

TUMAS GROUP COMPANY LIMITED

Annual Report and Consolidated Financial Statements
31 December 2007

	Pages
Directors' report	1 - 4
Statement of directors' responsibilities	5
Independent auditor's report	6
Profit and loss accounts	7
Balance sheets	8 - 9
Statements of changes in equity	10 - 12
Cash flow statements	13
Accounting policies	14 - 27
Notes to the financial statements	28 - 75

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2007.

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 includes the operation of a number of hotels, 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 provision of management services; the importation and sale of motor vehicles and other retail operations; and the operation of a private jet hire service.

During 2006, the group increased substantially its overseas operations with the opening of Hilton Evian in France. This hotel was commissioned during 2006 following its development by the group which commenced in 2004. Moreover, during 2006 the group started a joint venture together with strategic partners, to handle cargo operations at the port of Valletta in Malta after it was awarded a 30 year related concession. Both operations were fully operational during 2007.

Review of the business

Turnover for the year under review reached an all-time-high of Lm38.34 million, increasing by Lm4.49million or 13.2% over the prior year. Gross profit amounting to Lm9.83million is in line with 2006, gross profit margins reaching 25.6% of turnover (2006: 29.1%). Administrative expenses amounting to Lm5.63 million increased by Lm411,000 from prior year, whilst the resultant operating profit amounting to Lm4.30 million decreased by Lm410,000 - 11.1% of turnover against 13.8% in the prior year. Investment income amounting to Lm172,000 decreased from that generated in 2006, whilst interest payable increased by Lm346,000 reaching Lm2.95 million.

The performance for 2007 led to a profit from continuing operations before tax of Lm1.49 million, a decrease of Lm739,000 from the prior year and to a profit for the year from continuing operations after tax of Lm972,000, a decrease of Lm105,000 from 2006.

The Group's net profit for the year, after taking into consideration the profit from discontinued operations, reflects a more than proportionate decline due to higher overall cost per unit, and the non-occurrence of material one-off profits such as the one incurred in 2006, where the Group registered a profit from the disposal of one of our hotel assets. Except for a minor profit which was made upon the divestment of an interest in a media venture, no such profit was made.

Analysing the Group's performance by market segment, an increase is noted in the turnover of the hospitality and leisure sector, which mainly resulted from the first full year's operation of the Hilton hotel in Evian and the increased turnover at Portomaso, which reflects a higher level of activity in hospitality and ancillary services. The turnover for this segment amounted to Lm23.45 million (2006: Lm20.42 million) and covered 61.0% (2006: 60.3%) of the group's total turnover. Property development was the next major sector of activity, increasing marginally over the prior year as apartment deliveries at the Tas-Sellum Residential Project gathered pace, making up for the shortfall in deliveries of apartments in Portomaso, as the latter's stock shrank to the last remaining units. The deliveries of the Tas-Sellum Residential Project numbered 38 units representing a high percentage of the first phase units. It is forecasted that during the course of the next two years, the project will be completed and the majority of apartments delivered. On the other hand, at Portomaso plans are in hand for another new residential complex which is being constructed on the south east edge, partially on newly acquired grounds. It is encouraging to note that there was a significant demand for these units, which were placed on the market during the course of 2007. In fact, over two-thirds were sold on plan. Retail activities turnover amounted to Lm2.91 million, an increase of Lm1.24 million over the prior year totally due to increased turnover at our automotive operations; other activities fared on the same basis as the prior year reaching Lm1.71 million.

Directors' report - continued

Review of the business - continued

Total costs (including indirect costs) increased by Lm4.91 million, amounting to Lm34.15 million (2006: Lm29.24 million). These figures are inclusive of administrative costs in addition to direct expenses. This increase is due to higher wage bills, which amounted to Lm9.18 million, reaching an all-time high. This is mostly attributed to our hotel in Evian and a full year's charge at our second casino which came into operation mid-way through 2006. The average number of staff marginally increased to reach an average of 1,342 while the average wage increased by 13%, mainly due to the introduction of expatriate staff at our Evian hotel. Operating supplies increased by Lm1.57 million reflecting the full year impact of the Evian operations and the impact of vehicle importation activities, in line with the increase in turnover. Of course, depreciation and property development cost also increased in line with expanded hospitality and real estate operations. Property development costs were 19.4% over that of 2006, leading to an overall lower sales return on average for this segment of activities.

The overall resultant effect was to impact negatively on our operating profit generation capabilities as all the Group's activities returned an 11.0% operating profit margin, some 2.7 percentage points lower than that of 2006 thus revealing higher unit operating costs. Considering this on a geographical basis one notes that, while the Maltese ongoing operations returned a similar result to that of the prior year, the start up operation abroad has, as expected, yet to reach a level of operating maturity and hence the expected financial return.

Interest payable indicated the increase in borrowings and an upward trend in interest rates. 2007 also saw the first full year's finance costs with respect to the Evian property. The total interest charge therefore increased to Lm2.95 million. The tax charge for the year amounted to Lm520,000 (2006: Lm1.15 million), reflecting an adjustment for deferred tax referred to hereunder.

Total assets for the group increased to Lm118.21 million, reflecting a 4.1% increase that was mainly due to movements in fixed assets, particularly investment properties. This increase related to building finishes works taken over during the year at a prime office site which was nearing completion during the year under review. Other additions to property, plant and equipment related to the finishing off of the Spa and Brasserie at the Hilton Evian. Other non-current assets increased by Lm698,000, Lm739,000 of which related to a deferred tax asset recorded in order to register an amount of tax to be recouped in future on a foreign asset. Current assets increased by Lm3.06 million over prior year, totalling Lm32.79 million. This represents an offset between a reduction in property stock at tas-Sellum and Portomaso as apartment deliveries take pace. Trade debtors increased in line with sales except for a fairly large amount of approximately Lm2.38 million representing a strategic investment in a real estate company that took place in the last quarter of 2007. This amount is temporarily classified as a debtor balance. The working capital ratio improved marginally by 5 points to 1.17.

Creditors falling due within one year increased by Lm1.50 million to Lm28.05 million. This increase was due to an increase in interest bearing borrowings, trade creditors and advance deposits on property sales. Long-term creditors increased by Lm2.57 million to Lm57.95 million as a result of lower trade creditors, totally offset by higher interest bearing borrowings. Total borrowings, both long term and short term, amounted to Lm57.62 million, 8.0% higher than 2006. During the course of the year, no less than Lm6.60 million was repaid by way of bank loans or transfers to the relevant bond redemption fund and additional financing of Lm10.40 million was taken out. This partly covers the new investment in property being constructed at Portomaso, much of which has already been sold, and a strategic property investment. Out of the total borrowings, a fifth represents fixed rate borrowings versus floating, whilst a quarter of total borrowings were in Euro. The percentage of total borrowings to total assets increased to 48.8% (2006: 47.0%). Cash profits, covered from continued operations and finance costs stood at 2.8 times (2006: 3 times). It must be noted that during the course of this year, income from one-off transactions was negligible when compared to 2006, which saw substantial revenue emanating from the disposal of one of the Tumas Group hotels and which generated a substantial positive effect on our liquidity position.

Directors' report - continued

Review of the business - continued

While the Group remains geared towards a development mode particularly through its Real Estate Division, creditors in general did not increase unduly, even though new projects were taken in hand, such as the Hilton Malta extension and the second phase of property at Tas-Sellum, not to mention further works at a new residential building complex in the South of Malta which the Group is developing together with third parties.

The increase in equity reflects the ongoing profitability of the Group and amounted to Lm32.21 million.

A run-through of the Group's operations for 2008 sees the coming on-line of the Hilton Malta extension, an addition of 110 rooms, plus various amenities to increase the room stock of the hotel to 404. The rooms were delivered at the beginning of the second quarter of this year in time for the peak summer months. Demand for these additional facilities was encouraging and promises well for the future. The Group will be soon embarking on a refurbishment programme at the Dolmen Resort in order to maintain and upgrade this property so as to better meet the challenges tourism will be presenting. During this year works on new apartments in Portomaso were taken in hand and it is envisaged that the structure will be completed by the end of 2009. Tas-Sellum will continue to progress at a fast pace so that it will also be finished off by the first quarter of 2009 enabling our real estate team to concentrate on the new apartments at Portomaso and the development in the South of the island as our next major investments in the real estate field. As we seek further growth in the property leasing arena, the Group took in hand a second major property which is also being finished off as a prime office complex. Commitments are in hand to house tenants as from the start of 2009. Another site is now being considered for development, as we witness a growing need of state of the art office space gaining momentum.

As for leisure operations, mainly gaming, we are consolidating our position locally as a prime operator and we are looking forward to linking up with an associated internet gaming operation as an offshoot of our land based casinos. The market in Malta is reaching a stage where regulation is eagerly awaited towards the multitude of VLT operators mushrooming across the Island.

The retail division, which incorporates the automotive and other minor operations, should witness a similar performance to that of the year under review, while our percentage of the local vehicle market share is gradually creeping up. The prolonged impasse regarding the new vehicle registration tax issue has had a negative impact on car sales in general. Our incoming travel agency business will yet again suffer a contraction in turnover as our traditional UK market is facing a downturn. On the other hand, during the course of 2008 the Group also decided to terminate its executive jet lease arrangement and acquire the aircraft. This was possible as we embarked on new marketing initiatives and have managed to capture additional new business mainly from mainland Europe and North Africa. Our joint venture in port operations is moving ahead of plan. In line with our business plans we are investing in further equipment so as to attract new shipping lines. We are also considering further developments as we gain experience in this new field of activities. We are confident that together with our strategic partners we will further participate in this growing business, which will also enable the Tumas Group to bring a degree of balance to our other business segments and thus form an integral part of our risk management strategy.

In line with the current, uneasy, global financial and general economic situation which has worsened as the summer months wore off, the Group is vigilantly consolidating itself in order to meet global uncertain economic prospects. In these circumstances our strong asset base and the diversity of our operations will serve us well.

Directors' report - continued

Results and dividends

The profit and loss accounts for the year are set out on page 7. During the year, the directors paid a net dividend of Lm500,000 (2006: Lm248,000).

Directors

The directors of the holding 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.

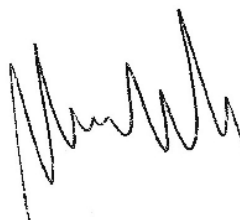
Auditors

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
Director



Raymond Fenech
Director

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

30 September 2008

Statement of directors' responsibilities

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the group and the company as at the end of each financial 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;
- 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 company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

To the Shareholders of Tumas Group Company Limited

We have audited the financial statements of Tumas Group Company Limited on pages 7 to 75 which comprise the group's and the company's balance sheets as at 31 December 2007 and the profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 5, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company as at 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

30 September 2008

Profit and loss accounts

Year ended 31 December

	Notes	Group		Company	
		2007 Lm	2006 Lm	2007 Lm	2006 Lm
Continuing operations:					
Turnover	1	38,343,249	33,857,578	12,700	6,741
Cost of sales	3	(28,516,111)	(24,016,342)	-	-
Gross profit		9,827,138	9,841,236	12,700	6,741
Other operating income	1	54,679	39,828	700	-
Administrative expenses	3	(5,630,166)	(5,219,532)	(29,531)	(940)
Operating profit/(loss)		4,251,651	4,661,532	(16,131)	5,801
Investment income	5	171,973	250,475	4,390,631	1,042,747
Interest payable and similar charges	6	(2,951,296)	(2,604,864)	(207,613)	(160,509)
Impairment of amount due by group undertakings	19	-	-	-	(320,178)
Investment in group undertaking written off	14	-	-	(302,258)	-
Share of results of associated undertakings	15	20,171	(76,029)	-	-
Profit before tax		1,492,499	2,231,114	3,864,629	567,861
Tax expense	7	(520,206)	(1,154,318)	(1,453,692)	(30,963)
Profit for the year from continuing operations		972,293	1,076,796	2,410,937	536,898
Discontinued operations:					
Profit for the year from discontinued operations	8	118,114	1,568,835	-	-
Profit for the financial year		1,090,407	2,645,631	2,410,937	536,898
Attributable to:					
Equity holders		1,091,434	2,654,771	2,410,937	536,898
Minority interest	28	(1,027)	(9,140)	-	-
		1,090,407	2,645,631	2,410,937	536,898

Balance sheets

		As at 31 December			
	Notes	Group		Company	
		2007 Lm	2006 Lm	2007 Lm	2006 Lm
ASSETS					
Fixed assets					
Intangible assets	11	7,767	12,423	-	-
Tangible assets					
- Property, plant and equipment	12	70,442,000	70,272,174	-	-
- Investment property	13	12,348,294	11,426,038	-	-
Financial assets					
- Investments in group undertakings	14	-	-	3,628,140	3,604,140
- Investments in associated undertakings	15	418,085	413,914	464,106	559,106
- Investments – Available-for-sale	16	1,045	1,045	-	-
- Investments – Loans and receivables	17	1,307,708	1,360,321	5,358,480	5,358,480
Total fixed assets		84,524,899	83,485,915	9,450,726	9,521,726
Other non-current assets					
Deferred tax	23	739,432	-	-	-
Debtors	19	161,998	203,159	-	-
Total non-current assets		85,426,329	83,689,074	9,450,726	9,521,726
Current assets					
Stocks	18	15,214,534	15,655,821	80,976	80,976
Investments – Loans and receivables	17	1,305,158	1,630,399	-	-
Debtors	19	9,453,996	5,951,314	3,090,001	215,677
Taxation recoverable		554,098	335,674	1,016	-
Cash at bank and in hand		6,259,976	6,149,650	-	-
		32,787,762	29,722,858	3,171,993	296,653
Non-current assets held for sale	8	-	160,252	-	-
Total current assets		32,787,762	29,883,110	3,171,993	296,653
Total assets		118,214,091	113,572,184	12,622,719	9,818,379

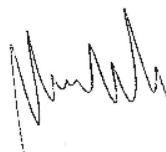
Balance sheets - continued

		As at 31 December			
		Group		Company	
Notes	2007 Lm	2006 Lm	2007 Lm	2006 Lm	
EQUITY AND LIABILITIES					
Capital and reserves attributable to the equity holders of the company					
Called up issued share capital	25	44,002	44,002	44,002	44,002
Revaluation reserves	26	14,824,510	15,020,659	-	-
Other reserves	27	62,709	82,497	-	-
Profit and loss account		17,296,376	16,510,140	2,503,496	592,559
		32,227,597	31,657,298	2,547,498	636,561
Minority interest	28	(14,415)	(13,388)	-	-
Total equity		32,213,182	31,643,910	2,547,498	636,561
Provisions for liabilities and charges					
Deferred taxation	23	6,586,960	6,336,449	-	-
Other provisions	24	220,931	185,472	-	-
		6,807,891	6,521,921	-	-
Creditors:					
Falling due after more than one year					
Interest-bearing borrowings	21	48,935,778	45,789,612	974,752	2,816,421
Trade and other creditors	22	2,208,823	3,074,233	2,008,823	2,674,233
Total non-current liabilities		57,952,492	55,385,766	2,983,575	5,490,654
Creditors:					
Falling due within one year					
Interest-bearing borrowings	21	8,683,691	7,578,030	1,813,571	1,095,319
Trade and other creditors	22	18,852,381	18,469,913	5,278,075	2,593,673
Current taxation		512,345	494,565	-	2,172
Total current liabilities		28,048,417	26,542,508	7,091,646	3,691,164
Total liabilities		86,000,909	81,928,274	10,075,221	9,181,818
Total equity and liabilities		118,214,091	113,572,184	12,622,719	9,818,379

The financial statements on pages 6 to 74 were authorised for issue by the board of directors on 30 September 2008 and were signed on its behalf by:



George Fenech
Director



Raymond Fenech
Director

Statements of changes in equity

	Notes	Attributable to Equity Shareholders					Minority interest Lm	Total Lm
		Share capital Lm	Revaluation reserves Lm	Other reserves Lm	Profit and loss account Lm			
Group								
Balance at 1 January 2006		44,002	15,433,932	52,853	13,711,806	(4,248)	29,238,345	
Transfer of depreciation through asset use, net of deferred tax	26	-	(96,769)	-	96,769	-	-	
Movement in deferred tax determined on the tax basis applicable to disposal of property	23	-	3,666	-	-	-	3,666	
Transfer upon realisation through property disposals, net of deferred tax	26	-	(320,170)	-	320,170	-	-	
Other movements	27	-	-	29,644	(25,376)	-	4,268	
Net (expense)/income recognised directly in equity		-	(413,273)	29,644	391,563	-	7,934	
Profit/(loss) for the financial year		-	-	-	2,654,771	(9,140)	2,645,631	
Total recognised (expense)/income for 2006		-	(413,273)	29,644	3,046,334	(9,140)	2,653,565	
Dividends	10	-	-	-	(248,000)	-	(248,000)	
Balance at 31 December 2006		44,002	15,020,659	82,497	16,510,140	(13,388)	31,643,910	

Statements of changes in equity - continued

	Notes	Attributable to Equity Shareholders					Minority interest Lm	Total Lm
		Share capital Lm	Revaluation reserves Lm	Other reserves Lm	Profit and loss account Lm			
Group								
Balance at 1 January 2007		44,002	15,020,659	82,497	16,510,140	(13,388)	31,643,910	
Transfer of depreciation through asset use, net of deferred tax	26	-	(96,769)	-	96,769	-	-	
Movement in deferred tax determined on the tax basis applicable to disposal of property	23	-	(4,705)	-	-	-	(4,705)	
Transfer upon realisation through property disposals, net of deferred tax	26	-	(94,675)	-	94,675	-	-	
Other movements	27	-	-	(19,788)	3,358	-	(16,430)	
Net (expense)/income recognised directly in equity		-	(196,149)	(19,788)	194,802	-	(21,135)	
Profit/(loss) for the financial year		-	-	-	1,091,434	(1,027)	1,090,407	
Total recognised (expense)/income for 2007		-	(196,149)	(19,788)	1,286,236	(1,027)	1,069,272	
Dividends	10	-	-	-	(500,000)	-	(500,000)	
Balance at 31 December 2007		44,002	14,824,510	62,709	17,296,376	(14,415)	32,213,182	

Statements of changes in equity - continued

	Note	Share capital Lm	Profit and loss account Lm	Total Lm
Company				
Balance at 1 January 2006		44,002	303,661	347,663
Profit for the financial year		-	536,898	536,898
Dividends	10	-	(248,000)	(248,000)
Balance at 31 December 2006		44,002	592,559	636,561
<hr/>				
Balance at 1 January 2007		44,002	592,559	636,561
Profit for the financial year		-	2,410,937	2,410,937
Dividends	10	-	(500,000)	(500,000)
Balance at 31 December 2007		44,002	2,503,496	2,547,498

Cash flow statements

		Year ended 31 December			
		Group		Company	
Notes	2007 Lm	2006 Lm	2007 Lm	2006 Lm	
Operating activities					
Cash generated from/(used in) operations	29	4,644,410	7,077,251	(1,186,640)	687,291
Investment income		188,797	209,980	4,390,631	1,042,747
Interest paid		(2,869,401)	(2,593,829)	(207,613)	(160,509)
Tax paid		(1,246,550)	(1,076,389)	(1,456,880)	(36,292)
Net cash from operating activities		717,256	3,617,013	1,539,498	1,533,237
Investing activities					
Payments for tangible assets, net of receipts from disposals		(4,983,361)	(8,915,820)	-	-
Increase in investments in group undertakings		-	-	(24,000)	-
Increase in investments in associated undertakings		(5,000)	(144,500)	(5,000)	(37,800)
Proceeds from sale of available-for-sale investments		-	-	112,919	-
Proceeds from disposal of non-current assets held for sale		310,440	3,700,000	-	-
Repayment of loans to third parties		54,955	64,371	-	-
Acquisition of investments in medium term notes and monetary deposits		(171,174)	(1,333,299)	-	-
Proceeds from disposal of investments in medium term notes and monetary deposits		498,249	1,548,415	-	-
Net movement in loans to group undertakings		-	-	-	(2,803,634)
Net cash (used in)/from investing activities		(4,295,891)	(5,080,833)	83,919	(2,841,434)
Financing activities					
Dividends paid	10	(500,000)	(248,000)	(500,000)	(248,000)
Redemption of secured notes	21	-	(4,200,000)	-	-
Proceeds from bank borrowings		10,403,611	14,736,152	-	2,653,686
Repayments of bank borrowings		(5,926,549)	(6,249,487)	(1,123,417)	(1,097,489)
Contributions to bond redemption funds	21, 30	(683,129)	(1,482,197)	-	-
Net cash from/(used in) financing activities		3,293,933	2,556,468	(1,623,417)	1,308,197
Movement in cash and cash equivalents		(284,702)	1,092,648	-	-
Effect of exchange rate changes		(19,788)	4,517	-	-
Cash and cash equivalents at beginning of year		2,253,052	1,155,887	-	-
Cash and cash equivalents at end of year	30	1,948,562	2,253,052	-	-

Accounting policies

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

1. Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and with the requirements of the Companies Act, 1995. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings.

The preparation of financial statements in conformity with IFRSs 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 2 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2007

During the year ended 31 December 2007, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2007. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the group's accounting policies. IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, introduce new disclosures relating to financial instruments and capital, but do not have any impact on the classification and measurement of the group's financial instruments and capital.

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 accounting periods beginning after 1 January 2007. The group has not early adopted these revisions to the requirements of IFRSs.

The group has considered the requirements of IFRS 8, Operating Segments and the amendments to IAS 1, Presentation of Financial Statements – Capital Disclosures. IFRS 8 requires the disclosure of segments as reported for internal purposes. The amendments to IAS 1 introduce a change in disclosures for non-owner changes in equity. The group assessed the impact of IFRS 8 and the amendment to IAS 1 and concluded that certain additional changes in disclosures may be necessary upon application of these requirements. Other requirements will emanate from a number of standards. These include IAS 27 Consolidated and Separate Financial Statements (amended in 2008), IFRS 3 Business Combinations (revised in 2008), IAS 23 Borrowing Costs (revised) and IFRIC 13 Customer Loyalty Programmes. The group is not expecting any material impact from these developments on the consolidated financial statements.

2. Consolidation

Group undertakings

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

2. Consolidation - continued

Group undertakings - continued

The purchase method of accounting is used to account for the acquisition of group undertakings by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the group undertaking acquired, the difference is recognised directly in the profit and loss account (see Accounting policy 13).

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

A listing of the group's undertakings is set out in Note 14 to the financial statements.

Associated undertakings

Associated undertakings 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. Investments in associated undertakings are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associated undertakings includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Accounting policy 8).

The group's share of its associated undertakings' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the group's share of losses in an associated undertaking equals or exceeds its interest in the associated undertaking, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated undertaking. Unrealised gains on transactions between the group and its associated undertakings are eliminated to the extent of the group's interest in the associated undertakings. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated undertakings have been changed where necessary to ensure consistency with the policies adopted by the group.

A listing of the group's associated undertakings is set out in Note 15 to the financial statements.

3. Investments in group and associated undertakings

In the company's financial statements, investments in group and associated undertakings are accounted for by the cost method of accounting. The dividend income from such investments is included in the profit and loss account in the accounting year in which the company's rights to receive payment of any dividend is established. The company gathers objective evidence that an investment is impaired using the same process disclosed in Accounting policy 13. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

4. 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. Revenue is shown net of value-added tax or other sales taxes, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

(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 group undertakings' 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 group undertakings are treated as advance payments received and included with creditors - falling due within one year.

(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 company 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 a group undertaking sells a product to the customer. 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 profit and loss accounts 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 the profit and loss account 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 turnover.

5. Foreign currencies

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 Maltese Liri, which is the group's functional and presentation currency.

Transactions and balances

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

Group undertakings

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit and loss account 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.

6. Interest income and expense

Interest income and expense are recognised in the profit and loss account for all interest-bearing instruments on an accrual basis using the effective yield method.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group undertaking 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. Interest expense includes the effect of amortising any difference between net proceeds and redemption value in respect of the group's interest-bearing borrowings.

The group enters into interest rate linked collar arrangements in order to manage its exposure to fluctuations of variable interest rates on specific borrowings. Further information is disclosed in Accounting policy 29 – Accounting for derivative financial instruments and hedging activities.

7. Discontinued operations and non-current assets held for sale

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical area.

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. Non-current assets (classified as assets held for sale) are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

8. 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 group/associated undertaking at the date of acquisition. Goodwill on acquisition of group undertakings is included in intangible assets. Goodwill on acquisition of associated undertakings is included in investments in associated undertakings. Goodwill 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 group gathers objective evidence that goodwill is impaired using the same process disclosed in Accounting policy 13.

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 (10 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 (see Accounting policy 13).

9. 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 fixed 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 fixed assets.
- (c) Properties held for trading and resale are included under stocks.

10. Property, plant and equipment

Property, plant and equipment, are initially recorded at cost and are subsequently stated at market value, based on valuations by external independent valuers, less depreciation. Valuations are carried out every five years, unless the directors consider it appropriate to have an earlier revaluation, such that the carrying amount of property does not differ materially from that which would be determined using fair values at the balance sheet date. Plant, machinery and equipment, furniture, fixtures, fittings and office equipment, and flight equipment and motor vehicles are stated at historical cost less depreciation. Assets in course of construction are not depreciated.

10. Property, plant and equipment - continued

Cost includes expenditure that is directly attributable to the acquisition of the items. 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. All other repairs and maintenance are charged to the profit and loss account during the financial year 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.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred 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:

	%
Long-term leasehold land	Nil
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. Long-term leases are defined as those having a remaining term of more than 50 years. In view of the company's policy of continuous refurbishment of long-term leasehold property, the long estimated useful life of such property and its high residual value, the depreciation charge on such property would, in any event, be immaterial. Other leasehold property is amortised over the period of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy 13).

11. Investment property

Investment property principally comprises property held for capital appreciation and for long term rental yields and is not occupied by the group. Investment property is treated as a long-term investment and is initially carried at cost.

The group's investment property is stated in the balance sheet at cost less accumulated depreciation and impairment losses. Maintenance expenses and repairs are recognised as an expense. Subsequent expenditure that increases the value of property is capitalised if it extends the useful life. The capitalised costs of buildings are amortised over one hundred years at most, in accordance with their useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (see Accounting policy 13).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property at the carrying amount.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its carrying amount at the date of reclassification becomes its cost for accounting purposes or subsequent recording. If an item of property, plant and equipment becomes an investment property because its use has changed, the carrying amount at the date of reclassification becomes its cost for accounting purposes or subsequent recording.

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

12. Investments

The group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(1) Loans and receivables

The group's 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 receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

12. Investments - continued

(2) Available-for-sale financial assets

The group's available-for-sale financial assets are non-derivatives that are either designated in this category and are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains and losses from investment securities. If the market for a financial asset is not active, the group 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 and discounted cash flow analysis.

13. Impairment of assets

Impairment of non financial assets

Assets (including goodwill) that have an indefinite useful life 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).

Impairment of financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Objective evidence that a financial asset is impaired includes observable data about the certain events which can include (but are not restricted to) indications that there is a measurable decrease in the estimated future cash flow from the financial asset since the initial recognition.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is recognised in the profit and loss account and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

13. Impairment of assets - continued

Impairment of financial assets - continued

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 considered in determining whether the securities are impaired. If any such evidence 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 removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

14. 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 company 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 company'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 other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

15. 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 the profit and loss account 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 balance sheet. 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 collectibility is in doubt.

16. Stocks

Stocks are stated at the lower of cost and net realisable value and include transport and handling costs.

Stocks of motor vehicles are valued by specifically identifying the cost of individual items. Other stocks are generally valued on a weighted average basis.

Property held for development and resale

When the main object of a property project is the development for resale purposes, the asset is classified in the financial statements as stock. Any elements of the project which are identified for business operation or long-term investments properties are transferred at their carrying amount or fair value to property, plant and equipment or investment property when such identification is made and the cost thereof can be reliably segregated.

The development property is carried at the lower of cost and net realisable value. The purchase cost of acquiring the property represents the cash equivalent value of the contracted price. In case of land previously held as tangible fixed assets, the transfer value is the carrying value of the land as last revalued prior to its transfer to stocks.

Cost comprises the purchase cost of acquiring the property together with other costs incurred during its subsequent development by specifically identifying the cost of individual items including:

- The costs incurred on development works and construction works in progress, including demolition, site clearance, excavation, construction and acquisition costs, together with the expenses incidental to acquisition and costs of ancillary activities such as site security;
- The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith;
- Any borrowing costs, including imputed interests, attributable to the development phases of the property project.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Gains and losses on disposal of property stocks are determined by reference to their carrying amount and are taken into account in determining gross profit. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

17. Trade debtors

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

18. 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.

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 profit or loss recognised on each contract is compared against the progress billing up to the year end.

Where costs incurred plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts, under debtors. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contract, under trade and other creditors.

19. Amounts receivable from hire purchase debtors

Amounts receivable from hire purchase debtors, 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 balance sheet. 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.

20. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at face value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, the bank overdrafts are included under borrowings in current liabilities.

21. Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of issue costs incurred, if any. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of issue costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective yield method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

22. Trade and other creditors

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

23. Other financial instruments

The group's other financial assets, which have not been referred to in the accounting policies disclosed above, are classified as loans and receivables in accordance with the requirements of IAS 39 and are measured at cost, that is, the face value of these assets. All regular way transactions in assets classified in this category are accounted for using settlement date accounting.

A credit risk provision for financial asset impairment is established if there is objective evidence that the group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from collateral, discounted based on the interest rate at inception.

The group's financial liabilities, other than those referred to in the accounting policies above, are classified as liabilities which are not held for trading ('other liabilities') under IAS 39, and are measured at cost, that is, the face value of such instruments.

24. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

25. Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

25. Income tax expense - continued

Under this method the group is required to make a provision for deferred income taxes on the revaluation of certain fixed assets. Such deferred tax is charged or credited directly to the revaluation reserve. Deferred income tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property is realised through the profit and loss account.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available such that realisation of the related tax benefit is probable.

26. Provisions

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

27. 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. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business are included in the cost of acquisition as part of the purchase consideration.

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

28. Borrowing costs

Borrowing costs are capitalised within fixed assets or property stocks in so far as they relate to the specific external financing of capital projects under construction or the development of property held. Such borrowing costs are capitalised up to the time that the construction or development is complete. Other borrowing costs are recognised as an expense in the year to which they relate.

29. Accounting for derivative financial instruments and hedging activities

Derivative financial instruments including interest rate linked collar 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 fair values of interest rate linked derivative agreements are mainly based on dealer quotes obtained at the balance sheet date from the group's counterparties.

29. Accounting for derivative financial instruments and hedging activities - continued

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 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

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. Under the requirements of IAS 39 (revised), 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.

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. Where the forecast transaction results in the recognition of a non-financial asset or of a non-financial 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 the profit and loss account and classified as revenue or expense in the periods during which the hedged forecast transaction affects the profit and loss account.

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 the profit and loss account.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the profit and loss account when the hedged forecast transaction affects the profit and loss account. However, if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

30. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Notes to the financial statements

1. Turnover and other operating income

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Turnover by segment				
Hospitality, leisure and ancillary services	23,454,599	20,419,032	-	-
Retail operations	2,914,436	1,672,567	-	-
Property development and rentals	10,264,944	9,986,623	12,700	6,741
Management services and private jet operations	1,709,270	1,779,356	-	-
	38,343,249	33,857,578	12,700	6,741

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.

The group's operations are conducted primarily in Malta, yet as from 2006 new operations commenced in France. Turnover by geographical location is classified as follows:

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Malta	36,306,706	33,423,405	12,700	6,741
France	2,036,543	434,173	-	-
	38,343,249	33,857,578	12,700	6,741

Gains from translation of foreign exchange transactions are included within turnover and other operating income of the group as follows:

	Group	
	2007	2006
	Lm	Lm
Exchange difference within turnover	19,010	27,755
Exchange difference within other operating income	21,624	34,883
	40,634	62,638

2. 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 12), the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

3. Expenses by nature

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Staff costs (Note 4)	9,181,718	7,754,708	-	-
Depreciation on tangible assets:				
- Property, plant and equipment (Note 12)	3,592,078	2,897,757	-	-
- Investment property (Note 13)	478,376	268,593	-	-
Release of impairment on property, plant and equipment (Note 12)	-	(313,851)	-	-
Amortisation of intangible assets (Note 11)	4,656	4,656	-	-
Property development costs	5,335,048	4,468,986	-	-
Operating supplies and related expenses	7,928,245	6,352,857	-	-
Operating lease rentals payable	187,181	264,009	-	-
Operators' charges	661,803	602,958	-	-
Utilities	1,488,169	1,402,112	-	-
Repairs and maintenance	197,984	598,952	-	-
Increase/(decrease) in provision for impairment of debtors	13,769	(18,520)	-	-
Impairment of debtors	34,156	28,998	-	-
Exchange differences	(6,204)	(16,837)	-	-
Other expenses	5,049,298	4,642,750	29,531	940
Total cost of sales and administrative expenses	34,146,277	28,938,128	29,531	940

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Disclosed as:				
Continuing operations	34,146,277	29,235,874	29,531	940
Discontinued operations (Note 8)	-	(297,746)	-	-
	34,146,277	28,938,128	29,531	940

Auditors' remuneration amounted to Lm69,499 (2006: Lm74,225) for the group and Lm800 (2006: Lm800) for the company.

Included in other expenses are euro changeover related expenses amounting to Lm98,069 (2006: LmNil).

4. Staff costs

	Group	
	2007	2006
	Lm	Lm
Wages and salaries	8,423,446	7,146,824
Social security costs	830,114	672,951
	9,253,560	7,819,775

During the year ended 31 December 2007, the group capitalised Lm71,842 (2006: Lm65,067) of the above staff costs within assets in course of construction (Note 12) and property held for development and resale (Note 18).

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

	Group	
	2007	2006
Direct	1,017	966
Managerial and administrative	325	320
	1,342	1,286

5. Investment income

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Realised gains on disposals of available-for-sale investments	-	-	12,919	-
Realised gains on disposals of investment property	-	39,370	-	-
Income from shares in group undertakings	-	-	4,171,594	873,758
Income from shares in associated undertakings	-	-	2,308	9,230
Amortisation of interest on loans to third parties (Note 17)	4,176	6,876	-	-
Interest from medium term notes and monetary deposits	48,282	85,485	-	-
Interest from loans and advances to group and associated undertakings	-	-	203,810	159,759
Bank interest receivable	119,515	118,744	-	-
	171,973	250,475	4,390,631	1,042,747

5. Investment income - continued

The amortisation of interest on loans to third parties relates to the difference between the initial measurement amount of the loans at the date of creation and the maturity amount using the effective interest rate (Note 17).

6. Interest payable and similar charges

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Bank loans and overdrafts	1,168,824	845,568	192,310	160,509
Finance lease interest	641,593	323,791	-	-
Coupon interest payable on bonds and secured notes	924,124	1,227,733	-	-
Amortisation of bonds and notes issue costs (Note 21)	43,077	45,133	-	-
Loss on disposal of loans and receivables	-	19,100	-	-
Advances from group undertakings	-	-	12,250	-
Other interest payable	24,277	8,239	-	-
Other finance charges	149,401	136,556	3,053	-
Interest on progress payments:				
- Interest charged by the lessor (pre-rents)	-	86,076	-	-
- Interest charged to third party (hotel developer)	-	(86,045)	-	-
	2,951,296	2,606,151	207,613	160,509

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Disclosed as:				
Continuing operations	2,951,296	2,604,864	207,613	160,509
Discontinued operations (Note 8)	-	1,287	-	-
	2,951,296	2,606,151	207,613	160,509

Borrowing costs incurred during the year amounting to Lm344,933 (2006: Lm177,752) have been capitalised within assets in course of construction (Note 12) and property held for development and resale (Note 18), and are excluded from the above charge to the profit and loss account. These finance costs have a net capitalisation rate of 5.9% (2006: 5.0%) and represent the costs of borrowings utilised to finance these assets.

As part of the financing agreement disclosed in Note 35, the group has entered into an obligation to make pre-rent payments to the lessors up to the date of completion of the related hotel. By virtue of an agreement between the group and the selling party of the land to the lessor, the payment obligation of the pre-rents has been delegated to the seller.

7. Tax expense

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Current tax expense:				
on sale of immovable property at 12%	36,324	65,582	1,524	809
on taxable profit subject to tax at 15%	7,973	6,782	10,099	-
on taxable profit subject to tax at 35%	1,000,863	1,016,875	1,442,069	30,154
under/(over) provision in prior years	746	(6,271)	-	-
Deferred tax (income)/expense (Note 23)	(493,626)	393,192	-	-
	552,280	1,476,160	1,453,692	30,963
Tax expense	552,280	1,476,160	1,453,692	30,963

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Disclosed as:				
Continuing operations	520,206	1,154,318	1,453,692	30,963
Discontinued operations (Note 8)	32,074	321,842	-	-
	552,280	1,476,160	1,453,692	30,963

7. Tax expense - continued

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

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Profit before tax from continuing operations	1,492,499	2,231,114	3,864,629	567,861
Profit before tax from discontinued operations (Note 8)	150,188	1,890,677	-	-
Profit before tax	1,642,687	4,121,791	3,864,629	567,861
Tax on profit at 35%	574,940	1,442,627	1,352,620	198,751
Tax effect of:				
Maintenance allowance on rental income attributable to immovable property	(99,404)	(81,510)	-	-
Temporary differences attributable to land and buildings	(94,125)	(156,114)	-	-
Temporary differences attributable to unrecognised expenses	(189,167)	(122,606)	-	-
Temporary differences attributable to unrecognised deferred tax assets	41,857	762,709	-	-
Temporary differences attributable to income taxed at different rates	5,566	(11,645)	-	-
Expenses and provisions not allowable for tax purposes	385,134	292,599	117,458	112,654
Income not subject to tax	-	(586,708)	-	(278,892)
Under/(over) provision of current tax in prior years	812	(6,271)	-	-
Differences arising from share of results of associated undertakings	(6,238)	26,610	-	-
Application of provisions of tax legislation to sale of immovable property	(68,218)	(69,400)	(2,921)	(1,550)
Other differences	1,123	(14,131)	(13,465)	-
Tax expense	552,280	1,476,160	1,453,692	30,963

8. Discontinued operations and non-current assets held for sale

In 2006, the group disposed of the assets relating to the operation of L-Imgarr Hotel in Ghajnsielem, Gozo, which were classified as non-current assets held for sale. In the same year, the group decided to divest its interest in a media venture incorporated under the 'Multiplus' brand. The related assets were also classified under the non-current assets held for sale category. The disposal transaction relating to the latter investment was concluded during 2007, where the group disposed of the carrying value of Lm160,252 for a consideration of Lm310,440.

An analysis of the results of the related discontinued operations and the result recognised on the re-measurement of assets including the related non-current assets held for sale is as follows:

	Group	
	2007	2006
	Lm	Lm
Discontinued operations		
Operating income (Note 3)	-	297,746
Gain on disposal of non-current assets held for sale	150,188	1,594,218
Operating profit	150,188	1,891,964
Interest payable (Note 6)	-	(1,287)
Profit before tax	150,188	1,890,677
Tax expense (Note 7)	(32,074)	(321,842)
Profit for the year from discontinued operations	118,114	1,568,835
Operating cash flows	(32,074)	(1,786,664)
Investing cash flows	279,396	2,700,000
Financing cash flows	-	(714,565)
Total net cash inflows	247,322	198,771
Non-current assets held for sale		
Opening net book amount	160,252	2,105,782
Transferred from investment in associated undertakings (Note 15)	-	160,252
Disposals	(160,252)	(2,105,782)
Closing net book amount	-	160,252
Cost	-	160,252
Accumulated depreciation	-	-
Net book amount	-	160,252

9. Directors' emoluments

	Group	
	2007	2006
	Lm	Lm
Salaries and other emoluments	31,486	30,924

10. Dividends

	Group and Company	
	2007	2006
	Lm	Lm
On ordinary share capital:		
Gross	769,230	381,538
Tax at source at 35%	(269,230)	(133,538)
Net dividends	500,000	248,000
Dividends per share (net)	11.36	5.64

11. Intangible assets

	Group	
	2007	2006
	Lm	Lm
Franchise rights		
Opening net book amount	12,423	17,079
Amortisation charge	(4,656)	(4,656)
Closing net book amount	7,767	12,423
Cost	41,915	41,915
Accumulated amortisation	(34,148)	(29,492)
Net book amount	7,767	12,423

As at 1 January 2006, the cost and accumulated amortisation of the group's franchise rights amounted to Lm41,915 and Lm24,836 respectively. Amortisation of Lm4,656 (2006: Lm4,656) is included within cost of sales in the profit and loss account.

12. Property, plant and equipment

Group	Land and buildings, including assets in course of construction Lm	Plant, machinery and equipment Lm	Furniture, fixtures, fittings and office equipment Lm	Flight equipment and motor vehicles Lm	Total Lm
At 1 January 2006					
Cost or valuation	54,172,644	14,348,917	11,165,577	200,695	79,887,833
Accumulated depreciation	(4,675,893)	(5,871,979)	(6,840,395)	(182,471)	(17,570,738)
Net book amount	49,496,751	8,476,938	4,325,182	18,224	62,317,095
Year ended 31 December 2006					
Opening net book amount	49,496,751	8,476,938	4,325,182	18,224	62,317,095
Commissioned assets and additions	3,588,605	4,752,208	2,186,157	12,015	10,538,985
Disposals	-	-	-	(3,300)	(3,300)
Depreciation charge	(858,259)	(1,060,254)	(962,765)	(16,479)	(2,897,757)
Depreciation released on disposals	-	-	-	3,300	3,300
Impairment released	313,851	-	-	-	313,851
Closing net book amount	52,540,948	12,168,892	5,548,574	13,760	70,272,174
At 31 December 2006					
Cost or valuation	57,761,249	19,101,125	13,351,734	209,410	90,423,518
Accumulated depreciation	(5,220,301)	(6,932,233)	(7,803,160)	(195,650)	(20,151,344)
Net book amount	52,540,948	12,168,892	5,548,574	13,760	70,272,174
Year ended 31 December 2007					
Opening net book amount	52,540,948	12,168,892	5,548,574	13,760	70,272,174
Commissioned assets and additions	1,172,924	2,114,348	520,754	18,328	3,826,354
Disposals	-	(129,176)	(2,500)	(8,000)	(139,676)
Depreciation charge	(988,856)	(1,438,124)	(1,153,345)	(11,753)	(3,592,078)
Depreciation released on disposals	-	66,326	2,500	6,400	75,226
Closing net book amount	52,725,016	12,782,266	4,915,983	18,735	70,442,000
At 31 December 2007					
Cost or valuation	58,934,173	21,086,297	13,869,988	219,738	94,110,196
Accumulated depreciation	(6,209,157)	(8,304,031)	(8,954,005)	(201,003)	(23,668,196)
Net book amount	52,725,016	12,782,266	4,915,983	18,735	70,442,000

12. 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, with the exception of the Halland Hotel, which is committed under a time sharing agreement until 2016. During the year ended 31 December 2006, the directors have reassessed the valuations of this property on the basis of open market value, after considering the location, the intrinsic value of the property and the related returns that are expected to be attained through property appreciation after the lapse of the time-sharing commitments. The company directors have confirmed that the carrying amount of land and buildings as at 31 December 2007 does not differ materially from that which would be determined using fair values which take account of the above considerations.

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) and its convention centre, the Portomaso Business Tower, casino, a car park and commercial outlets. During 2005, the freehold title was acquired by the company.

In the directors' opinion the carrying amount of land and buildings as at 31 December 2007 does not differ materially from that which would be determined using fair values.

In the case of the Dolmen Complex, the carrying amount of the property has been confirmed by an independent architect's valuation dated 28 October 2003. Although three years have lapsed, since the approval of this valuation assessment, the Company directors have confirmed that the carrying amount of land and buildings as at 31 December 2007 does not differ materially from that which would be determined using fair values. 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.

During 2005, the principal operating assets of a group undertaking classified as property, plant and equipment and having a carrying amount of Lm2,105,782 were presented as non-current assets held for sale, following the board's decision to discontinue the group's hospitality activity, being the operation of L-Imgarr Hotel in Ghajnsielem, in Gozo. The disposal transaction was concluded during 2006 (Note 8).

As at 31 December 2007, the carrying amount of land and buildings would have been Lm34,880,979 (2006: Lm34,540,038) 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 Lm238,325 (2006: Lm979,070).

12. Property, plant and equipment - continued

The charge for depreciation disclosed in Note 3 is included in the profit and loss account as follows:

	2007	Group
	Lm	2006
		Lm
Continuing operations:		
- Cost of sales	3,341,286	2,656,319
- Administrative expenses	250,792	241,438
	3,592,078	2,897,757

Bank borrowings are secured on the group's property, plant and equipment (Note 21).

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. This agreement 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.

The finance lease entered into by the group distinguished between the inception and commencement dates of the lease agreement. Due to certain contractual obligations in favour of the lessor which emanated 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 21). On 1 August 2006, the group commissioned the Hilton Hotel Evian.

13. Investment property

	2007	Group
	Lm	2006
		Lm
Year ended 31 December		
Opening net book amount	11,426,038	9,908,425
Additions	1,158,671	2,028,167
Transferred from/(to) property held for development and resale (Note 18)	241,961	(241,961)
Depreciation charge	(478,376)	(268,593)
Closing net book amount	12,348,294	11,426,038
At 31 December		
Cost	13,764,625	12,363,993
Accumulated depreciation	(1,416,331)	(937,955)
Net book amount	12,348,294	11,426,038

Included in investment property is land with a cost of Lm185,494 (2006: Lm185,494), which is stated at its carrying value of Lm1,300,792 (2006: Lm1,275,522). 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 2007 amounted to Lm23,916,739 (2006: Lm20,883,931). These valuations are approved by the directors having regard to current property value in the respective area and location.

Depreciation charge of Lm478,376 (2006: Lm268,593) disclosed in Note 3 is included in the profit and loss account - continuing operations as follows: Lm465,617 (2006: Lm230,221) in cost of sales and Lm12,759 (2006: Lm38,372) in administrative expenses.

Bank borrowings are secured on the group's investment property (Note 21).

13. Investment property - continued

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

	Group	
	2007	2006
	Lm	Lm
Year ended 31 December		
Opening net book amount	4,057,855	3,535,216
Additions	415,919	650,923
Depreciation charge	(134,900)	(128,284)
Closing net book amount	4,338,874	4,057,855
At 31 December		
Cost	4,837,719	4,421,800
Accumulated depreciation	(498,845)	(363,945)
Net book amount	4,338,874	4,057,855

The following amounts have been recognised in the profit and loss account - continuing operations:

	Group	
	2007	2006
	Lm	Lm
Rental income	864,099	681,549
Direct operating expenses arising from investment property that generate rental income	(378,348)	(214,323)

14. Investments in group undertakings

	Company	
	2007	2006
	Lm	Lm
Year ended 31 December		
Opening net book amount	3,604,140	3,604,140
Capitalisation of amounts owed to group undertaking	699,000	-
Transfer of impairment provision	(372,742)	-
Reduction in investment in group undertaking	(302,258)	-
Closing net book amount	3,628,140	3,604,140
At 31 December		
Cost	3,918,314	3,894,314
Impairment provision for investments	(290,174)	(290,174)
Net book amount	3,628,140	3,604,140

14. Investments in group undertakings - continued

The principal group undertakings all of which are unlisted at 31 December 2007 are shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2007	2006
A&A Properties Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	100%	100%
Choice Holidays Limited	37, Southwick Street London, England	Ordinary shares	100%	100%
Commercial Vehicles Imports Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	71%	71%
Dolmen Complex Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	100%	100%
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%

14. Investments in group undertakings - continued

	Registered office	Class of shares held	Percentage of shares held	
			2007	2006
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%
IMCO Distributors Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	100%	100%
Kenuna Estates Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares Preference shares	100% 100%	100% 100%
Kromus Estates Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares Preference shares	100% 100%	100% 100%
Land Developers Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	50%	50%
Mill Street Complex Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares Preference shares	100% 100%	100% 100%
Norma Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	100%	100%

14. Investments in group undertakings - continued

	Registered office	Class of shares held	Percentage of shares held	
			2007	2006
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%
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%
T.G. Land Developers Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	50%	50%
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%

14. Investments in group undertakings - continued

	Registered office	Class of shares held	Percentage of shares held	
			2007	2006
TF Shipping Agencies Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	100%	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%
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%
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	Hotel Hilton Evian Quai Paul Leger 745000 Evian, Les Bains	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%

14. Investments in group undertakings - continued

	Registered office	Class of shares held	Percentage of shares held	
			2007	2006
Visa Cleaners Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	100%	100%

15. Investments in associated undertakings

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Year ended 31 December				
Opening net book amount	413,914	511,695	559,106	521,306
Additions	5,000	144,500	5,000	37,800
Disposals	-	-	(100,000)	-
Net dividends received	(21,000)	(6,000)	-	-
Share of results of associated undertakings	20,171	(76,029)	-	-
Transfer to non-current assets held for sale (Note 8)	-	(160,252)	-	-
Closing net book amount	418,085	413,914	464,106	559,106
At 31 December				
Cost	552,852	568,852	464,354	559,354
Share of undertakings' results and reserves	(134,767)	(154,938)	-	-
Impairment provision for investments	-	-	(248)	(248)
Net book amount	418,085	413,914	464,106	559,106

Share of results of associated undertakings is included in the profit and loss as follows:

	Group	
	2007 Lm	2006 Lm
Disclosed as:		
Continuing operations	20,171	(76,029)

During 2006, the group decided to divest from its interest in a media venture incorporated under the 'Multiplus' brand. Consequently the net asset values related to Multiplus Limited and Malta Digital Limited were transferred to non-current assets held for sale from the date when this decision was effective (Note 8).

Investments in associated undertakings at 31 December 2007 include goodwill of LmNil (2006: Lm5,025).

15. Investments in associated undertakings - continued

The principal associated undertakings all of which are unlisted at 31 December 2007 are shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2007	2006
Allcare Insurance Agency Limited	University Roundabout Msida, Malta	Ordinary shares	25%	25%
Kemmuna Limited	30, Archbishop Street, Valletta, Malta	Ordinary shares	24%	-
Ropes Services Limited	First Floor, Millennium House, Victoria Road, Douglas, Isle of Man	Ordinary shares	50%	-
Ta' Monita Estates Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso, St. Julians, Malta	Ordinary shares	50%	50%
Thirty-Two 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	Gasam Centre Mriehel By-Pass, Mriehel	Ordinary shares	33%	-

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

	Assets	Liabilities	Revenues	Results
	Lm	Lm	Lm	Lm
At 31 December 2006	4,052,311	2,981,667	1,927,395	(157,228)
Movements	7,101,581	7,077,848	405,920	229,503
At 31 December 2007	11,153,892	10,059,515	2,333,315	72,275

16. Investments – Available-for-sale

	Group	
	2007	2006
	Lm	Lm
Year ended 31 December		
Opening and closing net book amount	1,045	1,045
<hr/>		
At 31 December		
Cost and net book amount	1,045	1,045
<hr/>		

The fair values of unlisted investments are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted investment of 7% (2006: 7%).

17. Investments – Loans and receivables

Group

	Loans to third parties Lm	Medium term notes Lm	Monetary deposits Lm	Total Lm
Year ended 31 December 2007				
Opening net book amount	199,373	1,287,900	1,503,447	2,990,720
Additions	-	-	171,174	171,174
Repayments and disposals	(54,955)	-	(498,249)	(553,204)
Amortisation of interest (Note 5)	4,176	-	-	4,176
<hr/>				
Closing net book amount	148,594	1,287,900	1,176,372	2,612,866
<hr/>				
At 31 December 2007				
Cost and net book amount	148,594	1,287,900	1,176,372	2,612,866
<hr/>				
At 31 December 2006				
Cost and net book amount	199,373	1,287,900	1,503,447	2,990,720
<hr/>				

17. Investments – Loans and receivables - continued

Maturity of loans and receivables of the group:

	2007 Lm	2006 Lm
Non-current		
Between 1 and 2 years	19,808	57,466
Between 2 and 5 years	1,287,900	1,302,855
	1,307,708	1,360,321
Current		
Within 1 year	1,305,158	1,630,399
	2,612,866	2,990,720

Loans to third parties

On 5 February 2003, the group created a loan amounting to Lm900,000 as consideration for the disposal of investment property. On 11 April 2003, the group created a further loan amounting to Lm370,000 as part consideration for the disposal of another investment property.

IAS 39 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 long-term asset on the amortised cost basis until maturity or repayment of the loan.

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

	2007 Lm	2006 Lm
Original face value proceeds of loans	1,270,000	1,270,000
Repayments	(1,077,128)	(1,022,172)
Discount on early repayment	(44,278)	(44,278)
	148,594	203,550
Fair value adjustment to proceeds upon origination	(177,714)	(177,714)
Amortisation of interest	177,714	173,538
	-	(4,176)
Amortised cost at 31 December	148,594	199,374

17. Investments – Loans and receivables - continued

The loan issued on 5 February 2003, amounting as at year end to Lm71,485 (2006: Lm71,485) is repayable in full by 31 December 2008. This balance is secured by special rights over the immovable property disposed and owned by third parties.

The loan issued on 11 April 2003, amounting as at year end to Lm77,117 (2006: Lm127,890) is repayable in full over a seven-year period from the agreement date. The repayment will be effected through the supply of products, at fixed contract prices, to companies within the group. This balance is secured by a special hypothecary guarantee amounting to Lm800,000 on the immovable property disposed and owned by third parties.

Medium term notes and monetary deposits

Medium term notes and monetary deposits are held with a French financial institution. The weighted average effective interest rates for the medium term notes and the monetary deposits were 1.0% (2006: 6.2%) and 3.7% (2006: 2.7%), respectively. The medium term notes 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.

In the opinion of the directors, the carrying amount of these loans and receivables as at 31 December 2007 does not differ materially from that which would be determined using fair values. Furthermore, Lm1,287,900 (2006: Lm1,287,900) of such investments are pledged in favour of the lessor for minimum future finance payments as disclosed in Note 35.

Company

	Loans to group undertakings	
	2007	2006
	Lm	Lm
Year ended 31 December		
Opening net book amount	5,358,480	2,554,846
Additions	-	2,803,634
Closing net book amount	5,358,480	5,358,480
At 31 December		
Cost and net book amount	5,358,480	5,358,480

17. Investments – Loans and receivables - continued

Maturity of loans and receivables of the company:

	2007	2006
	Lm	Lm
Non-current		
Between 1 and 2 years	395,000	255,000
Between 2 and 5 years	2,336,000	2,081,000
Over 5 years	2,627,480	3,022,480
Total loans and receivables of the company	5,358,480	5,358,480

Loans to group undertakings disclosed above are financed by loans from the company's other group undertakings, for equivalent amounts. Such amounts are denominated in euro at €12,482,043 (2006: €12,482,043), translated at the Irrevocably Fixed Conversion rate of €2.3294: Lm1. These loans have been financed by bank loans for an equivalent amount, and are subject to an interest rate of 6.1% (2006: 5.2%).

The company's exposure to credit and interest rate risks related to loans and receivables is disclosed in Note 33. As at 31 December 2007, these financial assets were fully performing and hence do not contain impaired assets.

18. Stocks

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Motor vehicles	433,932	269,739	-	-
Spare parts and consumables	507,360	474,781	-	-
Food and beverage	192,884	203,654	-	-
Finished goods for resale	32,007	53,522	-	-
	1,166,183	1,001,696	-	-
Property held for development and resale	14,048,351	14,654,125	80,976	80,976
	15,214,534	15,655,821	80,976	80,976

18. Stocks - continued

During the year ended 31 December 2007, property transferred to and from property held for development and resale upon change in intended use was as follows:

	Group	
	2007	2006
	Lm	Lm
Transferred (to)/from investment property	(241,961)	241,961

Included in the group's property held for development and resale is land and buildings with a cost of Lm258,911 (2006: Lm261,943) which is stated at its carrying value of Lm1,151,493 (2006: Lm1,300,179). This represents the revalued amount at which land and buildings were transferred from tangible fixed assets to property held for development and resale upon the change in intended use of the asset.

19. Debtors

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Non-current				
Amounts receivable from hire purchase debtors (Note 20)	161,998	203,159	-	-
Current				
Trade debtors	3,269,849	2,892,011	-	-
Advance deposits	623,047	-	295,000	-
Amounts receivable from hire purchase debtors (Note 20)	42,173	61,060	-	-
Amounts owed by associated undertakings	2,616,943	397,531	2,590,677	215,677
Amounts owed by minority shareholders	7,749	7,749	-	-
Other taxation recoverable	209,055	494,906	-	-
Other debtors	938,375	967,096	204,324	-
Prepayments and accrued income	1,746,805	1,130,961	-	-
	9,453,996	5,951,314	3,090,001	215,677
Total debtors	9,615,994	6,154,473	3,090,001	215,677

Amounts owed by associated undertakings and minority shareholders are unsecured, interest free and are repayable on demand.

The company's exposure to credit and currency risks and impairment losses relating to trade and other debtors are disclosed in Note 33. The other classes within debtors do not contain impaired assets.

As at 31 December 2007, amounts owed by associated undertakings were fully performing and hence do not contain impaired assets. The company does not hold any collateral as security.

19. Debtors - continued

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

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Trade debtors	388,174	382,775	-	-
Other debtors	39,094	20,392	-	-
Amounts owed by group undertakings	-	-	-	320,178
	427,268	403,167	-	320,178

Provision for impairment of debtors on amounts receivable from hire purchase debtors are disclosed separately in Note 20.

(Releases)/charges of impairment and provisions for impairment of debtors disclosed in Note 3 are included in the profit and loss as follows:

	Group	
	2007	2006
	Lm	Lm
Continuing operations:		
- Cost of sales	(51,192)	(38,581)
- Administrative expenses	99,117	49,059
	47,925	10,478

Amounts due from associated undertakings include an amount of Lm2,375,000 relating to advances by the company to Ta' Monita Estates Limited (an associated undertaking) to finance the acquisition of Kemmuna Limited through an intermediate holding company - Ropes Services Limited. This group acquisition, through the associated undertaking, was concluded by the end of 2007.

20. Amounts receivable from hire purchase debtors

	Group	
	2007	2006
	Lm	Lm
Debtors on whom bills of exchange were drawn		
Amounts falling due within one year	43,061	68,423
Amounts falling due after more than one year	175,498	220,516
	218,559	288,939
Provision for impairment of debtors	(14,388)	(24,720)
Total amounts receivable from hire purchase debtors	204,171	264,219

Amounts receivable from hire purchase debtors are subject to an effective interest rate of 8% (2006: 8%).

The company's exposure to credit and currency risks and impairment losses relating to hire purchase debtors are disclosed in Note 33.

20. Amounts receivable from hire purchase debtors - continued

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 balance sheet. The amounts advanced under this facility are treated as collateralised borrowings amounting to the face value of the bills factored out (Note 21). 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 balance sheet receivables amounting to Lm143,816 and Lm235,702 in the financial years ended 31 December 2007 and 2006 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 balance sheet dates.

21. Interest-bearing borrowings

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Non-current				
Bank loans	24,738,699	19,979,556	974,752	2,816,421
550 FRN secured bonds 2009-2011	2,741,853	3,985,963	-	-
70,000 6.7% unsecured bonds 2010-2012	6,951,388	6,934,360	-	-
47,000 6.0% secured bonds 2010-2013	4,634,215	4,614,056	-	-
Finance lease liabilities (Note 35)	9,869,623	10,275,677	-	-
	48,935,778	45,789,612	974,752	2,816,421
Current				
Bank overdrafts	2,967,599	2,441,922	-	-
Bank overdrafts - trade bills facility	119,952	163,942	-	-
Bank loans	4,518,421	4,437,482	1,813,571	1,095,319
550 FRN secured bonds 2009-2011	500,000	-	-	-
Finance lease liabilities (Note 35)	577,719	534,684	-	-
	8,683,691	7,578,030	1,813,571	1,095,319
Total borrowings	57,619,469	53,367,642	2,788,323	3,911,740

Company

The bank loans disclosed above are used to finance loans to group undertakings for equivalent amounts. Such are denominated in euro at €6,495,120 (2006: €9,112,007), translated at the Irrevocably Fixed Conversion rate of €2.3294: Lm1.

The company's banking facilities as at 31 December 2007 amounted to Lm2,925,576 (2006: Lm3,920,132).

21. Interest-bearing borrowings - continued

Group

The group's banking facilities as at 31 December 2007 and 2006 amounted to Lm46,928,768 and Lm44,255,338 respectively. These facilities include an amount of Lm156,250 (2006: Lm156,250) 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 2007 and 2006 amounted to Lm11,263,467 (2006: Lm11,077,703). Disclosure of the finance lease arrangements, security and commitments is made in Note 35.

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 group undertakings and third parties;
- (h) letters of undertaking.

Bonds and notes in issue by the Group

Date of issue	Type of instrument	Principal amount	Redemption dates and options
16 April 2004	Secured bonds	Lm4,000,000	2009 to 2011
28 October 2003	Secured bonds	Lm4,700,000	2010 to 2013
10 July 2002	Unsecured bonds	Lm7,000,000	2010 to 2012

On 22 November 2006, the group redeemed Lm4,200,000 secured notes which had been issued through a private placement memorandum dated 23 November 2000. The secured notes were redeemed at par from the proceeds of a bank loan which is repayable over a 10 year term and is secured over floors at the Portomaso Business Tower.

21. Interest-bearing borrowings - continued

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	
	2007	2006
	Lm	Lm
Face value of the bonds and secured notes	14,950,000	15,700,000
Issue costs	(296,466)	(296,466)
Accumulated amortisation	173,922	130,845
Closing net book amount	(122,544)	(165,621)
Amortised cost at 31 December	14,827,456	15,534,379

The Lm4,000,000 secured bonds have been issued by the group through a private placement. The group also has a one-time option to convert from a floating interest rate into a fixed interest rate for the remaining period of the bonds up to maturity. These bonds are secured by a general hypothec over the assets of Spinola Development Company Limited and by special hypothecs and privileges on its property held for resale as identified in the private placement memorandum.

The Lm4,700,000 secured bonds have been issued by the group through a public offering memorandum. 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 Lm7,000,000 unsecured bonds have been issued by the group through a public offering memorandum. 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.

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:

		Quoted market prices	
		2007	2006
		Lm	Lm
6.7% unsecured bonds 2010-2012	2 August 2002	99.00	104.01
6.0% secured bonds 2010-2013	17 November 2003	100.01	103.50

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

21. Interest-bearing borrowings - continued

The interest rate exposure of borrowings was as follows:

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Total borrowings:				
At fixed rates	11,585,603	11,548,416	-	-
At floating rates	46,033,866	41,819,226	2,788,323	3,911,740
	57,619,469	53,367,642	2,788,323	3,911,740

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

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Euro	14,641,386	14,722,101	2,788,323	3,911,740
Maltese Liri	42,978,083	38,645,541	-	-
	57,619,469	53,367,642	2,788,323	3,911,740

Weighted average effective interest rates at the balance sheet date:

	Group		Company	
	2007	2006	2007	2006
Bank overdrafts	5.6%	5.6%	-	-
Bank overdrafts - trade bills facility	5.5%	5.5%	-	-
Bank loans	5.9%	5.0%	6.1%	5.2%
FRN secured bonds 2009-2011	4.2%	4.9%	-	-
Unsecured bonds 2010-2012	6.7%	6.7%	-	-
Secured bonds 2010-2013	6.0%	6.0%	-	-
Finance lease	6.3%	5.4%	-	-

In 2005 and 2006, the group entered into an interest rate linked collar arrangement to hedge part of the variable interest amounts related to this liability (Note 31).

The company's borrowings effective interest rate of 6.1% is set at 2.05% per annum over the 6-month EURIBOR index ruling on date of interest roll-over.

This note provides information about the contractual terms of the group's and the company's interest-bearing borrowings. For more information about the group's and the company's exposure to interest rate, foreign currency and liquidity risk, see Note 33.

22. Trade and other creditors

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Non-current				
Capital creditors	200,000	400,000	-	-
Deferred income arising on long term rights of use sales	2,008,823	2,674,233	2,008,823	2,674,233
	2,208,823	3,074,233	2,008,823	2,674,233
Current				
Trade creditors	4,830,479	4,297,991	-	-
Advanced deposits on sale of property	5,923,135	5,530,444	-	-
Amounts owed to group undertakings	-	-	4,468,713	1,930,310
Amounts owed to related parties (Note 32)	435,364	536,957	-	12,108
Indirect taxes and social security	680,290	664,255	-	-
Capital and other creditors	3,668,700	3,688,099	749,512	482,563
Accruals and deferred income	3,314,413	3,752,167	59,850	168,692
	18,852,381	18,469,913	5,278,075	2,593,673
Total trade and other creditors	21,061,204	21,544,146	7,286,898	5,267,906

Non-current capital creditors amounting to Lm200,000 (2006: Lm400,000) are repayable between 2 and 5 years and are interest free.

Amounts owed to group undertakings and related parties are unsecured, interest free and are repayable on demand. Included in amounts owed to related parties are amounts of Lm90,683 (2006: Lm59,866) for the group and LmNil (2006: Lm12,108) for the company which are owed to the shareholders.

The group's and the company's exposure to currency and liquidity risk related to trade and other creditors is disclosed in Note 33.

23. Deferred taxation

	Group	
	2007	2006
	Lm	Lm
At beginning of year	6,336,449	5,946,923
Movement in deferred tax determined on the basis applicable to capital gains (Note 26)	4,705	(3,666)
Transfer of depreciation through asset use (Note 7)	(52,106)	(52,106)
Transfer upon realisation through property disposals (Note 7)	(50,979)	(172,399)
Deferred tax on temporary differences arising on intra-group transactions (Note 7)	710	54,586
Deferred tax on temporary differences arising on capital allowances and depreciation of fixed assets (Note 7)	348,683	561,914
Deferred tax on temporary differences arising on provisions (Note 7)	5,666	8,400
Deferred tax on temporary differences arising on amortisation of issue costs (Note 7)	(5,960)	(7,203)
Deferred tax on temporary differences attributable to tax losses (Note 7)	(739,640)	-
At 31 December	5,847,528	6,336,449

	Group	
	2007	2006
	Lm	Lm
Disclosed as:		
Deferred tax asset	(739,432)	-
Deferred tax liability	6,586,960	6,336,449
	5,847,528	6,336,449

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2006: 35%) except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 12% on the carrying amounts.

Deferred taxation is principally composed of deferred tax assets and liabilities which are to be recovered and settled after more than 12 months.

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

	Group	
	2007	2006
	Lm	Lm
Revaluation of property, plant and equipment (Note 26)	5,106,061	5,152,651
Revaluation of investment property (Note 26)	457,465	458,276
Revaluation of property held for resale (Note 26)	266,750	317,729
Intra-group transactions	89,081	88,370
Capital allowances and depreciation of fixed assets	135,150	(212,152)
Provisions and referrals	514,267	508,601
Amortisation of issue costs	17,014	22,974
Tax losses	(738,260)	-
	5,847,528	6,336,449

23. Deferred taxation - continued

At 31 December 2007, the group had unrecognised and recognised deferred tax assets amounting to Lm1,901,345 (2006: Lm1,421,725) and Lm192,287 (2006: Lm281,665) respectively, consisting of unutilised tax credits and temporary differences arising from:

	Unrecognised		Recognised	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Unutilised tax credits arising from:				
unabsorbed tax losses	3,770,632	2,184,318	739,432	-
unabsorbed capital allowances	1,215,337	1,374,985	2,381,818	3,561,383
Deductible temporary differences arising on:				
provisions	172,090	167,950	248,062	264,249
tangible assets	273,256	331,910	(92,328)	(56,482)
Taxable temporary differences arising on:				
provisions	3,342	6,466	-	-
tangible assets	(2,242)	(3,556)	(2,678,980)	(2,898,753)
amortisation of issue costs	-	-	(48,612)	(65,640)
	5,432,415	4,062,073	549,392	804,757

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

24. Other provisions

	Group	
	2007 Lm	2006 Lm
At beginning of year	185,472	218,283
Charged to the profit and loss account	35,459	4,509
Released during the year	-	(37,320)
At 31 December	220,931	185,472

The amounts shown above comprise gross provisions in respect of legal claims of Lm160,932 (2006: Lm125,472) and tax claims of Lm60,000 (2006: Lm60,000) 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 2007.

25. Share capital

	Group and Company	
	2007	2006
	Lm	Lm
Authorised		
44,001 Ordinary shares of Lm1 each	44,001	44,001
1 Ordinary 'B' share of Lm1	1	1
	44,002	44,002
Issued and fully paid		
44,001 Ordinary shares of Lm1 each	44,001	44,001
1 Ordinary 'B' share of Lm1	1	1
	44,002	44,002

26. Revaluation reserves

	Group	
	2007	2006
	Lm	Lm
Surplus arising on revaluation of:		
Property, plant and equipment	12,789,235	12,887,203
Investment property	1,401,510	1,405,016
Property held for resale	633,765	728,440
Revaluation reserves at end of year	14,824,510	15,020,659
Revaluation of property, plant and equipment		
At beginning of year, before deferred taxation	18,039,854	18,184,412
Transfer to retained profits through asset use	(144,558)	(144,558)
	17,895,296	18,039,854
Deferred taxation (Note 23)	(5,106,061)	(5,152,651)
At 31 December	12,789,235	12,887,203
Revaluation of investment property		
At beginning of year, before deferred taxation	1,863,292	1,892,204
Transfer to retained profits through asset use	(4,317)	(4,317)
Revaluation surplus transferred to property held for resale	-	(24,595)
	1,858,975	1,863,292
Deferred taxation (Note 23)	(457,465)	(458,276)
At 31 December	1,401,510	1,405,016

26. Revaluation reserves - continued

	Group	
	2007	2006
	Lm	Lm
Revaluation of property held for resale		
At beginning of year, before deferred taxation	1,046,169	1,514,143
Transfer upon realisation through disposals of property held for resale	(145,654)	(492,569)
Revaluation surplus transferred from investment property	-	24,595
	900,515	1,046,169
Deferred taxation (Note 23)	(266,750)	(317,729)
At 31 December	633,765	728,440

The revaluation reserves are non-distributable reserves.

27. Other reserves

	Incentives and benefits reserve Lm	Special reserve Lm	Exchange translation reserve Lm	Total Lm
Group				
At 1 January 2006	-	49,021	3,832	52,853
Exchange differences for the year	-	-	4,517	4,517
Transfer from/(to) retained earnings	74,148	(49,021)	-	25,127
At 31 December 2006	74,148	-	8,349	82,497
At 1 January 2007	74,148	-	8,349	82,497
Exchange differences for the year	-	-	(19,788)	(19,788)
At 31 December 2007	74,148	-	(11,439)	62,709

The special reserve represented the capitalisation of a loan waived by a shareholder.

28. Minority interest

	Group	
	2007	2006
	Lm	Lm
At beginning of year	(13,388)	(4,248)
Share of results of group undertaking	(1,027)	(9,140)
At 31 December	(14,415)	(13,388)

29. Cash generated from/(used in) operations

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

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Operating profit/(loss) from continuing operations	4,251,651	4,661,532	(16,131)	5,801
Operating profit from discontinued operations (Note 8)	150,188	1,891,964	-	-
Operating profit/(loss)	4,401,839	6,553,496	(16,131)	5,801
Adjustments for:				
Amortisation of intangible assets	4,656	4,656	-	-
Depreciation on tangible assets:				
- Property, plant and equipment	3,592,078	2,897,757	-	-
- Investment property	478,376	268,593	-	-
Profit on disposal of property, plant and equipment	62,786	(1,594,218)	-	-
Profit on disposal of discontinued operations	(150,188)	-	(12,919)	-
Release of impairment on property, plant and equipment	-	(313,851)	-	-
Impairment provisions for debtors	13,769	(18,520)	-	-
Net deferred income realised during the year	(665,410)	(247,025)	-	-
Changes in working capital:				
Stocks	199,326	600,003	-	-
Debtors	(3,475,290)	(1,084,874)	(3,176,582)	(320,942)
Creditors	182,468	11,234	2,018,992	1,002,432
Cash generated from/(used in) operations	4,644,410	7,077,251	(1,186,640)	687,291

30. Cash and cash equivalents

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

	Group	
	2007	2006
	Lm	Lm
Cash at bank and in hand	6,259,976	6,149,650
Bank overdrafts	(2,967,599)	(2,441,922)
Bank overdrafts - trade bills facility	(119,952)	(163,942)
	3,172,425	3,543,786
Bond redemption funds	(1,223,863)	(1,290,734)
	1,948,562	2,253,052

30. Cash and cash equivalents - continued

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

The bond redemption funds include balances which are held at call or invested in financial instruments which mature within 3 months from the balance sheet date. These funds earn interest at an effective weighted average rate of 3.5% (2006: 3.1%). Funds held in the bond redemption funds have been invested in accordance with the terms and conditions stipulated in the respective offering memoranda governing these bonds.

Cash at bank and in hand include an amount of Lm1,883,053 (2006: Lm1,890,597) which is held at call and earns interest at floating rates. The effective weighted average interest rate at the balance sheet date was 3.9% (2006: 3.5%).

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

31. Derivative financial instruments

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 expires 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, expires on 1 June 2009 and involves six monthly settlements. The contract is based on a notional amount of €13.7million and the contracted fluctuation band is 2.47% and 4.65%.

The fair value of these derivative financial instruments held at the balance sheet date were not deemed material by the directors for recognition and disclosure purposes.

32. Related party transactions

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 group is ultimately fully owned by members of the Fenech family, who are therefore considered to be related parties.

Related parties also include entities within the Hilton International Group. During the year ended 31 December 2007, 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 Lm312,439 (2006: Lm331,663).

Year end balances with these related parties are disclosed separately in Note 22.

Key management personnel compensation consisting of directors' remuneration has been disclosed in Note 9.

33. Financial risk management

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.

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. From time to time, the group enters into foreign exchange contracts to hedge certain risk exposures during the current and preceding financial years. 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. A significant part of the group's sales and purchases and its borrowings relating to the Hilton Hotel Evian operations, in France, are denominated in euro. The main risk exposures reflecting the carrying amount of receivables and payables denominated in foreign currencies as at the balance sheet dates were as follows:

	Group	
	2007	2006
	Lm	Lm
Euro		
Trade and other receivables	985,576	809,690
Trade and other payables	2,026,339	1,832,596
	3,011,915	2,642,286

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in Maltese lira except as outlined above and as disclosed in Note 21.

33. Financial risk management - 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. 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.

Trading transactions are also denominated in euro. Since the Maltese Lira was pegged with the euro at 0.4293 over the period 2 May 2005 to 31 December 2007, transactions in euro do not expose the group to currency risk and are therefore not included in the above analysis.

The group's principal cash and cash equivalents, certain borrowings (Note 21), the principal trade and other debtors and the principal trade and other creditors are denominated in Maltese Liri.

The group's principal loans and receivables (Note 17), certain bank borrowings (Note 21) and the finance lease (Note 35) are denominated in euro. Management does not consider foreign exchange risk attributable to these assets and liabilities to be significant since the Maltese Lira was pegged to the euro at 0.4293 over the period 2 May 2005 to 31 December 2007.

Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the balance sheet date 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 balance sheet date, 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
Amounts receivable from hire purchase debtors

Liabilities

Unsecured bonds 2010-2012
Secured bonds 2010-2013

Subject to floating interest rates

Assets

Medium term notes
Monetary deposits
Cash at bank

Liabilities

Bank borrowings
FRN secured bonds 2009-2011
Finance lease liabilities

33. Financial risk management - continued

(a) Market risk - continued

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

Notes 17, 20, 21, 30, 31 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 long-term borrowings. Borrowings issued at variable rates, comprising bank borrowings and floating rate notes (refer to Note 21), 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 Central bank of Malta and the European Central Bank.

The group's borrowings include foreign currency facilities subject to variable interest rates which are based on reference rates such as Euro Libor. The group uses interest rate linked collar arrangements, as cash flow hedges of future variable interest payments, which have the economic effect of restricting interest costs on these long-term borrowings within a predetermined interest rate fluctuation band. Under the interest rate linked collar arrangements, the group agrees 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. Variable interest payments may be hedged up to 100% and are presently hedged for a period not exceeding two years.

(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 maximum exposure to credit risk at the reporting date was:

	Group	
	2007	2006
	Lm	Lm
Carrying amounts		
Investments – Loans and receivables	2,612,866	2,990,720
Debtors	9,615,994	6,154,473
Cash and cash equivalents (Note 30)	1,948,562	2,253,052
	14,177,422	11,398,245

33. Financial risk management - continued

(b) Credit risk - continued

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

	Group		2006
	2007		Lm
	Lm		Lm
Hospitality	1,976,882		2,033,249
Property development and management	832,730		492,236
Importation and other	460,237		366,526
	3,269,849		2,892,011

The group holds collateral as security for the debtors within the property related sector for an amount of Lm170,532 (2006: Lm213,956).

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

The group is exposed to concentration of credit risk with respect to hire purchase debtors since Lm218,561 (2006: Lm288,939) are due from 40 (2006: 54) customers. Lm14,388 (2006: Lm24,720) of these debtors are impaired and accordingly an impairment provision has been booked against these dues. It is the group's policy that trade debtors are presented net of an impairment allowance.

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 debtors taking into account historical experience in collection of accounts receivable.

Standard credit terms are in place for individual clients, before certain operations within 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 debtors. This allowance represents specific provisions against individual exposures.

The group's debtors, 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.

33. Financial risk management - continued

(b) Credit risk - continued

Impairment losses

The ageing of trade debtors at the reporting date was:

Group	2007		2006	
	Gross Lm	Impairment Lm	Gross Lm	Impairment Lm
Not passed due	1,387,760	-	1,041,566	-
Up to 90 days	1,184,885	11,376	1,133,752	8,604
Over 90 days	1,085,378	376,798	1,099,468	374,171
	3,658,023	388,174	3,274,786	382,775

As at year end, impairment provisions of Lm427,268 (2006: Lm403,167) were made in respect of debtors 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. The group holds security of Lm170,532 (2006: Lm213,956) against these debts.

The movement in the allowance for impairment in respect of trade and other debtors is disclosed in Note 3 and 19 to these financial statements.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible; at the point the amounts are considered irrecoverable these are written off against trade receivables directly.

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (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.

33. Financial risk management - continued

(c) Liquidity risk - continued

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 balance sheet date to the contractual maturity date in the respective notes to the financial statements.

The following table analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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 Lm	Contractual cash flows Lm	Within one year Lm	One to five years Lm	Over five years Lm
31 December 2007					
Bank borrowings	32,344,671	38,799,032	11,293,399	19,250,174	8,255,459
Finance lease liabilities	10,447,342	15,608,125	1,252,788	4,864,512	9,490,825
Secured and unsecured bonds	14,827,456	17,587,722	1,093,424	16,494,298	-
Trade and other creditors	21,061,204	21,061,204	18,852,381	1,514,923	693,900
	78,680,673	93,056,083	32,491,992	42,123,907	18,440,184
31 December 2006					
Bank borrowings	27,022,902	34,443,788	8,689,544	17,955,334	7,798,910
Finance lease liabilities	10,810,361	15,797,535	1,076,868	5,295,469	9,425,198
Secured and unsecured bonds	15,534,379	18,936,883	1,369,320	10,098,563	7,469,000
Trade and other creditors	21,544,146	21,544,146	18,469,913	2,144,532	929,701
	74,911,788	90,722,352	29,605,645	35,493,898	25,622,809

33. Financial risk management - continued

(c) Liquidity risk - continued

Company

	Carrying amount Lm	Contractual cash flows Lm	Within one year Lm	One to five years Lm	Over five years Lm
31 December 2007					
Bank borrowings	2,788,323	2,927,267	1,930,905	996,362	-
Trade and other creditors	7,286,898	7,286,898	5,278,075	1,314,923	693,900
	10,075,221	10,214,165	7,208,980	2,311,285	693,900
31 December 2006					
Bank borrowings	3,911,740	4,290,089	1,362,822	2,927,267	-
Trade and other creditors	5,267,906	5,267,906	2,593,673	1,744,532	929,701
	9,179,646	9,557,995	3,956,495	4,671,799	929,701

Fair values

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying amounts of trade receivables (net of impairment provisions) 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.

As at the balance sheet date, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the balance sheet.

34. Capital 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.

34. Capital management - continued

Total capital is measured by reference to the amounts reflected in the 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 stock was reclassified from fixed assets. No account is taken of further fair value surplus on trading property stock since that date. Reported equity was not adjusted for fair value surplus (net of deferred tax) over the notional carrying amount of property stock 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 interest-bearing borrowings, less cash at bank and in hand which includes the bond redemption funds (see Note 21).

The gearing ratios at 31 December 2007 and 2006 were as follows:

	Group	
	2007	2006
	Lm	Lm
Total borrowings (Note 21)	57,619,469	53,367,642
Less: Cash in bank and at hand	(3,172,425)	(3,543,786)
Net borrowings	54,447,044	49,823,856
Reported equity	32,213,182	31,643,910
Adjustment for fair value of investment property	9,796,529	6,751,291
Adjustment for fair value of stocks	1,999,913	2,860,000
Total equity	44,009,624	41,255,201
Total capital	98,456,668	91,079,057
Gearing	55%	55%

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 balance sheet date is deemed adequate by the directors.

35. Commitments

Capital commitments

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

	Group	
	2007	2006
	Lm	Lm
Authorised and contracted	6,672,090	5,931,509
Authorised but not contracted	5,801,707	6,883,641
	12,473,797	12,815,150

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 2007, the finance lease payments include an interest portion of 6.3% (2006: 5.4%). 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 5 years from the opening of the hotel. The group also has the right to terminate the lease agreement after 5 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	
	2007	2006
	Lm	Lm
Not later than 1 year	1,252,788	1,076,868
Later than 1 year and not later than 5 years	4,864,512	5,295,470
Later than 5 years	9,490,825	9,425,198
	15,608,125	15,797,536
Future finance charges on finance leases	(5,160,783)	(4,987,175)
Present value of finance lease liabilities	10,447,342	10,810,361

35. Commitments - continued

Finance lease commitments – where the company is a lessee - 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 15 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:

	2007	Group
	Lm	2006
		Lm
Not later than 1 year	567,975	538,127
Later than 1 year and not later than 5 years	958,971	1,087,519
Later than 5 years	1,500,194	785,433
	3,027,140	2,411,079

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.

36. Contingent liabilities

At the balance sheet date the group's major contingent liabilities were:

- (a) Guarantees given by certain group undertakings on behalf of other group undertakings 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 Lm9,489,000 (2006: Lm8,491,580), mainly to secure the group's commitments in respect of long term rights of use sales.
- (c) Uncalled balances amounting to Lm60,000 (2006: Lm60,000) relating to shares subscribed in group undertakings.
- (d) Disputed income tax amounting to Lm202,812 (2006: Lm202,812) for which no provision has been made in these financial statements.
- (e) 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.
- (f) 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.
- (g) 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 balance sheet date, 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 group undertaking on 21 July 2004. This guarantee covers all payments due by the group undertaking to the lessor throughout the duration of the finance lease which is expected to be terminated in 2021. This guarantee is stratified up to Lm2.1million till 2008, Lm1.6million between 2009 and 2011, and Lm1.1million between 2012 and 2014.
- (b) Guarantees amounting to Lm5,427,324 (2006: Lm5,427,324) given in respect of bank facilities of other group undertakings.
- (c) Guarantees amounting to Lm38,653,690 (2006: Lm43,007,543) given jointly with other group undertakings, in respect of bank facilities of other group undertakings.
- (d) Guarantees amounting to Lm8,653,500 (2006: Lm7,953,500) given jointly with third parties, in respect of bank facilities of a group undertaking and an associated undertaking.
- (e) Guarantees given to several group undertakings that they will be able to meet their liabilities as and when they fall due.
- (f) Other guarantees in favour of other third parties amounting to Lm225,000 (2006: Lm225,000).

37. Post balance sheet event

On 3 June 2008, Tumas Group Finance Company Limited (a group undertaking) obtained a bank loan from a local financial institution totalling Lm10,303,200. This loan was sanctioned to this company as part of its financing function within the Tumas Group of Companies. The purpose of this facility is to finance various existing investments and new projects that the group has within its portfolio. Part of this facility has been allocated to Tumas Group Company Limited to finance its existing banking facilities which as at year end totalled Lm2,925,576.

This facility is secured by various hypothecs and guarantees given by the company and other group undertakings forming part of the Tumas Group of Companies.

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 disclosure for the purpose of fairer presentation.

