resale (Note 14), and are excluded from the above charge to profit or loss. These finance costs have a net capitalisation rate of 5.96% (2009: 6.2%) and represent the costs of borrowings utilised to finance these assets.

30. Tax expense/(income)

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Current tax expense:				
on sale of immovable property at 12%	**74,486**	607,057	**2,108**	3,689
on taxable profit subject to tax at 15%	**13,419**	12,287	**-**	-
on taxable profit subject to tax at 17.5%	**245,139**	130,077	**-**	-
on taxable profit subject to tax at 35%	**1,568,519**	1,728,879	**1,543,476**	1,709,786
over provision in prior years	**(19,531)**	(308,068)	**-**	-
Deferred tax income (Note 11)	**(942,142)**	(303,852)	**(2,796,430)**	-
Tax expense/(income)	**939,890**	1,866,380	**(1,250,846)**	1,713,475

30. **Tax expense/(income)** - continued

The tax on the group's and the company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		**Company**	
	2010	2009	**2010**	2009
	€	€	**€**	€
Profit/(loss) before tax	**1,955,469**	4,171,857	**12,171,026**	(1,214,647)
Tax on profit/(loss) at 35%	**684,414**	1,460,150	**4,259,859**	(425,127)
Tax effect of:				
Maintenance allowance on rental income attributable to immovable property	**(379,375)**	(311,627)	**-**	-
Temporary differences attributable to land and buildings	**(258,823)**	(243,213)	**-**	-
Temporary differences attributable to unrecognised expenses	**(399,279)**	(480,549)	**-**	-
Temporary differences attributable to unrecognised deferred tax assets	**1,112,189**	1,431,204	**-**	-
Temporary differences attributable to unrecognised deferred tax assets in prior years	**3,453,727**	-	**-**	-
Expenses and provisions not allowable for tax purposes	**1,413,113**	1,259,774	**407,830**	4,797,154
Income not subject to tax	**-**	-	**(5,914,495)**	(2,651,481)
Over provision of current tax in prior years	**(19,531)**	(317,198)	**-**	-
(Over)/under provision of deferred tax in prior years	**-**	(3,872)	**-**	-
Income subject to tax at reduced rates	**(267,847)**	(67,960)	**-**	-
Differences arising from share of results of associates	**(64,730)**	(54,429)	**-**	-
Application of provisions of tax legislation to sale of immovable property	**(137,836)**	(796,780)	**(4,040)**	(7,071)
Application of provisions of tax legislation to redemption of ground rents	**-**	(13,340)	**-**	-
Release of deferred tax on temporary differences arising on gains on fixed income and other securities	**(1,400,158)**	-	**-**	-
Recognition of deferred tax on capital losses	**(2,796,430)**	-	**-**	-
Other differences	**456**	4,220	**-**	-
Tax expense/(income)	**939,890**	1,866,380	**(1,250,846)**	1,713,475

31. **Directors' emoluments**

	Group	
	2010	2009
	€	€
Salaries and other emoluments	**74,032**	73,365

32. Dividends

	Group and Company	
	2010	2009
	€	€
On ordinary share capital:		
Gross	**1,366,685**	3,495,915
Tax at source at 35%	**(478,340)**	(1,223,570)
Net dividends	**888,345**	2,272,345
Dividends per share (net)	**20.2**	51.6

33. Cash generated from/(used in) operations

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations:

	Group		Company	
	2010	2009	**2010**	2009
	€	€	**€**	€
Operating profit/(loss)	**9,548,319**	11,014,797	**(349,010)**	(31,467)
Adjustments for:				
Amortisation of intangible assets (Note 4)	**-**	7,244	**-**	-
Depreciation on:				
- Property, plant and equipment (Note 5)	**8,872,585**	9,164,774	**-**	-
- Investment property (Note 6)	**1,808,654**	1,361,624	**-**	-
Loss on disposal of property, plant			**-**	-
and equipment	**28,471**	92,723	**-**	-
Profit on disposal of investment property	**-**	(828,107)	**-**	-
Loss on acquisition of investment	**-**	32,062	**-**	-
Movement in impairment provisions for receivables	**59,447**	240,422	**-**	-
Net deferred income realised during the year	**(505,216)**	(591,674)	**-**	-
Changes in working capital:				
Inventories	**(1,713,961)**	2,154,719	**-**	-
Trade and other receivables	**(2,861,607)**	365,700	**(6,241,980)**	(6,087,345)
Trade and other payables	**5,581,492**	(11,837,202)	**(11,952,578)**	(1,953,781)
Cash generated from/(used in) operations	**20,818,184**	11,177,082	**(18,543,568)**	(8,072,593)

34. Commitments

Capital commitments

As at 31 December, the group had commitments for capital expenditure not provided for in these consolidated financial statements as follows:

	Group	
	2010	2009
	€	€
Authorised and contracted	**6,447,727**	5,710,900
Authorised but not contracted	**1,291,201**	-
	7,738,928	5,710,900

Finance lease commitments - where the company is a lessee

The project financing for the acquisition of the freehold land in Evian-Les-Bains, France, and the construction of buildings and integral plant of a four star hotel on this site was mainly derived from international banks, with whom a finance lease agreement has been concluded by the group in July 2004. Under the terms and conditions of this agreement, the lessors have undertaken to finance the project and lease the hotel to the group for a period of fifteen years commencing on 1 August 2006.

The lease payments are subject to a floating rate of interest linked to the three-month EURIBOR index. As at 31 December 2010, the finance lease payments include an interest portion 2.9% (2009: 4.0%). The group has the option to convert to fixed interest payments or to a combination of fixed and floating interest payments.

At the end of the 15 year period, the group will have the option to purchase the hotel for a nominal amount which is expected to be significantly lower than the fair value of the hotel at the date the option becomes exercisable.

The group has the option to purchase the property after the lapse of five years from the opening of the hotel. The group also has the right to terminate the lease agreement after five years from the completion of the hotel, in which case the lease agreement stipulates the amounts payable to the banks.

The future minimum lease payments under the finance lease liabilities are as follows:

	Group	
	2010	2009
	€	€
Not later than 1 year	**1,471,205**	1,758,665
Later than 1 year and not later than 5 years	**6,756,946**	7,819,286
Later than 5 years	**11,294,463**	15,343,935
	19,522,614	24,921,886
Future finance charges on finance leases	**(1,109,087)**	(2,488,079)
Present value of finance lease liabilities	**18,413,527**	22,433,807

34. Commitments - continued

The lease commitments are effectively secured as the rights of the leased asset revert to the lessor in the event of default. The lease commitments disclosed above include the lease payment obligations on the assumption that the group will lease the hotel for the full lease term of fifteen years and will exercise the option to acquire the hotel at the end of the lease term. However, the ultimate lease payments may vary in accordance with the group's decision to exercise the various options available in the lease agreement.

Operating lease commitments - where the group is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2010	2009
	€	€
Not later than 1 year	**2,803,092**	2,831,163
Later than 1 year and not later than 5 years	**11,558,790**	9,487,485
Later than 5 years	**2,514,174**	2,321,617
	16,876,056	14,640,265

Other commitments

Following the publication of the commencement notice on 16 April 2004, the Waste Management (End of Life Vehicles) Regulations, 2004 came into force with effect from 1 May 2004. These regulate the collection, reuse, recycling and other forms of recovery of all end of life vehicles. Under these regulations importers of vehicles must meet all, or a significant part of, the cost of implementing measures necessary for the application of such regulations with effect from 1 May 2004 in respect of vehicles put on the market from 1 July 2002 and with effect from 1 January 2007 for vehicles put on the market before 1 July 2002. The group is assessing its obligations under these regulations and considering the implementation of a number of alternative measures in accordance with these regulations. In the opinion of the directors, these regulations will not have a material effect on the group's financial results and financial position.

35. Contingent liabilities

At the end of the reporting period the group's major contingent liabilities were:

(a) Guarantees given by certain subsidiaries on behalf of other subsidiaries to provide the necessary resources that may be required by them to meet their obligations as they arise;

(b) Special hypothecary guarantees given by the group on behalf of third parties amounting to €11,320,755 (2009: €11,320,755), mainly to secure the group's commitments in respect of long term rights of use sales;

(c) Uncalled balances amounting to €139,762 (2009: €139,762) relating to shares subscribed in subsidiaries;

(d) Other guarantees in favour of other third parties amounting to €11,315,884 (2009: €10,631,035);

35. Contingent liabilities - continued

(e) Letters of credit amounting to €1,001,700 (2009: €435,800) were issued by the group's bankers in favour of third parties;

(f) Performance guarantees amounting to €2,000,000 (2009: €NIL) given jointly with third parties, supported by bank guarantees in favour of Transport Malta in connection with the contract entered into by ARRIVA Malta Limited in respect to the provision of scheduled bus services in Malta and ancillary services thereto;

(g) Guarantees entered into in 2010, in favour of a financial lender of ARRIVA Malta Limited, covering 33.33% of the capital repayment obligation set in the respective credit agreement;

(h) Contingent liabilities arising in the normal course of business in respect of building contracts undertaken by the group, in accordance with the provisions of the Civil Code;

(i) Claims made by a number of third parties on the ownership of properties sold by the group during past years, the value of which has not been quantified;

(j) The group has submitted claims, the value of which has not yet been quantified, to the Department of Lands in respect of expropriated property.

At the end of the reporting period, the company's major contingent liabilities were:

(a) Guarantee issued in favour of the lessor of a finance lease that has been entered into by a subsidiary on 21 July 2004. This guarantee covers all payments due by the subsidiary to the lessor throughout the duration of the finance lease which is expected to be terminated in 2021. This guarantee is stratified up to €3.7million between 2009 and 2011, and €2.6 million between 2012 and 2014;

(b) Performance guarantees amounting to €2,000,000 (2009: €NIL) given jointly with third parties, supported by bank guarantees in favour of Transport Malta in connection with the contract entered into by ARRIVA Malta Limited in respect to the provision of scheduled bus services in Malta and ancillary services thereto;

(c) Guarantees entered into in 2010, in favour of a financial lender of ARRIVA Malta Limited, covering 33.33% of the capital repayment obligation set in the respective credit agreement;

(d) Guarantees amounting to €12,642,265 (2009: €12,642,265) given in respect of bank facilities of other subsidiaries;

(e) Guarantees amounting to €81,603,156 (2009: €76,120,639) given jointly with other subsidiaries, in respect of bank facilities of other subsidiaries;

(f) Guarantees amounting to €1,359,189 (2009: €1,359,189) given jointly with third parties, in respect of bank facilities of a subsidiary and an associate;

(g) Guarantees given to several subsidiaries that they will be able to meet their liabilities as and when they fall due;

(h) Other guarantees in favour of other third parties amounting to €1,199,110 (2009: €524,110).

36. Related party transactions

Company

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The company forms part of the Tumas Group of Companies. All companies forming part of the Tumas Group are related parties since these companies are all ultimately owned by Tumas Group Company Limited which is considered by the directors to be the ultimate controlling party. Trading transactions between these companies include items which are normally encountered in a group context. The group is ultimately fully owned by members of the Fenech family, who are therefore considered to be related parties.

The following transactions were carried out with related parties:

	2010	2009
	€	€
Income from services		
Interest receivable from subsidiaries	**15,729**	55,715
Expenditure for services		
Interest payable to subsidiaries	**594,452**	582,074

Group

Related parties also include entities within the Hilton International Group. During the year ended 31 December 2010, trading transactions with these entities were entered into on a regular basis as a result of normal trading transactions, which mainly related to management fees and operators' charges, amounting to €607,331 (2009: €570,079).

Year end balances with these related parties are disclosed separately in Note 12 and 21.

Key management personnel compensation consisting of directors' remuneration has been disclosed in Note 31.

37. Subsequent events

On 3 July 2011, ARRIVA Malta Limited, as associate of Tumas Group Company Limited officially commenced operating regular passenger transport services to the general public on a continuous basis in Malta in accordance with the terms and conditions set in the respective contract dated 5 November 2010 signed by this associate and Transport Malta (the Authority responsible for Transport in Malta).

In July 2011, the Easysell Kia (Malta) Limited transferred its operations related to the car importation and sale of motor vehicles and related parts and accessories to a newly set up associate forming part of the Tumas Group of Companies. This related party was incorporated by the group together with another local car importer following negotiations to merge the operations of a number of local car franchise representations within a single operational set-up.

38. Statutory information

Tumas Group Company Limited is a limited liability company and is incorporated in Malta.

39. Comparative information

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