

ANNUAL REPORT 2007



GENERAL MEDITERRANEAN HOLDING  
*Société Anonyme*



#### General Mediterranean Holding SA

is a Luxembourg based holding company for 124 companies with a presence in more than 30 countries employing 8,000 personnel. The paid up capital of the Company is €350 million with total consolidated assets in excess of €2 billion.

The activities of the Group are segregated into:

- Finance & Investment Activities • Real Estate & Construction • Hotel & Leisure • Pharmaceuticals
- Power Generation • Trading • Advertising and New Media • TV Broadcasting • Aviation

#### Strategy:

The Group's long-term core business objective of low-risk controlled growth is coupled with an adherence to strict investment criteria. The Group is discerning in the investments it makes and continues to look for new opportunities that fit its investment principles and enhance the value of the Group. The Group places much value on the provision of pride and security to its workforce so creating high productivity and consequently optimum economic returns. The Group's strategy is for long-term, ethical relationships across the global network and, in constantly endeavouring to serve the wider community and expand its activities, the Group strives always to enhance the value of shareholder investment.

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## CHAIRMAN'S STATEMENT

### Overview

The Group's involvement in a diverse and ever-widening range of investment activities spans several decades and in 2007 General Mediterranean Holding continued its policy of being receptive to new opportunities whilst taking a long term view of the investments it makes.

Significant progress has been made in each of our divisions and the main features of our activity during the year were:

- Our finance division performed strongly and made a significant contribution to the Group's profitability.
- We expanded our property portfolio and made a further investment in the Riverside Park development project in Chicago, increasing our percentage shareholding to 80%. Our main contracting subsidiary, Soludec, performed well and is expanding into other countries in Europe.
- Following on from the success of our existing network of hotels, it is of particular note to record our further investment in Egypt.
- Our pharmaceuticals division performed well and we expanded our market share during the year.
- We have invested in a number of new businesses and projects which are targeted to add to the Group's profitability in the future.

### Financial Review

The Group's consolidated revenue for the year was €165 million and reflects a rise of 16% over last year. This positive variance was largely due to additional activity in our construction division, assisted by somewhat smaller increases from our hotel and leisure and pharmaceuticals divisions. The overall impact of the results of start-up businesses, together with provisions against certain investments, is reflected in the accounts for the year under review.

Before allowing for exchange losses and provisions, 2007 ended with a consolidated surplus of €43 million, compared to €76 million in 2006 and €21 million before tax and minority interests for the year under review versus €58 million in 2006. The 2007 profit attributable to the shareholders of the Company was €16 million compared to €54 million in 2006.

The €21 million increase in the value of our investment portfolio follows on from a similar rise last year and was once again a major contributing factor to the profit for the year.

After accounting for currency exchange fluctuations of approximately €48 million and working capital reduction of some €74 million, coupled with the net impact of assets acquired, disposed of and provisions for depreciation, there was an overall reduction in the value of the Group's consolidated assets from to €2,154 million at 31 December 2006 to €2,030 million at the end of the year under review.

Our investments in available for sale financial assets stood at €176 million at the year-end compared to €304 million at the end of 2006. This was caused, in the main, by the reclassification of our Riverside Park development project in Chicago from available for sale financial assets to fixed assets.

Cash flows from operating activities increased from €13 million last year to €41 million in 2007 and reflect the higher level of revenues and operating activity and changes in working capital. Cash flows from investing activities were €55 million in 2007 compared to a cash outflow of €1 million in 2006 and this increase mainly reflects the proceeds from sales of financial and tangible assets, less expenditure on new financial assets. After repayment of certain financial liabilities amounting to €89 million, the year ended with a net cash outflow of €25 million.

## Operating Review

### *Finance and investment activities*

During 2007 economic conditions started to deteriorate and the latter part of the year saw the beginning of the global downturn, which inevitably impacted on capital and equity markets everywhere. Despite these events, the Group's investment portfolio which comprises stocks listed in most of the major exchanges and private equity participations, performed well during the year and our more significant holdings remained profitable.

As a cross-section, the Group's portfolio is well diversified from telecoms to banking and financial institutions, from hotels to mining and industries. Orascom Telecom GDRs represent a major portion of our portfolio and we have maintained our holding in Weather Investments, the international telecommunications group, representing just over 1% of its equity. Weather Investments has been in operation since July 2005 and posted a profit after tax of €300 million for 2007.

At the year-end, the Group's total portfolio of financial investments, comprising available for sale non-current investments and current asset investments, stood at €523 million, compared to €639 million at the end of 2006. As explained above, the primary reason for this seeming reduction over the year reflects the reclassification of our investment in the Riverside Park development project and further reflects the combined net effect of disposals and fair value adjustments.

Cipaf, our principal banking and finance investment subsidiary which derives its income mainly from interest and equity markets trading, reported a profit on a stand alone basis of €21 million for the year, compared to €25 million in 2006.

### *Real estate and construction*

The Group's real estate portfolio consists of properties in the USA, Canada, Europe, Africa and the Middle East. The main developed properties are fully let or operational, contributing positively to the Group's cash flow and net profit.

With the increase of our percentage holding in the Riverside Park project in Chicago, the development company Riverside District Development LLP is treated as a subsidiary and its main asset is now reflected within freehold properties.

Our Luxembourg based general contracting company, Soludec, continues to trade profitably and achieved a turnover of €66 million for 2007. In spite of a high level of competition in the domestic real estate market, Soludec improved its net result by approximately 10%. Soludec's geographical market, which includes the Middle East, has expanded to France and further expansion is planned in Romania, Slovakia and Germany.

As regards the former Unisys building in London, plans have been approved by the local council for the building of a hotel on this site. Negotiations with potential joint venture partners to carry out the construction work are in progress.

### *Hotel and leisure*

We are continuing to expand our hotel network around the world under the “Le Royal” banner, a marque which has become synonymous with five star plus standard and luxury. The philosophy of the Group remains to ensure that in each of its locations, “Le Royal” is ranked as the best.

Our flagship hotel, Le Royal Luxembourg, continues to operate profitably and enjoys the popular reputation of being the premier hotel in Luxembourg and amongst the uppermost in the world. Given the high level of competition in Luxembourg for hotels of this calibre, Le Royal has proven itself to be a market leader in the city.

Le Royal, Amman is now the largest hotel in our network in terms of room numbers and increased its revenue during the year. We also have plans to add prestigious villas and apartments of a high standard and security.

Our presence in Morocco is represented by Le Royal El-Minzah where we are expanding our corporate and reservation centre contracts and this hotel has also achieved improved results over the year.

In Tunisia, I am pleased to report that the management team at Le Royal Hammamet has been successful in attracting the higher end of the tourist market and has increased its occupancy rates and profitability.

In Spain, Miguel Angel, which is managed on our behalf by Occidental Hotels, continues to perform well and has again made a positive contribution to our results for the year.

Following on from these successes, we are expanding our interests in Egypt. During the year, we invested in the Hilton Sharm Dream in Sharm el Sheikh and we have identified a number of further opportunities in the region.

It is important to mention that the tourism market around the Middle East felt the strain during the year due to a variety of factors, not the least of which was the political situation. The impact was most severely felt in Lebanon, where Le Royal Beirut had a disappointing financial year. Nevertheless, we are continuing to invest in the region and in Beirut we have acquired land adjacent to the hotel, with plans to add new features and a shopping mall.

Elsewhere, in Jordan, a conference centre and two luxury hotels with adjoining villas are planned for the Dead Sea project. In Syria, the Group is planning to acquire three hotels and the Marriott hotel group has submitted proposals for long-term management contracts. In the Kurdistan region of Iraq, the Group has acquired land in a prominent location in the city of Erbil to build a ‘Le Royal’ hotel with conferencing, shopping and leisure facilities.

*Industrial, pharmaceutical, media and motorsport*

Crescent Pharma, our UK generics company, and its wholly owned subsidiary, Anglian Pharmaceuticals, the owner of over-the-counter and prescribable brands, both reported improved revenues and margins during the year. On the retail side, Bliss Pharmacy of London has continued to enhance performance and is increasing its business profitability. Our strategy is to expand the pharmaceutical division and extend our high margin brands in the UK and other markets.

Substantial progress has been made on the Katupalli Power Project, the Group's 1,000-megawatt venture in India. The fuel supply agreement for the import of coal and the loan syndication for the project were completed in the year.

The Group continues to participate in A1GP, The World Cup of Motorsport, and operates A1 Team Lebanon, sponsored by Le Royal Hotels.

Middle East Online, the internet news service, has benefited from agreements with Arabic News Broadcasting, the Tunisian and Libyan Information Ministries and with the Abu Dhabi Tourism Board and is expected to return positive results soon.

*Outlook*

The current economic environment is now more uncertain than 2007 and, as a global business, we enter a period of significant challenges. However, we are well placed to meet them through the breadth and diversity in the businesses that we operate, through our wide geographical spread and through the numerous projects that we have in the pipeline. Our position gives us confidence that our Group will be resilient against the challenges that it faces and we are confident that we will maintain our success in the longer term, in accordance with our published strategy.

Finally, I take this opportunity to thank all the staff, and my colleagues on the Board, for their continued support, commitment and hard work in building the results achieved in 2007.



Nadhmi S Auchi



**BDO Stoy Hayward**

To the Shareholders of General Mediterranean Holding SA

We have audited the consolidated financial statements (the "financial statements") of General Mediterranean Holding SA for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated statement of changes in shareholders' equity, the consolidated balance sheet, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

*Respective responsibilities of directors and auditors*

The Directors are responsible for preparing the annual report and the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with IFRSs as adopted by the European Union.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the terms of our engagement letter addressed to the directors of the Company and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the terms of our engagement letter or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

*Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

*Opinion*

In our opinion the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its result for the year then ended.

A handwritten signature in black ink that reads "BDO Stoy Hayward LLP". The signature is written in a cursive, flowing style.

BDO STOY HAYWARD LLP  
Chartered Accountants, London  
24 April 2009

CONSOLIDATED INCOME STATEMENT  
For the year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Revenue	4	164,532	141,555
Cost of sales		87,792	56,446
<b>GROSS PROFIT</b>		<b>76,740</b>	<b>85,109</b>
Profit from current asset investments		9,937	39,167
Net operating expenses		(103,876)	(95,442)
Exchange loss		(9,727)	(19,164)
Revaluation of current asset investments		21,482	20,651
Revaluation of investment properties		(2,424)	3,818
Profit on sale of fixed asset investments		5,501	-
Derivative income		13,330	12,402
Other income		18,470	12,057
Profit/(loss) on sale of property, plant and equipment		3,487	(1,578)
Provisions		(10,400)	(3,222)
<b>OPERATING PROFIT</b>	5	<b>22,520</b>	<b>53,798</b>
Share of profits less losses of associate companies	11	(581)	(272)
Finance income	6	30,246	43,606
Finance costs	6	(30,833)	(39,178)
<b>PROFIT BEFORE TAX</b>		<b>21,352</b>	<b>57,954</b>
Tax	7	(4,998)	(4,760)
<b>PROFIT AFTER TAX</b>		<b>16,354</b>	<b>53,194</b>
Attributable to:			
Equity holders of General Mediterranean Holding SA		16,354	54,035
Minority interests		-	(841)
		<b>16,354</b>	<b>53,194</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2007

	Share capital	Revaluation reserve	Cumulative translation reserve	Retained earnings	Legal reserve	Total shareholders' equity	Minority interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>At 31 December 2005</b>	350,000	300,863	(104,145)	524,622	20,992	1,092,332	80,606	1,172,938
Revaluation of non-current financial assets	-	(33,722)	-	-	-	(33,722)	-	(33,722)
Currency translation differences	-	-	(10,476)	-	-	(10,476)	-	(10,476)
Reserve transfer on reclassification of freehold properties (net of deferred tax)	-	(22,023)	-	22,023	-	-	-	-
Transfer to legal reserve	-	-	-	(4,390)	4,390	-	-	-
Net income/(expense) recognised directly in equity	-	(55,745)	(10,476)	17,633	4,390	(44,198)	-	(44,198)
Profit for the year	-	-	-	54,035	-	54,035	(841)	53,194
Total recognised income and expense for the year	-	(55,745)	(10,476)	71,668	4,390	9,837	(841)	8,996
<b>At 31 December 2006</b>	350,000	245,118	(114,621)	596,290	25,382	1,102,169	79,765	1,181,934
Revaluation of non-current financial assets	-	(885)	-	-	-	(885)	-	(885)
Transfer on disposal of non-current financial assets	-	(5,425)	-	-	-	(5,425)	-	(5,425)
Currency translation differences	-	-	(84,911)	-	-	(84,911)	-	(84,911)
Acquisition of subsidiaries	-	-	-	-	-	-	22,156	22,156
Transfer to legal reserve	-	-	-	(415)	415	-	-	-
Net income/(expense) recognised directly in equity	-	(6,310)	(84,911)	(415)	415	(91,221)	22,156	(69,065)
Profit for the year	-	-	-	16,354	-	16,354	-	16,354
Total recognised income and expense for the year	-	(6,310)	(84,911)	15,939	415	(74,867)	22,156	(52,711)
<b>At 31 December 2007</b>	350,000	238,808	(199,532)	612,229	25,797	1,027,302	101,921	1,129,223

Share capital – represents the shareholders fixed investment in the Company.

Revaluation reserve – represents the surplus arising from adjusting the historic values of assets to current market values.

Cumulative translation reserve – represents the accumulation of foreign exchange differences arising from the restatement of non-monetary assets and liabilities.

Retained earnings – represent the accumulated profits and losses of the Group.

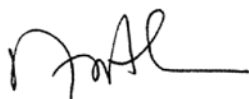
Under Luxembourg law, the parent company is obliged to transfer to a legal reserve a minimum of 5% of its net profit each year until the reserve reaches 10% of the issued share capital. The reserve is not available for distribution.

CONSOLIDATED BALANCE SHEET  
At 31 December 2007

	Notes	2007 €'000	2007 €'000	2006 €'000	2006 €'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8		838,163		745,471
Investment properties	9		146,391		148,815
Intangible assets	10		3,685		3,726
Investments in associates	11		25,022		28,416
Financial assets	12		176,172		304,292
			<u>1,189,433</u>		<u>1,230,720</u>
<b>CURRENT ASSETS</b>					
Inventories	13	40,136		25,925	
Trade and other receivables	14	239,573		322,998	
Other financial assets	15	346,832		334,730	
Cash and cash equivalents	16	214,347		239,259	
Total current assets			<u>840,888</u>		<u>922,912</u>
<b>TOTAL ASSETS</b>			<u>2,030,321</u>		<u>2,153,632</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	269,790		255,808	
Financial liabilities	18	282,664		326,464	
Taxation		8,084		7,465	
Total current liabilities		<u>560,538</u>		<u>589,737</u>	
<b>NON-CURRENT LIABILITIES</b>					
Financial liabilities	19	214,497		258,050	
Deferred tax		126,063		123,911	
Total non-current liabilities		<u>340,560</u>		<u>381,961</u>	
<b>TOTAL LIABILITIES</b>			<u>901,098</u>		<u>971,698</u>
<b>TOTAL NET ASSETS</b>			<u>1,129,223</u>		<u>1,181,934</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>					
Share capital	20		350,000		350,000
Revaluation reserves			238,808		245,118
Cumulative translation reserve			(199,532)		(114,621)
Retained earnings			612,229		596,290
Legal reserve			25,797		25,382
			<u>1,027,302</u>		<u>1,102,169</u>
<b>MINORITY INTERESTS</b>			<u>101,921</u>		<u>79,765</u>
<b>TOTAL EQUITY</b>			<u>1,129,223</u>		<u>1,181,934</u>

Approved on 6 March 2009

For and on behalf of the Board



The notes on pages 14 to 37 form part of these financial statements

CONSOLIDATED  
BALANCE SHEET

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## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2007	2006	2006
	€'000	€'000	€'000	€'000
NET PROFIT FOR THE YEAR		16,354		53,194
Adjustments for:				
Depreciation and amortisation	26,280		19,442	
Share of (profits)/losses of associates	581		272	
Exchange (gain)/loss	9,727		19,164	
Net (profit)/loss on sale of property, plant and equipment	(3,487)		1,573	
Net profit from sale of investments	(5,501)		–	
Finance income	(30,246)		(43,606)	
Finance costs	30,833		39,178	
Income tax expense	4,998		4,760	
Change in fair value of investment property	2,424		(3,818)	
Negative goodwill arising on acquisition	(5,755)		–	
		<u>29,854</u>		<u>36,965</u>
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES		<u>46,208</u>		<u>90,159</u>
WORKING CAPITAL CHANGES				
Decrease/(increase) in stock	(14,211)		(798)	
Decrease/(increase) in debtors	63,483		35,959	
Decrease/(increase) in investments	(12,102)		(34,441)	
(Decrease)/increase in creditors	(30,481)		(87,039)	
Exchange movement relating to working capital	(9,305)		13,062	
Tax paid	(2,227)		(3,638)	
		<u>(4,843)</u>		<u>(76,895)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>41,365</u>		<u>13,264</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Finance income	30,246		43,606	
Cash acquired with subsidiary undertaking	94		–	
Purchase of property, plant and equipment	(9,114)		(30,907)	
Proceeds from sales of property, plant and equipment	14,228		–	
(Purchase)/sale of non-current intangible assets	(3,437)		14,222	
Proceeds from sales of investments in associates	2,813		–	
Sale/(purchase) of non-current financial assets	20,229		(28,225)	
		<u>55,059</u>		<u>(1,304)</u>
NET CASH FLOW FROM INVESTING ACTIVITIES		<u>55,059</u>		<u>(1,304)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES AND INVESTING ACTIVITIES – <i>carried forward</i>		<u>96,424</u>		<u>11,960</u>

CONSOLIDATED CASH FLOW STATEMENT  
For the year ended 31 December 2007 (continued)

	2007 €'000	2007 €'000	2006 €'000	2006 €'000
NET CASH FLOW FROM OPERATING ACTIVITIES AND INVESTING ACTIVITIES – <i>brought forward</i>		96,424		11,960
CASH FLOW FROM FINANCING ACTIVITIES				
(Decrease)/increase in loans	(88,735)		83,412	
Finance costs	(33,072)		(39,178)	
NET CASH FLOW FROM FINANCING ACTIVITIES		(121,807)		44,234
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(25,383)		56,194
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR				
Cash at bank	239,259		240,033	
Bank overdrafts	(197,392)		(225,524)	
Effects of exchange rate changes	(911)		(28,836)	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		40,956		(14,327)
		15,573		41,867
Cash and cash equivalents at the end of the year comprise:				
Cash at bank		214,347		239,259
Bank overdrafts		(198,774)		(197,392)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		15,573		41,867

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Policies

The significant accounting policies used in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented.

#### *Basis of preparation*

The financial statements are presented in Euros because that is the currency the Group primarily trades with its customers in. All values are rounded to the nearest thousand (€'000) except where otherwise indicated.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain non-current asset investments, freehold property and investment property. These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

The following standards and interpretations, issued by the IASB and by the International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position.

**IFRS 7** – Financial instruments: disclosure (effective for annual periods beginning on or after 1 January 2007). This is a disclosure standard only which has had no impact on the Group's results or net assets. The new disclosures are included throughout the financial statements.

**IFRIC 6** – Liabilities arising from participating in a specific market, waste electrical and electronic equipment (effective for annual periods beginning on or after 1 December 2006). This interpretation is not applicable to the activities of the Group.

**IFRIC 7** – Applying the restatement approach under IAS29 – Financial reporting in hyperinflationary economies (effective for annual periods beginning on or after 1 March 2006). This interpretation is not applicable to the activities of the Group, as none of its operations are in hyperinflationary economies.

**IFRIC 8** – Scope of IFRS 2 – Accounting for share based payments (effective for annual periods beginning on or after 1 May 2006). This interpretation is not applicable to the activities of the Group, as it does not operate any share based payment schemes.

**IFRIC 9** – Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). This interpretation is not applicable to the activities of the Group, as none of its operations involve embedded derivatives.

**IFRIC 10** – Interim financial reporting and impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation is not applicable to the activities of the Group, as it does not publish interim financial information.

The following standards and interpretations, issued by the IASB or IFRIC, are not applicable to the current reporting period and the Group has decided not to adopt them early. The Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods.

**IFRS 8** – Operating segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 contains requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The standard is concerned only with disclosures and replaces IAS14 – segment reporting.

**IAS 23 (Amendment)** – Borrowing costs (effective for annual periods beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

**IFRS 3 (Revised), IAS 27 (Amendment)** – Business Combinations (effective for annual periods beginning on or after 1 January 2009). The revised standard introduces very significant changes and options available when accounting for business combinations.

**IFRIC 11 and IFRS 2 (Amendment)** – Group and treasury share transactions' (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and subsidiary companies. The amendment to IFRS 2 determines the treatment to be adopted when an employee withdraws from a plan.

**IFRIC 12** – Service concession arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.

**IFRIC 13** – Customer loyalty programmes (effective for annual periods beginning on or after 1 July 2008) clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

**IFRIC 14 and IAS 19** – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised and also how the pension asset or liability may be affected by a minimum funding requirement.

**IFRIC 15** – Agreements for the construction of real estate (effective for annual periods beginning on or after 1 January 2009) standardises accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete.

**IFRIC 16** – Hedges of a net investment in a foreign operation (effective for annual periods beginning on or after 1 October 2008) provides guidance where an entity hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39.

**IFRIC 17** – Distributions of non-cash assets to owners (effective for annual periods beginning on or after 1 July 2009) clarifies how an entity should measure distributions of assets other than cash when it pays dividends to its owners.

#### *Basis of consolidation*

The Group accounts comprise the accounts of General Mediterranean Holding SA ("the Company") and its subsidiaries made up to 31 December 2007. The principal subsidiaries are shown in note 11. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they form a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the purchase method of accounting.

#### *Associates*

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated balance sheet at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses. The principal associates are listed in note 11.

### *Financial assets and liabilities*

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

**Fair value through profit or loss:** Comprises financial assets held for trading. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

**Loans and receivables:** These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary asset. They are recognised at fair value and carried at amortised cost.

**Held-to-maturity investments:** These assets are non-derivative assets with fixed or determinable payments with fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These assets are measured at amortised cost, with changes through the income statement.

**Available-for-sale:** Non-derivative financial assets not included in the above categories are classified as available for sale and comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in the revaluation reserve. Profits or losses on sales of available for sale investments are recognised in the income statement including any amount previously credited or charged to the revaluation reserve. Where there is a significant or prolonged decline in the fair value of an available for sale financial asset which constitutes objective evidence of impairment, the full amount of the loss is recognised in the income statement including any amount previously charged to the revaluation reserve.

Financial liabilities include the following items and are classified as loans and payables:

- Trade payables and other short-term monetary liabilities which are recognised at fair value and carried at amortised cost
- Bank borrowings and subordinated convertible participating notes issued by the Group are initially recognised at the amount advanced net of any transaction cost directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost.

Option contracts written on securities are treated as fair value through profit or loss with any movement in the fair value of the option recognised in the income statement.

### *Revenue*

Revenue, which excludes value added tax and sales between Group companies, represents the total amount receivable for goods sold and services provided. Revenue from the sale of goods is recognised when the revenue and costs in respect of the transaction can be measured reliably and after control over the goods and the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from the provision of services is recognised when the revenue and costs in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the provider. Revenue from property rentals is recognised on a time apportioned basis.

### *Construction contracts*

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the contract are recognised by reference to the stage of completion of the contract at the balance sheet date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### *Interest and dividends*

Interest is recognised on a time apportioned basis. Dividends are recognised when the shareholders' right to receive payment is established.

#### *Non-current intangible assets*

Product licences and other non-current assets are stated at cost. Amortisation is provided on a straight line basis at rates calculated to write off their cost over their expected useful lives at the following rates:

- Product licences 3.33% per annum
- Formation and share issue costs 20% per annum

#### *Property, plant & equipment and investment properties*

Interests in land and buildings are stated at valuation. No depreciation is provided on freehold land. Depreciation on buildings and other assets is provided on a straight line basis at rates calculated to write off their cost or valuation over their expected useful lives at the following rates:

- Freehold buildings and long leasehold properties 2% to 6% per annum
- Short leasehold properties Over the remaining term of lease
- Plant, machinery and equipment 10% to 33.33% per annum
- Aircraft 6% to 11.25% per annum

No depreciation is provided on aircraft for the period during which they are not in use. Profits or losses on the sale of property, plant and equipment are included in the income statement and are calculated as the difference between sale proceeds and net book value. Investment properties are those from which the Group receives rental income. These are carried at market value and are revalued on an annual basis.

#### *Goodwill*

Goodwill arising on consolidation is the excess of the purchase price over the value of the net assets of subsidiary companies at the date of acquisition. Goodwill is capitalised as an intangible asset with any impairment in carrying values charged to the consolidated income statement. When the fair value of net assets acquired exceeds the purchase price, the excess is credited in full to the consolidated income statement.

#### *Finance and operating leases*

Operating lease costs are charged against profit on a straight line basis over the term of the lease. Where non-current assets are financed by entering into leasing agreements, which transfer to the lessee substantially all benefits and risks of ownership, the assets are treated as if they had been purchased and included in non-current assets and the capital element of the leasing commitments is shown as obligations under finance leases. The finance lease rentals are treated as consisting of capital and interest elements; the capital element is applied to reduce the outstanding obligations and the interest element is charged against profit.

#### *Inventories*

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost, which comprises expenditure incurred in the normal course of business in bringing inventories and work in progress to their present location and condition including appropriate overheads, is calculated on bases appropriate to the various businesses carried on by the Group. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

#### *Foreign currency transactions*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into Euros at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at year-end rates of exchange. Differences on exchange arising from the retranslation of the opening net investment in subsidiary and associate companies are taken to equity. All other exchange differences are taken to the income statement.

#### *Parent company legal reserve*

The Company is required to allocate 5% of its annual profits to a non-distributable legal reserve until the legal reserve of the Company is equal to 10% of its issued share capital.

## 2. Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The financial statement categories where estimates and judgements have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### *Impairment of financial assets*

The Group reviews its financial assets to assess impairment on a regular basis. In determining whether an impairment loss should be recorded, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the carrying amount of the asset before the decrease can be attributed to the relevant asset.

#### *Impairment of goodwill*

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The test is made by reference to estimated recoverable amounts. Actual outcomes may vary from the estimates.

#### *Power to exercise significant influence*

Where the Group holds less than 20% of voting rights, but has the power to exercise significant influence, such investment is treated as an associate. Where the Group holds over 20% of the voting rights but does not exercise significant influence, the investment is treated as an available for sale investment.

#### *Valuation of investment properties, freehold and leasehold buildings*

Independent valuations of investment property and freehold and leasehold land and buildings are carried out on a periodic basis. Further information in relation to investment property is given in note 9 and in relation to freehold land and buildings in note 8.

#### *Useful lives of intangible assets and property, plant and equipment*

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the Group's estimates of the period that the assets will generate revenue. Changes to estimates can result in significant variations in the carrying values and in the amounts charged to the income statement.

### 3. Financial Risk Management

The Group is exposed through its operations to risks that arise from its use of financial instruments. Policies and procedures for managing these risks are set by the Board following recommendations from the Chief Financial Officer. The Board reviews the effectiveness of these procedures and, if required, approves specific additional policies and procedures in order to manage these risks.

The Group is exposed to the following financial risks:

- Market price risk
- Interest rate risk
- Foreign currency exchange risk
- Credit risk
- Liquidity risk
- Capital risk

Set out below are the key financial instruments used by the Group, followed by an explanation of the Group's policies and procedures for managing those risks. Further quantitative information in respect of these risks is set out in note 22 to these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks or in its policies and procedures for managing these risks from the previous period.

#### *Key financial instruments*

The key financial instruments used by the Group, on which financial risk arises, are as follows:

- Available for sale financial assets
- Other financial assets
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Bank loans and overdrafts
- Deposits from banking clients
- Other financial liabilities

The Group's main financial risks, together with its policies and procedures for managing these risks, are as follows:

#### *Market price risk*

The Group is exposed to market price risk because of investments held by the Group which are classified in the consolidated balance sheet as available for sale or at fair value through the income statement. The investments include both quoted investments and unquoted investments and are classified as current or non-current according to the Group's strategic investment policies. The Group also has written options on quoted securities. At the balance sheet date these are stated at fair value with no unrealised gain on open contracts. Due to the nature of these option contracts, it is possible that losses will be made at a future date that will exceed the premium received if the market value of the underlying securities moves unfavourably. Some of the options have been written in relation to securities which are included in the Group's portfolio of current asset investments. A fall in the market value of these securities may give rise to a loss on option contracts in addition to any write-down of the investments themselves. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities and options, the Group diversifies its portfolio. Diversification of the portfolio is determined in accordance with the policy set by the Group's senior management and the Directors consider that the Group's exposure to market price risk is appropriate to the Group's circumstances.

#### *Interest rate risk*

Interest rate risk is the risk that the fair values or future cash flows of financial assets or liabilities will fluctuate due to changes in market interest rates. There is a risk of a potential adverse impact on the Group's future cash flows from changes in interest rates which arises from the differing interest rate risk characteristics of the Group's assets and liabilities. The Group's principal exposure to interest rate risk arises on changes in Euro, US dollar and Sterling interest rates. In particular, any fixed rate assets or liabilities expose the Group to the risk that a change in interest rates could cause either a reduction in interest income or an increase in interest expense relative to variable rate interest flows.

To manage exposure to interest rate fluctuations, the Group determines its proportion of fixed to floating rate borrowings in accordance with policies approved by the Board. In the case of surplus cash flows, the Group monitors interest rates to ensure that surplus funds are invested where the best return can be obtained. These practices serve to reduce the volatility of the Group's reported financial performance arising from interest rate fluctuations. At the balance sheet date, a one percentage point movement in interest rates would affect the results by less than €1 million.

#### *Foreign currency exchange risk*

The Group publishes its consolidated financial statements in Euros and conducts business in many countries. As a result, it is subject to foreign currency exchange risk due to exchange rate movements which will affect the Group's transaction costs and the translation of the results and underlying net assets of its foreign operations. There is a risk of a potential adverse impact on the Group's future cash flows arising from changes in foreign currency exchange rates.

The majority of the Group's transactions are conducted in Euros. The other currencies used in operations are GBP, USD, AED, JOD, EGP, INR, KRW, LBP, MAD, TND, PKR, THB, BRL, CNY, RUB, HKD and CAD. The Group continually monitors its exposure to foreign currency exchange risk on a daily basis and takes steps to ensure that the net exposure is kept to a level in accordance with the policies set by the Board. Where a foreign exchange exposure is identified an appropriate hedge arrangement may be entered into if required. The Group has not entered into forward foreign exchange agreements during 2006 or 2007.

#### *Credit risk*

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from the trade and other receivables held at the balance sheet date. All such receivables are non-derivative financial assets with fixed or determined payments or other types of contractual monetary asset. The Group's maximum exposure to credit risk equals the carrying value of those financial assets. The Group's policy is to address any credit risk by individual credit risk assessment. In practice, the Group has limited exposure to credit risk as the receivables in the balance sheet are predominantly due from well established trade customers or credit worthy third parties. Furthermore, there is no concentration of credit risk with respect to trade and other receivables, as the Group has a large number of customers which are internationally dispersed. The relationships are monitored closely and, given the ongoing nature of trading with such counterparties, the risk of default is considered to be low.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group's policy in respect of cash and cash equivalents is to limit its exposure by reducing the cash holding in the operating units and investing amounts that are not immediately required in funds that have low risk and which are operated by reputable banks. The cash and bank balances held by the operating units are collated on a monthly basis and are reviewed by the Group's senior management to ensure that any surplus cash is appropriately invested.

#### *Liquidity risk*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments required on its debt instruments. The Group monitors its liquidity position in order to ensure that sufficient liquid resources are available to allow the Group's operating units to meet their obligations as they fall due. The Group maintains long term committed bank facilities and use is made of such facilities in the management of liquidity. Liquidity exposures are strictly limited by time and amount. Where the Group has surplus funds, deposits are placed with reputable institutions to optimise the rate of return. The majority of surplus funds are held in Europe and in the United States of America and there are no material funds where repatriation is restricted as a result of foreign exchange regulations. The Group expects to have sufficient liquidity to meet its entire financial obligations under all reasonably expected circumstances.

#### *Capital risk*

The Group manages its capital to ensure that it will have sufficient funds to meet its longer term strategic plans. The capital structure consists of net debt, issued share capital and reserves. The structure is managed to minimise the Group's cost of capital, to provide ongoing returns to shareholders and to service debt obligations, whilst maintaining maximum operational flexibility. The primary objective of the Group is maximising shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy and underlying business risk. Surplus funds are either reinvested in the business or used to repay debt.

#### 4. Revenue

	2007	2006
	€'000	€'000
Provision of services	149,096	131,317
Sale of goods	15,436	10,238
	<u>164,532</u>	<u>141,555</u>

Revenue includes income from construction contracts of €72,226,000 (2006 – €55,404,000).

#### 5. Operating Profit

	2007	2006
	€000	€'000
Operating profit is arrived at after charging/(crediting):		
Amortisation of non-current intangible assets	3,322	970
Depreciation of non-current property, plant and equipment	22,958	18,472
Staff cost	33,984	36,928
Rental income from investment properties	(11,207)	(11,628)
Repair and maintenance expenditure on investment properties	3,247	726
	<u>3,322</u>	<u>970</u>

The average number of employees during the year was 2,342 (2006 – 2,525). In the income statement staff cost, amortisation and depreciation and repair and maintenance expenditure are included within net operating expenses. Rental income is included within the provision of services category of revenue.

#### 6. Finance Income and Costs

	2007	2006
	€000	€'000
<i>Finance income</i>		
Interest on advances to banking clients	3,690	5,088
Interest on other deposits and advances	26,556	38,518
	<u>30,246</u>	<u>43,606</u>

	2007	2006
	€000	€'000
<i>Finance costs</i>		
Interest on loans and overdrafts	22,390	36,576
Interest on deposits with banking clients	8,443	2,602
	<u>30,833</u>	<u>39,178</u>

## 7. Tax

Analysis of tax charge for the year between current and deferred tax:	2007	2006
	€'000	€'000
<i>Current tax</i>		
Current year	2,802	9,903
Adjustment in respect of prior years	44	502
Total current tax	<u>2,846</u>	<u>10,405</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	2,152	(5,645)
Tax charge on profit for the year	<u>4,998</u>	<u>4,760</u>
Analysis of tax charge for the year by source:	2007	2006
	€'000	€'000
<i>Current tax</i>		
Luxembourg	147	658
Overseas	2,699	9,747
<i>Deferred tax</i>		
Overseas	2,152	(5,645)
Tax charge on profit for the year	<u>4,998</u>	<u>4,760</u>
Reconciliation of tax charge for the year:	2007	2006
	€'000	€'000
Profit from continuing operations before tax	<u>21,352</u>	<u>57,954</u>
Tax charge for the year at the fixed rate applicable in Luxembourg	63	63
Capital duties and other taxes	84	595
Unrecovered withholding taxes	33	8
Net effect of different rates of tax applicable to overseas businesses	4,818	4,094
Tax charge on profit for the year	<u>4,998</u>	<u>4,760</u>

### *Factors that may affect future tax charges:*

The Group is involved in worldwide operations and is subject to several factors which may affect future tax charges, principally the levels and mix of profitability in different jurisdictions and tax rates imposed.

## 8. Non-Current Assets – Property, Plant and Equipment

	Freehold properties €'000	Leasehold properties €'000	Aircraft €'000	Plant & equipment €'000	TOTAL €'000
<b>Current Year</b>					
<i>Cost or valuation</i>					
Brought forward at 1 January 2007	700,879	38,420	10,486	114,559	864,344
Exchange differences	(41,996)	(613)	(1,105)	(4,659)	(48,373)
Additions	4,904	–	–	4,210	9,114
Acquired with subsidiary	161,980	–	–	–	161,980
Disposals	(10,341)	(228)	–	(1,133)	(11,702)
Carried forward	<u>815,426</u>	<u>37,579</u>	<u>9,381</u>	<u>112,977</u>	<u>975,363</u>
<i>Depreciation</i>					
Brought forward at 1 January 2007	15,236	15,158	9,945	78,534	118,873
Exchange differences	(419)	(44)	(1,044)	(2,163)	(3,670)
Charge for year	10,184	1,577	480	10,717	22,958
Disposals	–	–	–	(961)	(961)
Carried forward	<u>25,001</u>	<u>16,691</u>	<u>9,381</u>	<u>86,127</u>	<u>137,200</u>
<i>Net Book Value</i>					
At 31 December 2007	<u>790,425</u>	<u>20,888</u>	<u>–</u>	<u>26,850</u>	<u>838,163</u>
<b>Prior Year</b>					
<i>Cost or Valuation</i>					
Brought forward at 1 January 2006	797,528	38,271	11,706	127,704	975,209
Exchange differences	(27,896)	149	(1,220)	(6,368)	(35,335)
Additions	26,866	–	–	4,041	30,907
Transfer to investment properties	(80,066)	–	–	–	(80,066)
Disposals	(15,553)	–	–	(10,818)	(26,371)
Carried forward	<u>700,879</u>	<u>38,420</u>	<u>10,486</u>	<u>114,559</u>	<u>864,344</u>
<i>Depreciation</i>					
Brought forward at 1 January 2006	15,053	14,848	10,473	76,918	117,292
Exchange differences	(1,948)	10	(1,120)	(2,385)	(5,443)
Charge for year	6,332	300	592	11,248	18,472
Disposals	(4,201)	–	–	(7,247)	(11,448)
Carried forward	<u>15,236</u>	<u>15,158</u>	<u>9,945</u>	<u>78,534</u>	<u>118,873</u>
<i>Net Book Value</i>					
At 31 December 2006	<u>685,643</u>	<u>23,262</u>	<u>541</u>	<u>36,025</u>	<u>745,471</u>

The valuations of all the freehold properties were carried out by professional valuers on an open-market basis on 31 December 2004 assuming a willing buyer, a willing seller and existing use. Those properties that have been completed during the course of 2007 have been included at cost. On an historic basis, the carrying values of freehold properties is €410 million (2006 – €437 million).

In accordance with International Accounting Standard 12 "Income Taxes" full provision has been made for deferred taxation on any profit which would arise on disposal of a property at its revalued amount. Accordingly, a provision of €99.3 million was made in the 2004 financial statements and deducted from the revaluation of the freehold properties during the year in the revaluation reserve.

Certain freehold properties shown in these accounts at a net book value of €454.9 million (2006 – €346 million) have been mortgaged to banks. Included within freehold property is a freehold development with a carrying value of €161.9 million (2006 – Nil). In accordance with IAS 23, interest on the loan which has been obtained to part finance the development has been capitalised. The amount of interest included in the carrying value at 31 December 2007 was €4.3 million.

In the prior year, properties with a net book value of €80.1 million were reclassified as investment properties. These properties had been revalued in 2004 and as a result €22.0 million (net of deferred tax of €9 million) was transferred from the revaluation reserve to retained earnings.

#### 9. Non-Current Assets – Investment Properties

	2007	2006
	€'000	€'000
At beginning of period	148,815	69,105
Change in fair value	(2,424)	(356)
Transfer from property, plant and equipment	–	80,066
	<u>146,391</u>	<u>148,815</u>
At the end of period	146,391	148,815

The investment properties were valued by professional valuers on an open market basis during the year. The change in fair value in respect of the investment properties has been recognised in the income statement.

## 10. Non-Current Assets – Intangible Assets

	Goodwill	Product licences & other	Formation & share Issue costs	TOTAL
	€'000	€'000	€'000	€'000
<i>Current Year</i>				
<i>Cost</i>				
Brought forward at 1 January 2007	4,396	2,778	400	7,574
Exchange differences	(235)	(163)	(24)	(422)
Additions	–	3,431	6	3,437
	<hr/>	<hr/>	<hr/>	<hr/>
Carried forward	4,161	6,046	382	10,589
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
Brought forward 1 January 2007	913	2,535	400	3,848
Exchange differences	(55)	(152)	(59)	(266)
Charge for year	–	3,281	41	3,322
	<hr/>	<hr/>	<hr/>	<hr/>
Carried forward	858	5,664	382	6,904
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net Book Value</i>				
At 31 December 2007	<u>3,303</u>	<u>382</u>	<u>–</u>	<u>3,685</u>
<i>Prior Year</i>				
<i>Cost</i>				
Brought forward at 1 January 2006	4,385	3,779	396	8,560
Exchange differences	11	11	4	26
Disposals	–	(1,012)	–	(1,012)
	<hr/>	<hr/>	<hr/>	<hr/>
Carried forward	4,396	2,778	400	7,574
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
Brought forward 1 January 2006	605	2,046	354	3,005
Exchange differences	3	3	1	7
Charge for year	305	620	45	970
Disposals	–	(134)	–	(134)
	<hr/>	<hr/>	<hr/>	<hr/>
Carried forward	913	2,535	400	3,848
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net Book Value</i>				
At 31 December 2006	<u>3,483</u>	<u>243</u>	<u>–</u>	<u>3,726</u>

## 11. Non-Current Assets – Investments in Subsidiaries and Associates.

The Group's principal wholly owned subsidiaries at the year-end are shown below. All companies are owned directly or indirectly by General Mediterranean Holding SA.

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	ACTIVITY
Harborough Invest Inc	British Virgin Islands	Real Estate
Ilien Real Estate SA	British Virgin Islands	Real Estate
Le Royal Hotel Management Company SA	British Virgin Islands	Hotel Management
Ludo Estates Inc	British Virgin Islands	Investment Holding
GMH Motorsport Ltd	British Virgin Islands	Sport Management
Oval Development Corporation	British Virgin Islands	Securities Trading
Development & Trade Corporation	Canada	Real Estate
Bernard de Ventadour SA	France	Hotel Management
Louicannes SA	France	Hotel Investment
SCI de la Grande Motte	France	Hotel Investment
Chennai Power Generation Ltd	India	Power Generation
Atlantic Real Estate Company SA	Luxembourg	Hotel Investment
Continental Investment and Management SA	Luxembourg	Investment Holding
Continental Real Estate Company SA	Luxembourg	Real Estate
Foncière Générale d'Investissements Immobiliers SA	Luxembourg	Real Estate
GMH Telecommunications Ltd	Luxembourg	Telecom Investment
Grandin SA	Luxembourg	Investment Holding
Hotel Royal SA	Luxembourg	Hotel Management
Immobilière Beaumont SA	Luxembourg	Real Estate
Immobilière de Gestion Financière SA	Luxembourg	Investment Holding
Immobilière du Quartier K SA	Luxembourg	Real Estate
Immobilière Royale SA	Luxembourg	Real Estate
Le Domaine Sàrl	Luxembourg	Real Estate Management
Louisiane SA	Luxembourg	Investment Holding
Marial Immobilière SA	Luxembourg	Real Estate
Mediterranean Holding SA	Luxembourg	Investment Holding
Soludec SA	Luxembourg	General Contractors
Soludec Development Sarl	Luxembourg	General Contractors
Union Financière Immobilière Luxembourgeoise SA	Luxembourg	Real Estate
General Mediterranean Holding (Mauritius) Ltd	Mauritius	Investment Holding
Société Famarex Sàrl	Morocco	Real Estate
Société Immobilière du Bld de Bordeaux SA	Morocco	Real Estate
CV Investment Corporation	Panama	Securities Trading
Beston Services Inc	Panama	Investment Holding
Continental Cargo & Trade Services Inc	Panama	Aircraft Leasing
Fintrade Services Inc	Panama	Trading & Consulting
Geralton Investment SA	Panama	Investment Holding
Hornilia Company SA	Panama	Investment Holding

## 11. Non-Current Assets – Investments in Subsidiaries and Associate Companies (continued)

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	ACTIVITY
Jodrell Investment Corporation	Panama	Aircraft leasing
Matlane Services Inc	Panama	Investment Holding
Middle East Finance Corporation	Panama	Finance
Triclor Services Inc	Panama	Finance
Tropic Petroleum Corporation	Panama	Investment Holding
Hotel Miguel Angel SA	Spain	Hotel Investment
Aviation G5 AG	Switzerland	Aviation
General Mediterranean Holding (UK) Ltd	United Kingdom	Investment Holding
GenMed Commercial Finance Ltd	United Kingdom	Finance
GM Airlines Ltd	United Kingdom	Air Freight
GM Finance Ltd	United Kingdom	Finance
Crescent Pharma Ltd	United Kingdom	Pharmaceuticals
Hyde Park Estates Ltd	United Kingdom	Real Estate and Management
Meditech (UK) Ltd	United Kingdom	IT
Rootcare Ltd	United Kingdom	Retail Pharmacies
Parcip SA	Luxembourg	Investment Holding

The Group's principal partially owned subsidiaries at the year-end are shown below, together with the effective percentage held, directly or indirectly, by General Mediterranean Holding SA.

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	ACTIVITY	EFFECTIVE %
Meat & Food International SA	Belgium	Abattoir	60.0
GMH Brasil Ltda	Brazil	Investment Holding	86.0
International Continental Hotels Co. SAE	Egypt	Hotel Investment	51.4
Mediterranean Hotel Company SAE	Egypt	Hotel Investment	88.0
Compagnie Européenne d'Hôtellerie SA	France	Hotel Management	55.0
Bank Companie Nord GmbH	Germany	Banking	96.0
General Mediterranean			
Touristic & Industrial Investments Co.	Jordan	Hotel Investment	95.0
General Mediterranean Real Estate Ltd	Jordan	Real Estate	96.1
Central Hill SAL	Lebanon	Hotel Investment	82.5
General Tourism Holding SAL	Lebanon	Hotel Investment	51.0
Ikarat wa Abnia SAL	Lebanon	Hotel Investment	51.0
Leisure Hill SAL	Lebanon	Hotel Investment & Management	82.5
Libanograde Regency SAL	Lebanon	Hotel Investment	82.5
Compagnie Internationale de Participations			
Bancaires et Financières SA (Cipaf)	Luxembourg	Banking & Financial Investment	96.0
Luxembourg Real Estate Company SA	Luxembourg	Real Estate	90.0
Compania Rentistica SA	Morocco	Real Estate	80.0
Complex Commercial Achar Sàrl	Morocco	Real Estate	80.0
Minville SA	Morocco	Hotel Investment & Management	80.0
Peshell SA	Morocco	Real Estate	68.0

## 11. Non-Current Assets – Investments in Subsidiaries and Associate Companies (continued)

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	ACTIVITY	EFFECTIVE %
Gen Med Tours SA	Tunisia	Hotel Investment & Management	95.0
Loisirs Club Hammamet SA	Tunisia	Hotel Investment	95.0
Italgrade Ltd	United Kingdom	Trading & Consultancy	89.1
i-vu Ltd	United Kingdom	Interactive Media	51.0
Middle East Online Ltd	United Kingdom	Interactive News	55.0
Tucan Investments Plc	United Kingdom	Real Estate	91.3
Riverside District Development LLC	United States	Real Estate	80.0
VisualEyez Entertainment International Ltd	British Virgin Islands	Documentaries & TV Production	81.0

### *Acquisitions during the period – Riverside District Development LLC*

At 31 December 2006, the Group held a non-controlling interest in Riverside District Development LLC (RDD), a company whose principal activity is real estate development. The interest was reflected in the financial statements at 31 December 2006 as an available for sale non-current financial asset. On 31 July 2007, the Group acquired additional voting equity instruments in RDD bringing its interest from 50% to 80% of the total voting equity rights. At this point the Group acquired control of RDD and since that date RDD has been accounted for as a subsidiary.

Details of the fair value of identifiable assets and liabilities acquired, the purchase consideration and goodwill arising are set out below.

	2007 €'000
Fair value of assets and liabilities acquired:	
Development land	161,980
Receivables	28
Cash	94
Creditors	(7,139)
	<hr/>
Net assets at date of acquisition	154,963
	<hr/>
Group share of net assets acquired – 80%	123,970
Total consideration:	
Shares previously held as available for sale investments	104,000
Amounts previously held as trade receivables	19,970
	<hr/>
	(123,970)
	<hr/>
Goodwill	–
	<hr/>
Cash impact of the acquisition:	
Cash consideration – paid in current year	–
Cash acquired with subsidiary	94
	<hr/>
Cash inflow in current year	94
	<hr/>

There was no significant difference between the book value and the fair value of assets and liabilities acquired.

RDD owns the 62 acre Riverside Park development site in Chicago. The site was undertaking development throughout 2007 and the acquisition has not given rise to any revenue or operating profit before or after the acquisition and therefore there has been no impact on the reported revenue or profit of the Group for the year.

#### *Acquisitions during the period – purchase of minority shareholding in Parcip SA*

At 31 December 2006, the Group held a controlling interest in Parcip SA, an investment holding company. On 20 February 2007, the Group acquired additional voting equity instruments in Parcip SA bringing its interest to 100% of the total voting equity rights (2006 – 59.8%).

Details of the fair value of identifiable assets and liabilities acquired, the purchase consideration and goodwill arising are set out below.

	2007
	€'000
Fair value of assets and liabilities acquired:	
Group share of net assets acquired	(8,837)
Consideration – exchange of shares previously held as available for sale investments	3,082
Negative goodwill	<u>(5,755)</u>

There was no significant difference between the book value and the fair value of assets and liabilities acquired.

The negative goodwill arising on the purchase of the minority interest in Parcip SA has been taken to the income statement for the period and included within other income.

#### ASSOCIATES

The Group's investment in principal associate companies includes:

NAME OF ASSOCIATE	COUNTRY OF INCORPORATION	ACTIVITY	EFFECTIVE %
Cobeton SA	Luxembourg	Property Development	33.0
Global Securities Ltd	Mauritius	Investment Holding	50.0
Korad Co Ltd	Korea	Advertising	46.3
NACO – North Atlantic Continental Capital Ltd	Grand Cayman	Strategic Investments	45.9
Arab Company for Production and Distribution	Egypt	Film Distribution	44.2

Aggregated amounts relating to associates are set out below.

	2007 €'000	2006 €'000
<i>Share of associate companies' balance sheets</i>		
Total assets	46,832	60,267
Total liabilities	(21,810)	(31,851)
	<hr/>	<hr/>
Net assets	25,022	28,416
	<hr/>	<hr/>
<i>Share of associate companies' revenue and profit attributable to the Group</i>		
Revenue	15,464	14,532
	<hr/>	<hr/>
Net profit/(loss)	(581)	(272)
	<hr/>	<hr/>
<i>Other movements in associate companies</i>		
Additions less disposals	(2,813)	1
	<hr/>	<hr/>

## 12. Non-Current Assets – Financial Assets

	2007 €'000	2006 €'000
Available for sale investments		
Quoted	32,076	64,530
Unquoted	144,096	239,762
	<hr/>	<hr/>
	176,172	304,292
	<hr/>	<hr/>

## 13. Inventories

	2007 €'000	2006 €'000
Raw materials	4,868	6,477
Work in progress	20,112	7,590
Finished goods for resale	15,156	11,858
	<hr/>	<hr/>
	40,136	25,925
	<hr/>	<hr/>

#### 14. Trade and Other Receivables

	2007 €'000	2006 €'000
Trade and other receivables	239,237	293,442
Advances to banking clients	–	14,436
Amounts owed by associate companies	336	15,120
	<u>239,573</u>	<u>322,998</u>

#### 15. Other Financial Assets

	2007 €'000	2006 €'000
Marketable securities at market value	313,189	314,417
Derivatives	33,643	20,313
	<u>346,832</u>	<u>334,730</u>

#### 16. Cash and Cash Equivalents

Cash at bank includes €4.1million (2006 – €3.0million) of interbank deposits. A total of €114.8 million (2006 – €116.0 million) has been pledged as security for bank facilities and borrowings.

#### 17. Current Liabilities: Trade and Other Payables

	2007 €'000	2006 €'000
Trade and other creditors	220,828	218,404
Construction progress payments	48,937	37,350
Deposits from banking clients	25	54
	<u>269,790</u>	<u>255,808</u>

#### 18. Current Liabilities: Financial Liabilities

	2007 €'000	2006 €'000
Bank overdraft	198,774	197,392
Bank loans	83,890	129,072
	<u>282,664</u>	<u>326,464</u>

The terms and conditions associated with these facilities are disclosed in note 19.

## 19. Non-Current Liabilities: Financial Liabilities

	2007 €'000	2006 €'000
Subordinated convertible participating notes	140,000	140,000
Secured loans	37,872	50,633
Unsecured loans	–	11,311
Shareholders' loans	20,886	24,076
Other liabilities	15,739	32,030
	<u>214,497</u>	<u>258,050</u>

### Bank loans and overdrafts: significant terms and conditions

Currency	Excess over Interest Basis I/B Rate	Overdrafts €'000	2007		2006		
			Loans <1 year €'000	Loans >1 year €'000	Overdrafts €'000	Loans <1 year €'000	Loans >1 year €'000
US Dollar	0.0% to 0.05% fixed	193,903	45,243	13,515	144,161	–	822
Euro	0.25% to 0.45% floating	14	23,200	–	38,203	125,754	11,355
Tunisian Dinar	0.06% to 0.07% floating	126	2,732	1,044	894	2,276	2,229
Egyptian Pound	0.012% fixed	925	–	–	–	–	–
GB Pound	0.0085% floating	3,806	11,961	21,980	1,418	33	24,006
Jordanian Dinar	0.07% fixed	–	754	634	–	1,009	10,607
Moroccan Dirham	0.03% fixed	–	–	–	–	–	21
Canadian Dollar	0.02% floating	–	–	699	–	–	1,593
Lebanese Pounds	0.09385% fixed	–	–	–	12,716	–	–
		<u>198,774</u>	<u>83,890</u>	<u>37,872</u>	<u>197,392</u>	<u>129,072</u>	<u>50,633</u>

Interest rates are based primarily on Libor or equivalent interbank offered rates in other countries. There is no material difference between the fair value and the book value of these loans. Secured Loans are repayable over a period of up to 8 years. Credit facilities of the equivalent of €115.0 million (2006 – €81.7 million) are secured on certain properties included in these accounts at a net book value of €454.9 million (2006 – €346 million). Unsecured loans and shareholders' loans are interest free and have no fixed date for repayment. The subordinated convertible participating notes are convertible into 7,000,000 ordinary shares at a price of €20 per share until the year 2017 at the option of either the note holder or the parent Company. These notes entitle the holders to interest at the rate of 1.5% per annum and in addition to a share of profits of the Company up to a rate of 20% per annum of the nominal value of the notes, not to exceed the equivalent of the cumulative aggregate of the dividends paid by the Company to its shareholders.

## 20. Share Capital

	2007 €'000	2006 €'000
Ordinary shares of €20 each		
Authorised	500,000	500,000
Issued and fully paid	<u>350,000</u>	<u>350,000</u>

## 21. Related Party Transactions

- General Mediterranean Holding SA is a Luxembourg holding company which is controlled by a number of shareholders each of whom is considered to be a related party. As holders of subordinated convertible participating notes, interest of €2.1 million (2006 – €2.1 million) is payable to the shareholders.
- Trade and other creditors include loans of €43.3 million (2006 – €44.6 million) repayable on demand, from companies over which certain directors have a significant influence. No interest has been charged for the year (2006 – €1.5 million).
- Trade and other debtors include € nil (2006 – €3.3 million) due from companies over which certain directors have a significant influence.
- Remuneration paid to key management during the year totalled €0.3 million (2006 – €0.3 million).

## 22. Financial Instruments and Risk Management

Details of the Group's financial assets and liabilities are set out below, together with an analysis of key risk exposures. At both 31 December 2007 and 31 December 2006, the fair value and the book value of the Group's financial assets and liabilities were materially the same.

### Financial assets

A summary of the Group's financial assets is as follows:

	2007 €'000	2006 €'000
Available for sale financial assets	176,172	304,292
Trade receivables	239,237	293,442
Other receivables	336	29,556
Other financial assets	346,832	334,730
Cash and cash equivalents	214,347	239,259

In accordance with IFRS 7, available for sale assets are classified as available for sale, other financial assets are classified as at fair value through profit and loss and trade receivables, other receivables and cash are classified as loans and receivables.

### Available for sale financial assets

The movements in available for sale non-current financial assets during the year were as follows:

	2007 €'000	2006 €'000
Balance at beginning of the year	304,292	305,971
Additions	–	32,043
Disposals	(20,153)	–
Change in valuation	(885)	(33,722)
Consideration for acquisition of RDD (see note 11)	(104,000)	–
Consideration for acquisition of Parcip SA (see note 11)	(3,082)	–
Balance at end of the year	<u>176,172</u>	<u>304,292</u>

Available for sale financial assets include the following categories of investment:

	2007 €'000	2006 €'000
Quoted	32,076	64,530
Unquoted	144,096	239,762
	<u>176,172</u>	<u>304,292</u>

The fair value of quoted securities is based on published market prices. The fair value of the unquoted securities is based on expected cash flows.

Available for sale financial assets are denominated in the following currencies:

	2007 €'000	2006 €'000
Euros	158,554	169,862
Other currencies	17,618	134,430
	<u>176,172</u>	<u>304,292</u>

#### *Trade and other receivables*

The Group's maximum exposure to credit risk by type of financial instrument is summarised below:

	2007		2006	
	Carrying value €'000	Maximum exposure €'000	Carrying value €'000	Maximum exposure €'000
Trade receivables	239,237	239,237	293,442	293,442
Other receivables	336	336	29,556	29,556
	<u>239,573</u>	<u>239,573</u>	<u>322,998</u>	<u>322,998</u>

Trade receivables are disclosed net of provisions for bad and doubtful debts, an analysis of which is as follows:

	2007 €'000	2006 €'000
Balance at beginning of the year	10,795	7,573
Movement in the year	10,400	3,222
	<u>21,195</u>	<u>10,795</u>

Trade receivables are denominated in the following currencies:

	2007	2006
	€'000	€'000
Euros	172,585	220,870
USD	31,811	35,965
GBP	6,744	-
TND	11,158	10,759
JOD	6,672	14,949
Other currencies	10,267	10,899
	<u>239,237</u>	<u>293,442</u>

The amounts shown above are disclosed net of the provision for bad and doubtful debts.

#### *Current asset investments*

The movement on current asset investments during the year was as follows:

	2007	2006
	€'000	€'000
Balance at beginning of year	334,730	300,289
Movement in the year	12,102	34,441
	<u>346,832</u>	<u>334,730</u>

### Financial liabilities

The Group's financial liabilities comprise amounts due to suppliers arising from trading activities and amounts due to financial institutions and shareholders for liquidity and long term funding purposes. All financial liabilities are held at amortised cost.

#### Trading liabilities

	2007	2006
	€'000	€'000
Trade and other creditors	220,828	218,404
Construction progress payments	48,937	37,350
Deposits from banking clients	25	54
	<u>269,790</u>	<u>255,808</u>

The following table sets out the contractual maturity analysis of the Group's financial liabilities arising from trading activities.

	2007		
	Trade payables	Construction projects	Deposits
	€'000	€'000	€'000
Payable terms:			
On demand	198,745	44,043	23
Between 3 months and 1 year	22,083	4,894	2
	<u>220,828</u>	<u>48,937</u>	<u>25</u>

	2006		
	Trade payables	Construction projects	Deposits
	€'000	€'000	€'000
Payable terms:			
On demand	196,564	33,615	49
Between 3 months and 1 year	21,840	3,735	5
	<u>218,404</u>	<u>37,350</u>	<u>54</u>

#### Liabilities to financial institutions and shareholders

A maturity analysis of amounts due to financial institutions and shareholders together with principal terms is set out in note 19.

## DIRECTORS & OPERATIONAL EXECUTIVES

### FINANCE & INVESTMENT ACTIVITIES

COMPAGNIE INTERNATIONALE DE  
PARTICIPATIONS BANCAIRES  
ET FINANCIERES (CIPAF)

Nadhmi Auchi, Chairman & Chief Executive  
Nasir Abid  
Guy Glesener  
Rt Hon. Lord Lamont of Lerwick  
Alain de Wulf  
Dr Omar Zawawi

### GENERAL MEDITERRANEAN HOLDING (UK)

Nadhmi Auchi  
Ibtisam Auchi  
Arif Husain

### INVESTMENT ACTIVITIES

Tameem Auchi

### REAL ESTATE & CONSTRUCTION

LUXEMBOURG

Nasir Abid

MOROCCO

Hisham Said

TUNISIA

Mohamed Jegham

UK & USA

Mohammed Al-Miqdadi

CANADA

Igor Melnikov

SOLUDEC – CONTRACTING & DEVELOPMENT

Joseph Baustert

UAE – CONTRACTING

Jamal Sha'sha'a

### HOTEL & LEISURE

COMPAGNIE EUROPEENNE D'HOTELLERIE – FRANCE

Guy Glesener

LE ROYAL COMPLEX – JORDAN

Nazar Ouchi

LE ROYAL COMPLEX – LEBANON

Nather Auchi

LE ROYAL – LUXEMBOURG

Philippe Scheffer

LE ROYAL EL MINZAH – MOROCCO

Hisham Said

LE ROYAL HAMMAMET – TUNISIA

Philippe Belhaye

MIGUEL ANGEL – SPAIN

Nasir Abid

BEIRUT HILTON – LEBANON

Lucas William

HURGHADA INTERCONTINENTAL – EGYPT

Philippe De Viscaya

DUNES CLUB – JORDAN

Ramzi Masarweh





GENERAL MEDITERRANEAN HOLDING  
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