Livermore Investments

# Livermore Investments Group Limited

Annual Report & Consolidated Financial Statements
for the year ended 31 December 2009

# Table of Contents

**Table of Contents** .......... **4**

**Highlights** .......... **6**

**Chairman's and Chief Executive's Review** .......... **7**

Introduction .......... 7

Financial Review .......... 7

Dividend & Buyback .......... 8

Annual General Meeting .......... 8

**Review of Activities** .......... **9**

Introduction and Overview .......... 9

Global Investment Environment .......... 10

Livermore's Strategy .......... 12

Review of Significant Investments .......... 12

Events after the reporting date .......... 18

Litigation .......... 18

**Report of the Directors** .......... **19**

The Board's objectives .......... 19

The Board of Directors .......... 19

Directors' responsibilities in relation to the financial statements .......... 20

Disclosure of information to the Auditor .......... 20

Substantial Shareholdings .......... 21

**Corporate Governance Statement** .......... **22**

Introduction .......... 22

The Board Constitution and Procedures .......... 22

Board Committees .......... 22

Remuneration Committee .......... 22

Audit Committee .......... 22

Communication with Investors .......... 23

Internal Control .......... 23

Independence of Auditor .......... 23

**Remuneration Report** ........ **24**
Directors' Emoluments ........ 24
Directors' Interests ........ 24
Interests of Directors in share options ........ 24
Share Option Scheme ........ 25
Remuneration Policy ........ 25
**Review of the Business and Risks** ........ **26**
Risks ........ 26
Share Capital ........ 26
Related party transactions ........ 26
**Report of the independent auditor to the members of Livermore Investments Group Limited** ........ **27**
**Consolidated Statement of Financial Position as at 31 December 2009** ........ **29**
**Consolidated Income Statement for the year ended 31 December 2009** ........ **30**
**Consolidated Statement of Comprehensive Income for the year ended 31 December 2009** ........ **31**
**Consolidated Statement of Changes in Equity for the year ended 31 December 2009** ........ **32**
**Consolidated Statement of Cash Flows for the year ended 31 December 2009** ........ **34**
**Notes on the Financial Statements** ........ **36**
**Shareholder Information** ........ **75**
Registrars ........ 75
Website ........ 75
Direct Dividend Payments ........ 75
Lost Share Certificate ........ 75
Duplicate Shareholder Accounts ........ 75
**Notice of Annual General Meeting** ........ **76**
Ordinary business ........ 76
Special business ........ 76
**Corporate Directory** ........ **79**

# Highlights

- Net Asset Value per share - USD 0.44 (GBP 0.27).
- Cash, cash equivalents and marketable securities at 31 December 2009 – USD 49.4m.
- Revenues from operations – USD 7.6m.
- Realized and unrealized gains of USD 15m from portfolio of financial assets – a 40% return on the net average invested amount.
- Successfully completed the construction of the residential units in Wyler Park, Bern, of which 95% are already let.
- Total Administrative expenses excluding provisions for legal and other matters were USD 4.7m, representing 3.0% of the average NAV.
- Loss before Interest, Tax, Depreciation, and Amortization - USD 58.7m mainly attributed to unrealized loss of USD 26.9m on holdings in associated company (Atlas Estates Ltd.), impairment of USD 17.5m related to DTH Boom and USD 5m related to CALS. Net loss after tax - USD 61.1m.

# Chairman's and Chief Executive's Review

## Introduction

We are pleased to announce the consolidated financial results for Livermore Investments Group Limited ("Livermore" or "the Company") for the year ended 31 December 2009. The year was marked with the onset of a modest recovery in most developed and emerging economies. At the same time, however, countries in Central and Eastern Europe ("CEE") continued to experience significant challenges.

As global markets rebounded from their deep slump in 2007-2008, Livermore management increased exposure to capital markets and took advantage of dislocations in the fixed income market, generating significant trading returns. Overall, the trading portfolio, which was comprised largely of fixed income securities and equities, generated a return of over 40% on average invested capital.

Wyler Park, our investment property in Berne, Switzerland performed well generating over CHF 4.9m in annual income. With all but two of the 39 apartments rented out, the annual income is expected to climb to CHF 5.4m at full occupancy. Market valuation of Wyler Park has remained stable both during and after the financial crisis.

On the other hand, continued lack of credit and difficult operating conditions in the CEE region caused large declines in asset values. Atlas Estates reported a 34% drop in its NAV and DTH Boom, a high-end direct-to-home satellite TV company in Romania, was unable to raise capital for its future development. As of year-end 2009 the Company wrote off entirely its investment in DTH and valued its investment in Atlas Estates at market value. Following these markdowns which posed the main drag on its portfolio in 2009, the Company believes that it can put the worst of the financial crisis behind it. Post year-end, in April 2010, Fragliolig Limited, a wholly owned subsidiary of the Izaki Group, announced a cash offer of GBP 0.90 per share to acquire all shares of Atlas Estates.

The cash and marketable securities portion of the portfolio increased during 2009 reflecting the improved liquidity in capital markets and trading gains.

With continued recovery and the worst of the crisis behind us, we are confident that Livermore's diversified portfolio is well positioned to generate strong returns over the medium term. The Company holds certain value investments, which form the basis for long term returns. In addition, the Company holds yielding investments that generate sufficient cash to cover its operational expenses and support incremental investment requirements.

## Financial Review

The NAV of the Group at 31 December 2009 was approximately USD 128.6m. This represents a decrease of USD 51.3m over the NAV at 31 December 2008. Net loss was USD 61.1m, which represents a loss per share of USD 0.21.

Administrative expenses excluding provisions for legal and other matters were USD 4.7m (2008: USD4.5m), representing 3.0% of the average NAV. The Company intends to maintain its lean infrastructure and cost structure.

The overall decrease in the NAV is primarily attributed to the following:

| | 31 December 2009 US $m | 31 December 2008 US $m |
|---|---|---|
| Shareholders' funds at beginning of year | 179.9 | 276.4 |
| Income from investments | 7.6 | 17.5 |
| Realised losses on investments | (6.2) | (20.5) |
| Loss on impairment of investments | (28.2) | (14.2) |
| Unrealised losses on investments | (17.4) | (62.1) |
| Unrealised exchange gains / (losses) | 4.0 | (5.8) |
| Administration costs including provisions for legal cases | (8.9) | (4.5) |
| Finance costs | (3.9) | (4.9) |
| Tax credit | 0.2 | 1.9 |
| Gain for year from discontinued operations | 1.7 | 0.9 |
| Decrease in net assets from operations | (51.1) | (91.7) |
| Purchase of own shares and dividends paid - cash and scrip | (0.6) | (6.0) |
| Adjustments for share option charge | 0.4 | 1.2 |
| Shareholders' funds at end of year | 128.6 | 179.9 |
| Net Asset Value per share | US $0.44 | US $0.62 |

## Dividend & Buyback

During 2009, the Company purchased 1,284,005 shares to be held in treasury for a total cost of USD 641k. The total number of shares held in treasury at 30 April 2010 was 13,425,966.

Due to the global economy, the financial crisis, and its effect on the Company portfolio, the Board decided not to declare dividends for the year ended 31 December 2009. Future dividend payments will be considered based on the net performance of the Group's investment portfolio.

## Annual General Meeting

The Group's Annual General Meeting will be held on 36 August 2010. The Notice for the meeting is on page 76 of this report.

**Richard B Rosenberg**

Chairman

**Noam Lanir**

Chief Executive Officer

8 June 2010

# Review of Activities

## Introduction and Overview

December 2009 marked the end of a remarkable year in which investor sentiment progressed from that of total disillusionment to a conviction that the financial system would escape a total collapse. As the recovery took hold and economic indicators showed elements of growth in the second quarter, global credit, equity and commodity markets witnessed one of their best-ever rallies. During the year, the MSCI World Index recovered by 27%, the S&P 500 Index rose 23.5% and the Dow Jones STOXX 600 Index climbed 28%. Emerging markets recovered significantly with a rise in stock prices of 74.5%, as measured by the MSCI Emerging Markets Index, and credit spreads continued to contract from the historically high levels seen towards the end of 2008.

Livermore took advantage of the reduced systemic risk, dislocation in market prices and availability of cheap leverage and increased allocation to its financial portfolio. Active trading in fixed income and equity securities and interest and dividend income from them helped generate a return in excess of 40% on its financial portfolio in 2009. At the same time, difficult economic and credit conditions that persisted in Central and Eastern Europe resulted in reduced valuations of the assets of Atlas Estates and lack of access to financing for DTH Boom, for which management decided to impair its investment in its entirety. Livermore management also decided, for prudent reasons, to reclassify certain losses in reserves to profit or loss.

The year-end NAV was USD 0.44 per share (2008 NAV: USD 0.62 per share). The portfolio remained well diversified across sectors and geographies with increased exposure to financial markets as compared to 2008. The Company has a mixture of yielding and growth assets in Europe and Asia.

In 2009, the Company generated interest and dividend income of USD 3.2m and investment property income of USD 4.4m. The Company results (losses of USD 61.1m) relate mainly to non-cash losses from Atlas Estates (USD 26.9m), impairments of USD 28.2m mainly attributed to DTH Boom (USD 17.5m) and CALS (USD 5m). The remaining impairment losses represent reclassification of unrealized losses from the investments revaluation reserve to profit or loss. The results also include fair value losses on derivative instruments of USD 1.9m of which a fair value loss of USD 1.4m relates to the valuation of interest rate swap agreements in connection with hedging the loan against its Wyler Park property in Switzerland. The maturity of such loans and the respective hedging agreements is 2014. As the Company expects to hold these loans to maturity, it expects to regain the losses on the interest rate swaps by the time the loan matures.

Administrative expenses amounted to USD 8.9m of which USD 4.2m relates to provision for legal and other matters. Finance costs were USD 3.8m, of which USD 3.1m relates to the loan against the Wyler Park property.

The Company does not have an external management company structure and thus does not bear the burden of external management and performance fees. Further, the interests of Livermore's management are aligned with those of its shareholders as management members have a large ownership interest in Livermore shares.

Considering the strong liquidity position of Livermore, together with the robustness and diversification of its investment portfolio and the alignment of management's interest with those of its shareholders, management believes the Company is well positioned to benefit from current market conditions.

## Global Investment Environment

During first half of 2009, global financial markets showed signs of improvement following the extreme levels of stress that were seen during the last quarter of 2008, which at one stage resulted in the near-paralysis of credit markets. In the second half of 2009, global production and trade improved and confidence rebounded strongly on both the financial and real economy fronts as extraordinary policy support thwarted a potential depression.

Driving the global rebound was the extraordinary amount of monetary and fiscal policy stimulus. Central banks expanded their balance sheets to unprecedented levels and monetary policy remained highly expansionary with record low interest rates in most of the developed economies. Fiscal policy too provided a major stimulus in response to the deep downturn.

Although financial markets have recovered faster than expected, financial conditions are likely to remain more difficult than before the crisis. Specifically, money markets stabilized, and the tightening of bank lending standards moderated. Most banks, in core markets, are now less reliant on central bank emergency facilities and government guarantees. Nonetheless, bank lending remained sluggish, given the need to rebuild capital, the weakness of private securitization, and the possibility of further credit write-downs, notably related to commercial real estate. Corporate bond issuance reached record levels amid a reopening of most high-yield markets. However, the surge in corporate bond issuance did not offset the reduction in bank credit growth to the private sector. Sovereign debt came under pressure for some countries, as they struggled with large government deficits and debt, and as investors increasingly differentiated across countries.

Central banks continued to keep short-term interest rates at historically low levels and signalled that they could remain low until sustainable recovery and job growth was evidenced. Long-term interest rates were more volatile during the period, reflecting concerns about the implications of government stimulus efforts on future inflation expectations.

Amid a relatively rapid return to healthy growth in many emerging economies, portfolio flows into these markets picked up, easing financial conditions and prompting nascent concerns about asset price valuations. Commodity prices rose strongly during the early stages of the recovery, despite generally high inventories. This was mainly due to the buoyant recovery in emerging Asia, the onset of recovery in other emerging and developing economies more generally, and the improvement in global financial conditions.

The still low levels of capacity utilization and well-anchored inflation expectations are expected to contain inflation pressures. In the advanced economies, headline inflation is expected to pick up slightly in 2010, as rebounding energy prices more than offset slowing labour costs. In emerging and developing economies, inflation is expected to edge up as some of these economies may face growing upward pressures due to more limited economic slack and increased capital flows.

A key risk is that a premature and incoherent exit from supportive policies may undermine global growth and its rebalancing. Another important risk is that impaired financial systems and housing markets or rising unemployment in key advanced economies may hold back the recovery in household spending more than expected. In addition, rising concerns about worsening budgetary positions and fiscal sustainability could unsettle financial markets and stifle the recovery by raising the cost of borrowing for households and companies. Yet another downside risk is that rallying commodity prices may constrain the recovery in advanced economies.

EURO ZONE: Strains on the Euro area financial system diminished and financial markets rallied across the region thanks to macroeconomic stimulus, abatement of systemic risk by Governments and the expectation of an economic recovery. GDP in the Euro zone declined 1.8% year-on-year. The trend, however, is encouraging as GDP increased by 0.4% and 0.1% on a quarter-on-quarter basis in the third and fourth quarter respectively. The GDP growth in the final quarter was driven by a positive contribution from net exports, while the contribution from domestic demand was negative due to flat private consumption and declines in investment. Inflation was subdued and may remain around 1% in the near term. The labour market outlook is weak which continues to dampen demand, and many of the current growth sources are of temporary nature. Following the fiscal impetus provided by Governments in the region, deficit levels have soared raising concerns over sovereign debt.

CENTRAL & EASTERN EUROPE: The majority of economies in the region continued to be in recession and reported declines in GDP. Romania received €20 billion of IMF financial support and reported a fall in GDP of 7%. Hungary also received €15 billion of IMF financial support and reported a fall in GDP of 4% in 2009. The Slovakian economy declined by 5% in GDP in 2009. These weak economic conditions rose due to a slump in foreign investment and bank finance to the region. As a result, investment and development activity in the real estate market has been in decline. Poland, however, was one of the most resilient economies in Europe with GDP growth of 1.5% in 2009. Equity markets performed well in Poland with the WIG index rising 46.8%.

SWITZERLAND: The GDP for Switzerland grew in the fourth quarter of 2009 by 0.7% compared to the third quarter. The trade balance gave a positive boost to growth. Consumption and capital expenditures also increased. On the production side many industries were able to increase their added value. GDP growth was 0.6% compared to the fourth quarter of the previous year. The seasonally adjusted rate of unemployment has stabilised in the last few months, but like the overall output gap and other indicators, it shows continued under-utilisation of Switzerland's economic capacity. Inflationary pressure has therefore remained low to date. The financial markets rallied in line with global and European markets with the SMI Index climbing 18.3% in 2009.

INDIA: Although the Indian financial system avoided a direct contagion of the credit crisis, private consumption and capital formation slowed. The government responded with fiscal initiatives and the Reserve Bank lowered interest rates to ease monetary policy. On signs of stability in the global financial system, the Indian economy recovered posting a 6% year-on-year growth in GDP in the quarter ending December 2009. GDP growth is expected to return to higher growth levels. High inflation, however, poses a downside risk. The equity markets rallied sharply during the year, especially after the election which resulted in a single party coming to power ending years of coalition politics, with the NIFTY Index rising 75%.

Sources: International Monetary Fund (IMF), Swiss National Bank (SNB), European Central Bank (ECB), Reserve Bank of India (RBI), Bloomberg

## Livermore's Strategy

Livermore's investment strategy is to establish a balanced and diversified portfolio of private investments with a mid-long term investment horizon and financial investments which provide on-going liquidity.

The first part of the portfolio is focused on Switzerland and Asia and targets investments in real estate and private equity opportunities which have usually proved profitable. Investments are focused on sectors that Management believes will provide superior growth over the mid to long term with relatively low downside risk.

The financial portfolio is focused on fixed income instruments which usually generate periodic cash flows and include mainly corporate bonds and senior secured loans. This part of the portfolio is geographically focused on the US and Europe with limited exposure to emerging markets.

Livermore's above investments are made directly or alongside professional managers with a proven track record. Livermore considers having good liquidity to be paramount and had some USD 50m in cash, cash equivalent and marketable securities as of end of the year 2009. Strong emphasis is given to keep leverage low at the overall portfolio level and to re-invest in existing and new investments along the economic cycle.

## Review of Significant Investments

| Name | Book Value US $m |
|---|---|
| Wyler Park * | 29.9 |
| SRS Charminar ** | 23.3 |
| Atlas Estates | 10.9 |
| Montana Tech Components | 6.5 |
| CALS | 5.0 |
| Other Real Estate Assets | 3.0 |
| **Total** | **78.6** |

* Net of related loan.

** Including related interest until February 2009.

**Wyler Park – Switzerland**

Wyler Park is a top quality mixed-use property located in Berne, Switzerland. It has over 16,800 square meters of commercial area, 4,100 square meters of residential area, and another 7,800 square meters available for additional commercial development. 100% of the commercial area is let to the Swiss Transportation Authority (SBB), a Swiss Government company. The commercial lease is 100% linked to inflation and ends in 2019 with two 5 year extension periods thereafter. The annual rental income from the commercial area of the project increased in 2009 to CHF 4.36m from CHF4.26m due to indexation.

Following the successful development of 39 residential apartments in 2008, Management has completed renting all but two of the 39 apartments. The annual rental income expected from the residential area is CHF 1.1m.

Livermore is the sole owner of Wyler Park through its wholly owned Swiss subsidiary, Livermore Investments AG. The loan outstanding on the project is CHF 79m, which is a non-recourse loan to Livermore Investments AG backed only by this property. The loan matures in July, 2014. The valuation of the property as of year-end 2009 is CHF 110.1m.

The property generated revenues of CHF 4.9m during 2009 and maintained its value despite the downturn.

Management expects to develop the additional commercial development rights of 7,800 square meters attached to the property in the coming years which could further enhance the value of this property.

**Atlas Estates ("Atlas") – Central and Eastern Europe**

As of year-end 2009 Livermore held a 21.71% minority stake in Atlas Estates Limited. Atlas Estates is managed by an external management company which is controlled by Mr. Roni Izaki and R.P. Capital. Livermore does not have representation on the Board of Atlas Estates or that of the external management company.

Business environment in the Central and Eastern Europe was tough in 2009, a consequence of the global economic and credit crisis. The majority of the economies in the region continue to be in recession and credit availability was strained. As a result, asset valuations have experienced significant reductions and currencies have been volatile. However, Poland, where Atlas Estates has 75% of its gross assets, has managed to grow modestly.

For the year, Atlas Estates recognized revenue of €37.3m (2008: €51.9m). Loss from operations was €47.1m (2008: loss from operations €3.9m), predominantly due to decrease in investment property valuations of €35.5m. Net Asset Value declined to €114m (31 December 2008: €174m) with NAV per share at €2.42 (31 December 2008: €3.68) and Adjusted NAV per share at €2.95 (31 December 2008: €4.42). The NAV decline is due to the fall in property valuations.

As at 31 December 2009, Atlas Estates had bank loans of €260m (31 December 2008: €247.7m). Atlas reported an increase in loans payable within one year to €156m (31 December 2008: €95.7m) due to maturing of debt and breaches of covenant terms of certain loans. €90.4m of breaches on loans from Erste Bank have been remedied after the reporting period through a cross collateralization agreement. Certain loans have been extended and Atlas is negotiating to extend maturities on other loans.

On the operational side, Atlas completed development of Platinum Towers in the third quarter in line with budget and schedule. A total of 358 out of 396 apartments have been pre-sold. Sales for 26 apartments have been recognized, with a majority of sales to be recognized in 2010. Construction of Stage 2 of Capital Art apartments was completed in the second quarter on time and to budget. Atlas has sold 218 out of 219 apartments in Stage 1 and pre-sold 202 out of 300 apartments in Stage 2. Stage 3 development is planned to commence at the end of 2010. Difficult conditions for the hotel market in CEE resulted in slightly lower occupancy levels for the Hilton Hotel in Warsaw (64% in 2009 as compared to 65% in 2008). However, strong operating performance increased operating margins to 33% in 2009 from 20% in 2008.

In 2009, Atlas entered into an agreement to sell its assets in Slovakia. It expects to receive net proceeds of €8m. In January 2010, Atlas obtained a credit facility of €3.1m against its Metropol asset in Hungary. Atlas intends to utilize the proceeds for the development of its remaining assets in Warsaw, Poland, where it has a strong presence and is likely to realize value from development activity within the next two to three years. Further, Atlas management has taken measures to retain cash within the company and slashed dividends, cut costs, and refinanced properties.

Given existing conditions, Livermore's management is of the opinion that the market price of Atlas Estates better represents the realizable value of Atlas Estates as compared to the NAV. In light of this, we have conducted an impairment review and have established a provision of USD 13.3m (31 December 2008: USD 11m) to reflect such risk. Following the provision, Atlas' Estates position in the Company books represents a value of €0.75per share instead of NAV of €2.42 per share. Please see note 9 for details.

**SRS Charminar – India**

Livermore had invested USD 20m in 2008 in a leading Indian Real Estate company, in association with SRS Private and other investors as part of a total investment of USD 154m. The target company is a top 10 real estate developer in India by land bank value and size. It controls over 5000 acres across Southern India, with over 650 acres in Hyderabad.

The deal structure included a put option, which could be exercised if the IPO does not take place within 3 years or if certain terms in the agreement are not met. The put option is secured by land which was valued at around USD 1.3 billion at the time of investment and guarantees a minimum return of approximately 30% IRR if exercised.

As reported earlier, the manager for this investment served a put option exercise notice to the promoters in 2009. Following a dispute on the grounds of the put option notice between the promoters and the fund, the parties agreed to invoke arbitration to be held in Mumbai.

On 14 August 2009, the arbitration process was completed and the arbitrator ruled in favour of investors. The award entitles the investors to investment plus interest amounting to 30% IRR until 14 August 2009 and 18% IRR thereafter. However, Livermore manegement decided, for prudent reasons, to stop accruing interest on its investment as of February 2009.

Subsequently, the promoters agreed to settle and transfer land parcels from the company to the investors. However, Livermore was notified by the manager of the investment that the Indian Income Tax authority had frozen some of these assets until Q1 2010. To expedite the process of settlement, the manager has approached the relevant Government ministries to enlist their support.

In the meanwhile, the investors have filed and won an interim order for injunction against the promoters or the company to sell, transfer, or encumber the assets of the company. Thereafter, the promoters have filed against the arbitral award. The legal counsel representing the investors believes that the grounds of appeal against the award are limited under applicable laws and that the investors have a strong case to defend. The Manager is confident that the put option will be successfully enforced and that the value of the land is sufficient to secure the put option.

**Montana Tech Components ("Montana") - Europe**

Montana Tech Components AG ("MTC") is a leading components manufacturer in the fields of Aerospace & Industrial Components, Metal Tech and Micro Batteries. Livermore owns around 2.8% in MTC through shares and convertible bonds on a fully diluted basis.

The Aerospace Components business segment manufactures specialized components for Airbus and Boeing and is the market leader. The facilities are currently located in the US and in Switzerland with a new low cost facility in Romania under development. The company has over 50% market share in the US with Boeing and is expected to have over 45% in Europe with Airbus after the Romanian facility becomes operational. The build-out of the Romanian facility was completed as planned in mid November 2009. The certification process with

Airbus is concluded in important areas. It is expected to be finalised by autumn 2010 with the first deliveries expected in the first half of 2011.

Metal Tech business segment operates in a niche area with 60%-70% of world market share in an otherwise highly fragmented industry. This business segment produces tools for identification and marking of Steel products. It has performed to expectations due to a large order backlog.

The Micro Batteries business is a market leader in hearing aid batteries and rechargeable batteries with a strong brand (VARTA Micro Power). Recently, VARTA has concluded a significant joint venture with the Volkswagen group to develop batteries for hybrid cars.

In 2009, the group experienced a drop in net revenues from €350.9m in 2008 to €304.4m due to difficult business conditions. However, as a result of restructuring measures, cost savings, and optimizations in its value chain, the EBITDA increased from €29.4m in 2008 to €31.8m. With visible, brighter signs, the MTC management believes that the bottom of industrial capacity usage has passed.

In April and October 2009, the company raised €28m through two rights issues at €1 per share and €1.02 per share respectively to ensure sufficient liquidity through 2011 and to take advantage of opportunities in the current market, especially relating to a contract with Boeing. The price was deliberately kept low to entice existing investors to invest or risk dilution. Livermore invested €740k in the offerings. In December, the company conducted a reverse split of its shares in the ratio of 2:1. In November 2009, Ernst & Young conducted a fairness opinion of Montana for a conversion offering to minority shareholders of a subsidiary. The value per share after a 20% minority discount was EUR 7.04/share (after reverse split).

On 30 December 2009, Montana listed its shares on the Bern OTC (Over-The-Counter) exchange. The closing market price for Montana equity after the reverse split was CHF 6.8/share.

**CALS refinery - India**

In December 2007, Livermore entered into a Total Swap Agreement (TSA) with respect to a Global Depositary Receipt (GDR) issued by an Indian refinery company – CALS Refinery. The TSA has a capital protection structure through a put option on the promoters.

CALS is relocating a refinery from Germany to India and the GDR was issued to part-finance the relocation and set up of this refinery in India. CALS expects the refinery to have a capacity of 4.8 million metric tons per annum (MMTPA).

CALS has had to delay the shipment of the refinery from Germany as it could not raise the necessary funds following tight financial markets. Currently the company is operating at a bare minimum level due to lack of resources. The promoters and management of CALS are making efforts to achieve financial closure.

On the operational front, the company had received the environment clearance to set up the refinery at Haldia, West Bengal, India from the Ministry of Environment and Forests. In addition, the West Bengal Government had approved a special package of incentives for the company and has extended the guarantee of release of the first instalment of loan under the scheme. Earlier, CALS had signed a Memorandum of Understanding (MOU) with Bharat Petroleum Corporation Limited (BPCL) for off-take of the by-products such as LPG, Naphtha, ATF/Kerosene, diesel, gasoline benzene, propylene and sulphur.

Following the notice of put option exercised by the TSA counterparty to the promoters of CALS, no common ground has been found despite lengthy negotiations. Consequently, the TSA counterparty has started legal action against the promoters of CALS.

Considering the legal uncertainties and the likely delay in enforcement of the put option, and also considering the decline in price of the underlying GDR, management carried-out an impairment test based on which an impairment loss of USD 5m (representing 50% of the total investment cost) has been recognized.

**Private Equity Funds**

The other private equity investments held by the Group are incorporated in the form of Managed Funds (mostly closed end funds) mainly in the emerging economies of India and China. The investments of these funds into their portfolio companies were mostly done in 2008 and 2009. Overall, in the second half of 2009 and thereafter the investment environment relating to most funds improved considerably and the Company expects that exits of portfolio companies should materialize between 2011 and 2014.

| **Name** | **Book Value US $m** |
|---|---|
| India Blue Mountains (India) | 6.4 |
| Elephant Capital (India) | 2.7 |
| Panda Capital (China) | 1.8 |
| JM Financials & SRS Private (India) | 2.5 |
| Blue Ridge (China) | 1.6 |
| Da Vinci (Russia) | 1.1 |
| Evolution Venture (Israel) | 1.2 |
| Total | **17.3** |

**India Blue Mountains:** A leading hotel and hospitality development fund that develops and acquires hotels in India. The fund has acquired land and is in the process of developing four 4-star hotels in Mumbai, Pune and Goa. All hotels will be managed by the Accor Group, who have also invested equity and hold a 26% stake in all of the hotels.

During the period, occupancy levels of the hospitality sector in India have increased by 10-30% and hotel rates are getting closer to the pre recession levels. Hotels across the country have average occupancy levels of approximately 70%. There continues to be a significant shortage of 4-star hotel rooms across India and domestic travellers who would usually stay in 5-star hotels are trading down to 4 star hotels. Following reclassification of hospitality sector as infrastructure rather than real estate, there has been increased construction finance available for the development of hotels.

For the initially planned Chennai project, the fund invoked the bank guarantee and has received the invested amount. It has also invoked personal guarantees to recover the interest due, which is expected to be received shortly. Mass concreting is completed in Pune and the foundation and raft slabs construction works are nearing completion. Construction finance has been finalized. The fund expects a delay in the construction timeline due to changes in local car parking regulations requiring additional parking places. For the Mumbai project, construction finance has been raised and excavation commenced. Due to additional Floor Space Index (FSI) availability 555 rooms can be developed as compared to the 440 rooms originally planned. The fund is awaiting land reclassification on the Goa project.

**Elephant Capital plc:** India-focused private equity fund, which is AIM quoted (formerly called Promethean India plc). (Ticker: ECAP). The fund executes a value activist strategy in both public and private businesses in India. It is building a concentrated portfolio of investments in which the fund can act as a catalyst for change and value creation. Its portfolio investments to date include a leading tiles manufacturer in India, an established automotive components manufacturer, a hospitality company with luxury hotels located in prime locations in top Indian cities, a leading education company, an m-commerce player, and an online venture with exclusive internet rights to the Indian premier cricket league.

The online cricket related venture GCV acquired the primary rights owner and online broadcaster of cricket in North America in February 2010. It has announced a partnership with Google to monetize sponsorship and advertising for the official premier league website. The m-commerce venture is performing well and announced the final closing of its fundraising round with Nokia, bringing the total amount raised over this round to USD70m, including contributions from other existing investors. The fund realized a partial amount of its investment in the leading education company, achieving an IRR in excess of 25%. A deed of settlement was agreed with a debtor setting out a timetable for the repayment of interest outstanding of £333,690 and a mechanism by which the principal amount of £3.7 million will be settled within five years.

The fund has been conservative and diligent in its investment approach and has positioned itself to capitalize on reasonable valuations in attractive opportunities.

**Panda Capital:** China-based Private Equity Fund focused on early-stage industrial operations in China and Taiwan, which represent strong growth opportunities. The fund has invested in a bamboo based flooring manufacturer, a lens moulding company, an electronic components manufacturer, an FDA approved wound healing cream producer, and an outdoor media company.

The fund has a 100% interest in an exciting bamboo flooring company in China, which provides a low cost alternative to hardwood flooring in shipping containers. This investment is expected to generate very attractive returns once the shipping industry recovers from the current downturn.

**Blue Ridge Capital:** Blue Ridge is a China focused Private Equity fund. The fund has made investments in six portfolio companies. Portfolio companies include a distressed real estate turnaround company, a plastic and chemicals manufacturer, a higher education company, an innovative bio-pesticide company, a software company specializing in Oil & Gas applications and a refinery. The investments are performing well and are expected to exit shortly with the exception of the refinery, which has been written-off.

**SRS Private & JM Financials India Property Fund:** These are Private Equity funds focused on Real Estate in India. The funds have invested in residential and commercial projects as well as directly in certain real estate companies. The assets are primarily located in and around top cities of India such as Mumbai and Hyderabad.

**Evolution Fund:** Evolution is an Israel focused Venture Capital fund. It invests in early stage technology companies. Its investments include a carrier-class Mobile Broadband Wireless (MBW) Wi-Fi solutions company, a language enhancement products company, a software company operating in the digital radio market, a mobile applications company, a software test tool developer, and a pre-loaded media player manufacturer. The Wi-Fi solutions company has expanded rapidly and is expected to provide an attractive exit in the near future.

**Da Vinci CIS Private Sector Growth Fund:** The fund is primarily focused on Russia and CIS countries. The fund has made five investments. 70% of the fund corpus is invested in RTS, the leading Russian stock exchange, and a leading software company in Russia. Both investments are performing well.

**Financial portfolio and trading activity**

Subsequent to significant intervention by the Governments to support large banks, Livermore invested in H1 2009 at distressed market prices in a diversified portfolio of bank and corporate bonds. The market dislocation, systemic risk reduction, and availability of cheap leverage produced excellent returns in 2009 on the trading portfolio. In addition as the leveraged loan market improved significantly during 2009 most of the Collateralized Loan Obligations (backed mainly by syndicated senior secured loans) performed well producing cash dividends of USD 2m. Successful trading activity in fixed income and equities as well as dividend income on such securities produced returns of 40% on its financial portfolio in 2009.

The following is a table summarizing the financial portfolio as of year-end 2009:

| Name | Book Value US $m |
|---|---|
| Investment Grade bonds | 23.0 |
| Non-Investment Grade bonds | 9.3 |
| Public Equities | 3.6 |
| Hedge Funds & Credit Managers | 15.3 |
| **Total** | **51.2** |

## Events after the reporting date

Atlas Estates: On 16 April 2010, Fragliolig Limited, a wholly owned subsidiary of the Izaki Group, made a cash offer to acquire the entire issued and to be issued share capital of Atlas Estates Limited not already owned by Fragliolig Limited or persons acting in concert with it. The offer is for GBP 0.90 in cash for each Atlas Estates share.

On 12 May 2010, the Offer was declared wholly unconditional as Fragliolig Limited along with its concert parties owned or had received acceptances in respect of approximately 62.9% of the issued share capital of Atlas Estates. The Offer remains open until 3:00pm GMT on 21 Jun 2010.

On 17 May 2010, Atlas announced its first quarter 2010 results with revenues of EUR 38.1m, net income of EUR 7.1m and a NAV of EUR 2.75 per share as compared to EUR 2.45 per share in December 2009. The increase in revenues and net income is primarily attributed to recognition of apartment sales that were pre-sold and completed during the period. The increase in NAV is predominantly due to exchange rate differences.

DTH Boom: On 12 May 2010, DTH Boom filed for insolvency in Romania. The insolvency followed DTH Boom's unsuccessful efforts in raising growth capital as well as finding a buyer for the company with its existing liabilities. As of year-end 2009 the Company wrote off entirely all equity and shareholders' loans related to this investment.

## Litigation

At the time of this Report, there are two litigation matters that the Company is involved in. Further information is provided in note 37 to the financial statements.

# Report of the Directors

## The Board's objectives

The Board's primary objectives are to supervise and control the management activities, business development, and the establishment of a strong franchise in the Group's business lines. Measures aimed at increasing shareholders' value over the medium to long-term, such as an increase in NAV and dividends paid are used to monitor performance.

## The Board of Directors

**Richard Barry Rosenberg (age 54), Non-Executive Director, Chairman of the Board**

Richard joined the Group in December 2004. He became Non-Executive Chairman on 31 October 2006. He qualified as a chartered accountant in 1980 and in 1988 co-founded the accountancy practice Sedley Richard Laurence Voulters. He has considerable experience in giving professional advice to clients in the leisure and entertainment sector. Richard is a director of a large number of companies operating in a variety of business segments.

**Menachem Marder (age 57), Non-Executive Director**

Menachem joined the Group in September 2009. He brings with him a profound background of accounting and business experience. Menachem is a Certified Public Accountant, and was the founder and senior manager of the accounting firm Shlomo Ziv and Partners (BDO). In addition to his work with Livermore, Menachem, through his company, Mimtar Business Consulting LTD, provides business, economic, managerial and financial consultancy to a wide range of firms with a specialization in company turn arounds and mergers and acquisitions. Menachem earned an MBA with a major in Finance from Tel Aviv University, and holds a BA in Economics and Accounting from Tel Aviv University. Menachem is a director of a large number of companies operating in a variety of business segments.

**Noam Lanir (age 43), Founder and Chief Executive Officer**

Noam founded the Group in July 1998, to develop a specialist online marketing operation. Noam has led the growth and development of the Group's operations over the last twelve years which culminated in its IPO in June 2005 on AIM. He is also a major benefactor of a number of charitable organisations. Prior to 1998, Noam was involved in a variety of businesses mainly within the leisure and entertainment sector.

**Ron Baron (age 42), Executive Director and Chief Investment Officer**

Ron was appointed as Executive Director and Chief Investment Officer on 10 August 2007. Ron has wide investment and M&A experience. From 2001 to 2006 Ron served as a member of the management at Bank Leumi, Switzerland and was responsible for portfolio management activity. Prior to this he spent five years as a commercial lawyer at Kantor, Elhanani, Tal & Co. Law Offices in Tel Aviv, Israel, advising banks and large corporations on corporate transactions, including buy-outs and privatisations. He holds an MBA from INSEAD Fontainebleau and a LLB (LAW) and BA in Economics from Tel Aviv University.

The Directors shall retire from office at the third Annual General Meeting after that at which they were last elected, and if they so wish, offer themselves up for re-election to the Board. Subject to the Companies Act and the Articles, the Directors to retire by rotation at the Annual General Meeting in every year shall be in addition to any Director who wishes to retire and not to offer himself for reappointment, any Director required to retire under the Company's Articles. The interests of the Directors and their related companies in the shares and options over shares in the Company are as shown on page 19. Details of the Directors' remuneration and service contracts also appear on page 19.

The Directors submit their annual report and audited financial statements of the Group for the year ended 31 December 2009.

## Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions, and at any time enable the financial position of the Company to be determined with reasonable accuracy and enable them to ensure that the financial statements comply with the applicable law. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the British Virgin Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Disclosure of information to the Auditor

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## Substantial Shareholdings

As at 30 April 2010 the Directors are aware of the following interests in 3 per cent or more of the Company's issued ordinary share capital:

| | Number of Ordinary Shares | % of issued ordinary share capital | % of voting rights* |
|---|---|---|---|
| Groverton Management Ltd | 154,412,173 | 50.77 | 53.12 |
| Bristol Investments Group S.A. | 28,429,426 | 9.35 | 9.78 |
| Aviv Raiz | 24,573,423 | 8.08 | 8.45 |
| Bank Leumi Swiss | 16,514,096 | 5.43 | 5.68 |
| RB Investments GmbH | 13,915,419 | 4.58 | 4.79 |
| Jefferies & Co | 13,536,884 | 4.45 | 4.66 |
| Bank Hapoalim Luxemburg | 12,622,251 | 4.15 | 4.34 |

* after consideration of treasury shares see details at note 14.

Save as disclosed in this report and in the remuneration report, the Company is not aware of any person who is interested directly or indirectly in 3 per cent or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.

Details of transactions with Directors are disclosed in note 35 to the financial statements.

# Corporate Governance Statement

## Introduction

The Company recognises the importance of the principles of good Corporate Governance and the Board is pleased to accept its commitment to such high standards throughout the year. As an AIM quoted company, Livermore is not required to follow the provisions of the 2008 FRC Combined Code ("the Code"). However, the Company is keen to adopt and promote the provisions of that Code. Up to 31 December 2009 the Board has adopted several provisions of the Code, some of which have not yet been fully implemented.

## The Board Constitution and Procedures

The company is controlled through the Board of Directors, which currently comprises two Non-Executive Directors and two Executive Directors. The Chief Executive's responsibility is to focus on co-ordinating the company's business and implementing group strategy.

A formal schedule of matters is reserved for consideration by the Board, which meets approximately four times each year. The Board is responsible for implementation of the investing strategy as described in the circular to shareholders dated 6 February 2007 and adopted pursuant to shareholder approval at the Company's EGM on 28 February 2007. It reviews the strategic direction of the Group, its codes of conduct, its annual budgets, its progress towards achievement of these budgets and any capital expenditure programmes. In addition, the Directors have access to advice and services of the Company Secretary and all Directors are able to take independent professional advice if relevant to their duties. The Directors receive training and advice on their responsibilities as necessary. All Directors, in accordance with the Code, submit themselves to re-election at least once every three years.

## Board Committees

The Board delegates clearly defined powers to its Audit and Remuneration Committees. The minutes of each Committee are circulated by the Board.

## Remuneration Committee

The Remuneration Committee comprises of the Non-Executive Chairman of the Board and a Non-Executive Director. The Remuneration Committee considers the terms of employment and overall remuneration of the Executive Directors and key members of Executive management regarding share options, salaries, incentive payments and performance related pay. The remuneration of Non-Executive Directors is determined by the Board.

## Audit Committee

The Audit Committee comprises of the Non-Executive Chairman of the Board and a Non-Executive Director and is chaired by the Chairman of the Board. The duties of the Committee include monitoring the auditor's performance and reviewing accounting policies and financial reporting procedures.

## Communication with Investors

The Directors are available to meet with shareholders throughout the year. In particular the Executive Directors prepare a general presentation for analysts and institutional shareholders following the interim and preliminary results announcements of the Company. The chairman, Richard Rosenberg, is available for meetings with shareholders throughout the year. The Board endeavours to answer all queries raised by shareholders promptly.

Shareholders are encouraged to participate in the Annual General Meeting at which the Chairman will present the key highlights of the Group's performance. The Board will be available at the Annual General Meeting to answer questions from shareholders.

## Internal Control

The Board is responsible for ensuring that the Company has in place a system with internal control and for reviewing its effectiveness. In this context, control is defined in the policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value safeguarded and that laws and regulations are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, frauds and losses or breaches of laws and regulations.

The Group operates a sound system of internal control, which is designed to ensure that the risk of mis-statement or loss is kept to a minimum.

Given the Group's size and the nature of its business, the Board does not consider that it is necessary to have an internal audit function. An internal audit function will be established as and when the group is of an appropriate size.

The Board undertakes a review of its internal controls on an ongoing basis.

## Independence of Auditor

The Board undertakes a formal assessment of the auditor's independence each year, which includes:

- a review of non-audit related services provided to the Company and related fees;
- discussion with the auditor of a written report detailing all relationships with the Company and any other parties which could affect independence or the perception of independence;
- a review of the auditor's own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the rotation of the audit partner;
- obtaining written confirmation from the auditors that they are independent;
- a review of fees paid to the auditor in respect of audit and non-audit services.

# Remuneration Report

The Directors' emoluments, benefits and shareholdings during the year ended 31 December 2008 were as follows:

## Directors' Emoluments

Each of the Directors has a service contract with the Company.

| Director | Date of agreement | Salary/Fees US $000 | Benefits US $000 | Share options expense US $000 | Total Emoluments 2009, US $000 | Total Emoluments 2008, US $000 |
|---|---|---|---|---|---|---|
| Richard Barry Rosenberg | 10/06/05 | 118 | - | 38 | 156 | 138 |
| Noam Lanir | 10/06/05 | 400 | - | 321 | 721 | 400 |
| Ron Baron | 01/09/07 | 350 | - | - | 350 | 275 |
| Menachem Marder | 23/09/09 | - | - | - | - | - |

The dates are presented in day / month / year format.

## Directors' Interests

Interests of Directors in ordinary shares

| | Notes | As at 31 December 2009 | | As at 31 December 2008 | |
|---|---|---|---|---|---|
| | | Number of Ordinary Shares | Percentage of ordinary share capital | Number of Ordinary Shares | Percentage of ordinary share capital |
| Noam Lanir | a) | 154,412,171 | 50.773% | 154,412,171 | 50.773% |
| Ron Baron | b) | 13,915,419 | 4.576% | 13,911,970 | 4.574% |
| Richard Barry Rosenberg | | 15,000 | 0.005% | 15,000 | 0.005% |

Notes:

a) Noam Lanir is interested in his ordinary shares by virtue of the fact that he owns directly or indirectly all of the issued share capital of Groverton Management Limited.

b) On 16 April 2007, a loan of USD 5m was provided to RB Investments GMBH, a company owned by Ron Baron to purchase Livermore shares. The loan bears an annual interest rate of 6 month USD LIBOR plus 0.25%.

## Interests of Directors in share options

| | No of options at 31 December 2009 | Date of grant | Exercise price, £ | Exercise Price, US $ | Vesting period of options |
|---|---|---|---|---|---|
| Noam Lanir | 10,000,000 | 19/07/06 | 0.7775 | 1.41786 | One to three years* |
| | 500,000 | 13/05/08 | 0.30 | 0.58407 | One to three years * |
| Richard Barry Rosenberg | 150,000 | 19/07/06 | 0.7775 | 1.41786 | One to three years * |
| | 75,000 | 07/12/05 | 0.71 | 1.22 | One to three years * |

* The options normally vest in three equal tranches, on the first, second and third anniversary of the grant.

The options are exercisable up to 10 years after the date of grant. No options were exercised during the year ended 31 December 2009.

## Share Option Scheme

The Company's remuneration committee (the "Committee") is responsible for administering the Share Option Scheme. Options to acquire Shares in the Company may be granted under the Share Option Scheme to any employee or director of the Company or member of the Group.

The option exercise price per Ordinary Share is determined by the Committee but will be no less than market value of the Ordinary Shares on the dealing day immediately preceding the date of grant. The options are not subject to any performance criteria (apart from continued service).

The Share Option Scheme will terminate ten years after it is adopted by the Company, or earlier in certain circumstances.

## Remuneration Policy

The Group's policy has been designed to ensure that the Group has the ability to attract, retain and motivate executive directors and key management personnel to ensure the success of the organization.

The following key principles guide its policy:

- policy for the remuneration of executive directors will be determined and regularly reviewed independently of executive management and will set the tone for the remuneration of other senior executives
- the remuneration structure will support and reflect the Group's stated purpose to maximize long-term shareholder value
- the remuneration structure will reflect a just system of rewards for the participants
- the overall quantum of all potential remuneration components will be determined by the exercise of informed judgement of the independent remuneration committee, taking into account the success of the Company and the competitive global market
- a significant personal shareholding will be developed in order to align executive and shareholder interests
- the assessment of performance will be quantitative and qualitative and will include exercise of informed judgement by the remuneration committee within a framework that takes account of sector characteristics and is approved by shareholders
- the committee will be proactive in obtaining an understanding of shareholder preferences
- remuneration policy and practices will be as transparent as possible, both for participants and shareholders
- the wider scene, including pay and employment conditions elsewhere in the Group, will be taken into account, especially when determining annual salary increases.

# Review of the Business and Risks

## Risks

The Board considers that the risks the Shareholders face can be divided into external and internal risks.

**External risks** to shareholders and their returns are those that can severely influence the investment environment within which the Group operates, and include economic recession, declining corporate profitability, rising inflation and interest rates and excessive stock-market speculation.

Current portfolio risks include predominantly currency risks as some of the underlying portfolio is invested into assets denominated in non-US currencies while the Company reports in USD. In addition, the Company is exposed to interest rate changes, credit risk, liquidity risk and volatility in the global economies and in particular in Emerging markets (mainly India and Central and Eastern Europe), as well as access to capital markets for certain investee companies. The mitigation of these risks is achieved by investment diversification, both by sector and by location. The Company also engages from time to time in certain hedging activities to mitigate these risks.

**Internal risks** to shareholders and their returns are related to Portfolio risks (investment and location selection and concentration), balance sheet risk (gearing) and/or investment mismanagement risks. In particular the Board has identified a concentration risk to Atlas Estates Ltd. as a notably large single investment risk.

Governmental and Regulatory risks in countries where Livermore is invested given increased nationalist and protectionist policy risks. The SRS Charminar investment is specifically subject to this risk as governmental authorities are in the process of examining irregular behaviour of the promoters.

A periodic internal review is performed to ensure transparency of Group activities and investments. All service providers to the Group are regularly reviewed. The mitigation of the risks related to investments is effected by investment restrictions and guidelines and through reviews at Board Meetings.

As the portfolio is invested in non USD currencies (mainly EUR, CHF and INR), it is exposed to movements in these currencies.

On the asset side, the Group's exposure to interest rate risk is limited to the interest bearing deposits and portfolio of bonds in which the Group invests.

Management monitors liquidity to ensure that sufficient liquid resources are available to the Group. The Group's credit risk is primarily attributable to its fixed income portfolio, which is exposed to corporate bonds with a particular exposure to the financial sector and to bank loans. Generally, the Group's maximum credit exposure is the carrying amount of trade and other receivables shown on the face of the Balance Sheet.

## Share Capital

There was no change in the authorised share capital during the year to 31 December 2009. The authorised share capital is 1,000,000,000 ordinary shares with no par value.

## Related party transactions

Details of any transactions of the Group with related parties during the year to 31 December 2009 are disclosed in Note 35 to the Financial Statements.

# Report of the independent auditor to the members of Livermore Investments Group Limited

We have audited the consolidated financial statements of Livermore Investments Group Limited (the "Company") and its subsidiaries (together the "Group") on pages 24 to 59, which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement, and consolidated statements of comprehensive income, of changes in equity, and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of Livermore Investments Group Limited and its subsidiaries for the year ended 31 December 2008 were audited by another auditor whose report dated 27 May 2009 expressed an unqualified opinion on those statements.

**Board of Directors' Responsibility for the Consolidated Financial Statements**

The Company's Board of Directors is responsible for the preparation of the annual report and the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements give a true and fair view of the financial position of Livermore Investments Group Limited and its subsidiaries as of 31 December 2009 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

**Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

**GRANT THORNTON**
Certified Public Accountants (Cy)
Nicosia
Date: 8 June 2010

**Livermore Investments Group Limited**

Consolidated Statement of Financial Position as at 31 December 2009

| | Note | 2009 US $000 | 2008 US $000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 274 | 352 |
| Intangible assets | 4 | – | 9 |
| Available- for-sale financial assets | 5 | 55,862 | 80,706 |
| Financial assets at fair value through profit or loss | 6 | 5,885 | 6,361 |
| Investment and development property | 8 | 106,333 | 104,520 |
| Investment in associate | 9 | 10,936 | 39,939 |
| Deferred tax | 11 | 1,923 | 1,698 |
| | | 181,213 | 233,585 |
| **Current assets** | | | |
| Trade and other receivables | 12 | 7,788 | 8,130 |
| Cash and cash equivalents | 13 | 5,898 | 2,468 |
| Available- for-sale financial assets | 5 | 19,914 | 28,349 |
| Financial assets at fair value through profit or loss | 6 | 23,602 | 8,936 |
| | | 57,202 | 47,883 |
| **Total assets** | | 238,415 | 281,468 |
| | | | |
| **Equity** | | | |
| Share capital | 14 | – | – |
| Share premium and treasury shares | 14 | 205,889 | 206,530 |
| Other reserves | | (17,530) | (27,914) |
| Retained earnings | | (59,791) | 1,334 |
| **Total equity** | | 128,568 | 179,950 |
| | | | |
| **Liabilities** | | | |
| **Non current liabilities** | | | |
| Bank loans | 16 | 76,436 | 74,134 |
| Derivative financial instruments | 17 | 8,576 | 8,149 |
| | | 85,012 | 82,283 |
| **Current liabilities** | | | |
| Bank overdrafts | 18 | 5,198 | 8,518 |
| Short term bank loans | 19 | 13,987 | 7,370 |
| Trade and other payables | 20 | 1,295 | 3,220 |
| Provisions for legal and other cases | 36 | 4,200 | – |
| Current tax payable | 21 | 155 | 127 |
| | | 24,835 | 19,235 |
| **Total liabilities** | | 109,847 | 101,518 |
| **Total equity and liabilities** | | 238,415 | 281,468 |
| **Net asset valuation per share** | | | |
| Basic and diluted net asset valuation per share (US $) | 22 | 0.44 | 0.62 |

These Financial Statements were approved by the Board of Directors on 8 June 2010.

The notes on pages 36 to 74 form part of these financial statements.

**Livermore Investment Group Limited**

Consolidated Income Statement for the year ended 31 December 2009

| | Note | 2009 US $000 | 2008 US $000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Investment income** | | | |
| Interest and dividend income | 24 | 3,211 | 14,032 |
| Investment property revenue | 25 | 4,432 | 3,487 |
| Loss on investments | 26 | (31,055) | (50,850) |
| Loss from investment in associate | 27 | (26,869) | (22,712) |
| **Gross loss** | | (50,281) | (56,043) |
| Administrative expenses | 28 | (8,931) | (4,556) |
| **Operating loss** | | (59,212) | (60,599) |
| Finance costs | 29 | (3,782) | (4,057) |
| **Loss before taxation** | | (62,994) | (64,656) |
| Taxation credit | 30 | 204 | 1,935 |
| **Loss for year from continuing operations** | | (62,790) | (62,721) |
| **Discontinued operations** | 31 | | |
| Gain for year from discontinued operations | | 1,665 | 862 |
| **Loss for the year** | | (61,125) | (61,859) |
| **Earnings per share** | | | |
| Basic and diluted loss per share (US $) from continuing operations | 32 | (0.22) | (0.22) |
| Basic and diluted loss per share (US $) | 33 | (0.21) | (0.22) |

The notes on pages 36 to 74 form part of these financial statements.

**Livermore Investment Group Limited**

Consolidated Statement of Comprehensive Income for the year ended 31 December 2009

| | Note | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|---|
| **Loss for year** | | (61,125) | (61,859) |
| **Other comprehensive income:** | | | |
| Available for sale financial assets | | | |
| • Fair value losses | | (21,873) | (58,905) |
| • Reclassification to profit or loss due to disposals | | 6,092 | 20,849 |
| • Reclassification to profit or loss due to significant fall in value | | 28,235 | 14,176 |
| Share of other comprehensive loss of associate | 9 | (2,918) | (3,030) |
| Foreign exchange gains / (loss) from translation of: | | | |
| • associate | 9 | 640 | (2,938) |
| • subsidiaries | | (151) | – |
| **Total comprehensive loss for the year** | | (51,100) | (91,707) |

The total comprehensive loss for the year is wholly attributable to the owners of the parent company.

The notes on pages 36 to 74 form part of these financial statements.

**Livermore Investments Group Limited**

Consolidated Statement of Changes in Equity for the year ended 31 December 2009

| | Note | Share capital US $000 | Share premium US $000 | Treasury Shares US $000 | Share option reserve US $000 | Translation reserve US $000 | Investments revaluation reserve US $000 | Retained earnings US $000 | Total US $000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2008** | | – | 209,806 | (7,171) | 4,233 | – | (3,466) | 73,041 | 276,443 |
| Changes in equity for the year ended 31 December 2008 | | | | | | | | | |
| Dividends paid | 34 | – | – | – | – | – | – | (9,848) | (9,848) |
| Shares issued under scrip dividend | 14 | – | 5,693 | – | – | – | – | – | 5,693 |
| Purchase of own shares | 14 | – | – | (1,798) | – | – | – | – | (1,798) |
| Share option charge | 15/28 | – | – | | 1,167 | – | – | – | 1,167 |
| **Transactions with owners** | | – | 5,693 | (1,798) | 1,167 | – | – | (9,848) | (4,786) |
| Loss for the year | | – | – | – | – | – | – | (61,859) | (61,859) |
| **Other comprehensive income:** | | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | | |
| • Fair value losses | | – | – | – | – | – | (58,905) | – | (58,905) |
| • Reclassification to profit or loss due to disposals | | – | – | – | – | – | 20,849 | – | 20,849 |
| • Reclassification to profit or loss due to significant fall in value | | – | – | – | – | – | 14,176 | – | 14,176 |
| Share of other comprehensive loss of associate | 9 | – | – | – | – | – | (3,030) | – | (3,030) |
| Foreign exchange loss arising from translation of associate | 9 | – | – | – | – | (2,938) | – | – | (2,938) |
| Total comprehensive loss for the year | | – | – | – | – | (2,938) | (26,910) | (61,859) | (91,707) |
| **Balance at 31 December 2008** | | – | 215,499 | (8,969) | 5,400 | (2,938) | (30,376) | 1,334 | 179,950 |
| Changes in equity for the year ended 31 December 2009 | | | | | | | | | |
| Purchase of own shares | 14 | – | – | (641) | – | – | – | – | (641) |

| | Note | Share capital US $000 | Share premium US $000 | Treasury Shares US $000 | Share option reserve US $000 | Translation reserve US $000 | Investments revaluation reserve US $000 | Retained earnings US $000 | Total US $000 |
|---|---|---|---|---|---|---|---|---|---|
| Share option charge | 15/28 | – | – | – | 359 | – | – | – | 359 |
| **Transactions with owners** | | – | – | (641) | 359 | – | – | – | (282) |
| Loss for the year | | – | – | – | – | – | – | (61,125) | (61,125) |
| **Other comprehensive income:** | | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | | |
| • Fair value losses | | – | – | – | – | – | (21,873) | – | (21,873) |
| • Reclassification to profit or loss due to disposals | | – | – | – | – | – | 6,092 | – | 6,092 |
| • Reclassification to profit or loss due to significant fall in value | | – | – | – | – | – | 28,235 | – | 28,235 |
| Share of other comprehensive loss of associate | 9 | – | – | – | – | – | (2,918) | – | (2,918) |
| Foreign exchange gain / loss arising from translation of: | | | | | | | | | |
| • associate | 9 | – | – | – | – | 640 | – | – | 640 |
| • subsidiaries | | – | – | – | – | (151) | – | – | (151) |
| Total comprehensive loss for the year | | – | – | – | – | 489 | 9,536 | (61,125) | (51,100) |
| **Balance at 31 December 2009** | | – | 215,499 | (9,610) | 5,759 | (2,449) | (20,840) | (59,791) | 128,568 |

The notes on pages 36 to 74 form part of these financial statements.

**Livermore Investments Group Limited**

Consolidated Statement of Cash Flows for the year ended 31 December 2009

| | Note | 2009 US $000 | 2008 US $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | (61,329) | (63,794) |
| **Adjustments for** | | | |
| Depreciation and amortisation | 3/4 | 132 | 146 |
| Provisions for legal and other cases | | 4,200 | - |
| Interest expense | 29 | 3,370 | 4,670 |
| Interest and dividend income | 24 | (3,211) | (14,032) |
| Loss on investment in associate | 27 | 26,869 | 22,712 |
| Loss on sale of investments | 26 | 31,055 | 50,850 |
| Equity settled share options | 28 | 359 | 1,167 |
| Exchange differences | 29 | 327 | - |
| Loss on sale of property, plant and equipment | | - | 6 |
| | | 1,772 | 1,725 |
| **Changes in working capital** | | | |
| Decrease / (Increase) in trade and other receivables | | 342 | (6,000) |
| (Decrease) in trade and other payables | | (1,950) | (32,714) |
| Cash flows from operations | | 164 | (36,989) |
| Tax paid | | (25) | (3) |
| **Net cash generated from operating activities** | | 139 | (36,992) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (45) | (63) |
| Acquisition of investments | | (58,942) | (108,422) |
| Proceeds from investments | | 62,252 | 136,967 |
| Payments for derivative financial instruments | | (1,911) | - |
| Acquisition of investment and development property | 8 | (152) | (4,214) |
| Addition to associate | 9 | (259) | (1,590) |
| Proceeds from associate | 9 | 115 | 2,610 |
| **Net cash from investing activities** | | 1,058 | 25,288 |

| | Note | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Dividends paid | | – | (4,155) |
| Purchase of own shares | 14 | (641) | (1,798) |
| Proceeds from bank loan | | 6,617 | 7,370 |
| Interest paid | 29 | (3,370) | (4,670) |
| Interest and dividend received | 24 | 3,211 | 14,032 |
| **Net cash from financing activities** | | 5,817 | 10,779 |
| **Net increase / (decrease) in cash and cash equivalents** | | 7,014 | (925) |
| **Cash and cash equivalents at the beginning of the year** | | (6,050) | (5,908) |
| Exchange differences on cash and cash equivalents | 29 | (327) | 783 |
| Translation differences on foreign operations' cash and cash equivalents | | 63 | – |
| **Cash and cash equivalents at the end of the year** | 13 | 700 | (6,050) |

The notes on pages 36 to 74 form part of these financial statements.

# Notes on the Financial Statements

1. **General Information**

   Incorporation, principal activity and status of the Company

   1.1. The Company was incorporated as an international business company and registered in the British Virgin Islands (BVI) on 2 January 2002 under IBC Number 475668 with the name Clevedon Services Limited. The liability of the members of the Company is limited.

   1.2. The Company changed its name to Empire Online Limited on 5 May 2005 and then changed to Livermore Investments Group Limited on 28 February 2007.

   1.3. The principal activity of the Group changed to investment services on 1 January 2007. Before that the principal activity of the Group was the provision of marketing services to the online gaming industry and, since 1 January 2006, the operation of online gaming.

   1.4. The principal legislation under which the Company operates is the BVI Business Companies Act, 2004.

   1.5. The registered office and head office of the Company is located at Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands.

2. **Accounting Policies**

   2.1. The significant accounting policies applied in the preparation of the financial information are as follows:

   a) Basis of preparation

   The audited financial statements of Livermore Investments Group Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a going concern basis. The financial statements have been prepared on the historical cost basis except for the following:

   - Derivative financial instruments are measured at fair value.
   - Financial instruments at fair value through profit or loss are measured at fair value.
   - Available- for- sale financial assets are measured at fair value.
   - Investment property is measured at fair value.

   The financial information is presented in US dollars because this is the currency in which the Group primarily operates.

   The directors have reviewed the accounting policies used by the Group and consider them to be the most appropriate.

   b) Adoption of new and revised IFRSs

   As from 1 January 2009, the Company adopted all the IFRSs and International Accounting Standards (IAS), which became effective and also were endorsed by the European Union and are relevant to its operations. The adoption of these standards did not have a material effect on the financial statements other than as described below.

- The adoption of IAS 1 (Revised 2007): "Presentation of Financial Statements" has significantly changed the presentation of the financial statements. The adoption of the standard does not affect the financial position or profits of the company, but gives rise to additional disclosures, and also requires the preparation of a new statement "Statement of comprehensive income". The measurement and recognition of the Company's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, such as for example revaluation of available-for-sale investments.
- The company has applied the amendments to IFRS 7 "Improving Disclosures about Financial Instruments" effective from 1 January 2009. This amendment requires the company to present certain information about financial instruments at fair value in the statements of financial positions. In the first year of application, comparative information need not to presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the year ended 31 December 2009.

All IFRSs issued by the international Standards Board (IASB) which are effective for the year ended 31 December 2009, have been adopted by the EU through the endorsement procedures established by the European Commission, with the exception of certain provisions of IAS 39: "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The following Standards, Amendments and Interpretations had been issued by the date of authorisation of these financial statements but are not yet effective for the year ended 31 December 2009:

**Standards and Interpretations adopted by the EU**

- Improvements to IFRSs – 2008 in relation to IFRS 5(effective for annual periods beginning on or after 1 July 2009).
- Improvements to IFRSs – 2009 (effective for annual periods beginning on or after 1 July 2009 / 1 January 2010).
- IFRS 1 (Revised): First-time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 July 2009).
- IFRS 3 (Revised): "Business Combinations" (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 17: "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IFRS 2: "Group Cash-Settled Share Based Payment Transactions" (effective for annual periods beginning on or after 1 January 2010).
- Amendment to IAS 32: "Classification of Rights Issues" " (effective for annual periods beginning on or after 1 February 2010).
- Amendment to IAS 39: "Eligible Hedge Items" " (effective for annual periods beginning on or after 1 July 2009).

**Standards and Interpretations not adopted by the EU**

- Improvements to IFRSs-2010 (effective for annual periods beginning on or after 1 July 2010 / 1 January 2011)
- IFRS 9: "Financial Instruments: Classification and Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 24 (Revised): "Related Party Disclosures" (effective for annual periods beginning on or after 1 July 2011).
- IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).
- Amendment to IFRS 1: "Additional Exemptions for First-time Adopters" (effective for annual periods beginning on or after 1 January 2010).
- Amendments to IFRS 1: "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters" (effective from 1 July 2010).
- Amendment to IFRIC 14: "Prepayments of Minimum Finding Requirement" (effective for annual periods beginning on or after 1 January 2011).

The Board of Directors expects that when these standards or interpretations become effective in future periods they will not have a material effect on the financial statements of the Company.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of all the Group companies are prepared using uniform accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results and cash flows of any subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

d) Current assets are those which, in accordance with IAS 1 Presentation Of Financial Statements are:

- expected to be realised within normal operating cycle, via sale or consumption, or
- held primarily for trading, or
- expected to be realised within 12 months from the balance sheet date, or
- cash and cash equivalent not restricted in their use.

All other assets are non-current.

e) Investment in associate

The Group's interests in associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method.

Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of the net assets of the associate and less any impairment in the value of the individual investment. The Group's profit or loss includes the share of the associate's results after tax. The Group's other comprehensive income includes the share of any other comprehensive income and expenses recognised by the associate.

Any goodwill arising on the acquisition of an associate, representing the excess of the cost of investment compared to the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate and is not amortized. To the extent that the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is greater then the cost of the investment, a gain is recognised and added to the Group's share of the associate profit or loss in the period in which the investment is acquired. Distributions received from an investee reduce the carrying amount of the investment.

Financial statements of associates are prepared for the same period as the Group's. Adjustments are made to bring the associate's accounting policies in line with those of the Group.

f) Investment property revenue

Rental income is recognised on a straight line basis over the lease term. Service charges and management fees are recognised as the related costs are incurred and charged. Changes to rental income that arise from reviews to open market rental values or increases that are indexed linked on a periodic basis are recognised from the date on which the adjustment became due. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property. Lease incentives are allocated evenly over the life of the lease. Rental income and services charged are stated net of vat and other related taxes.

g) Investment Income

Investment income comprises interest income on funds invested, dividend income, and investment property income. Interest income is recognised based on applicable effective interest rates. Investment property income is recognised as it accrues. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

h) Foreign currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in USD, which is the functional currency of the parent company and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies other than each group entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transaction. Monetary assets and liabilities denominated in non-functional currencies are translated into functional currency equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates prevailing at the dates of the transactions. Non-monetary assets that are measured in terms of historical cost in foreign currency are not re-translated.

Gains and losses arising on the settlement of monetary items and on the re-translation of monetary items are included in the profit or loss for the year. Those that arise on the re-translation of non-monetary items carried at fair value are included in the profit or loss of the year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items any exchange component of that gain or loss is also recognised in other comprehensive income.

The results and financial position of all Group entities that have a functional currency different from US dollars are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the reporting date; and

(ii) income and expenses and also cash flows for each income statement item are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and

(iii) exchange differences on the net investment in subsidiary entities with a different functional currency to the group are recognised in other comprehensive income.

i) Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

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

j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Carrying amounts are reviewed at each reporting date for impairment indications.

Depreciation is calculated using the straight-line method, at annual rates estimated to write off the cost of the assets less any estimated residual values over their expected useful lives. The annual depreciation rates used are as follows:

| | | |
|---|---|---|
| Computer hardware | - | 33.3% |
| Fixtures and Fittings | - | 10% |
| Office renovation | - | 25% |
| Motor Vehicles | - | 25% |

k) Investment property

Certain of the Group's properties are classified as investment property, being held for long term investment gains and to earn rental income.

Investment properties are measured initially at cost, and thereafter are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment property is valued at fair value based on valuations provided by a certified external appraiser.

l) Equity instruments

Equity instruments issued by the Company are recorded at proceeds received, net of direct issue costs.

Own equity instruments purchased by the Company are recorded at the consideration paid, including directly associated assets and is deducted from total equity as treasury shares until they are sold or cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in total equity.

The share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the premium paid.

m) Share Options

IFRS 2 "Share-based Payment" requires the recognition of equity settled share based payments at fair value at the date of grant.

The Group issues equity-settled share based payments to certain employees and other advisors. The fair value of share-based payments to employees at grant date is measured using the Binomial pricing model. The fair value of share-based payments to other advisors, are measured directly at the fair value of the services provided.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The corresponding credit is taken to the share option reserve.

On exercise or lapse of the options any related amounts recognised in the share option reserve are transferred to retained earnings.

n) Leases

Leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases and rentals are charged to income on a straight-line basis over the term of the lease.

o) Borrowing costs

Borrowing costs primarily comprise interest on the Group's borrowings. Any borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the corresponding assets. All other borrowing costs are expensed in the period in which they are incurred and reported within "finance costs".

p) Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial assets are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are measured subsequently as described below.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

**Trade and other receivables**

Trade and other receivables are recognised and carried at the original transaction value. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Where the time value of money is significant receivables are carried at amortized cost.

### Cash and cash equivalents

Cash comprises cash in hand and balances with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. They include unrestricted short-term bank deposits originally purchased with maturities of twelve months or less.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the Group to be carried at fair value through profit or loss upon initial recognition. All assets within this category are measured at their fair value, with changes in value recognised in the profit or loss when incurred. Upon initial recognition attributable transactions costs are recognised in profit or loss when incurred.

From 1 January 2008 all new financial assets acquired have been designated at fair value through profit or loss upon initial recognition, because management consider this to more fairly reflect the way these assets are managed by the Group. The Group's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Group's Board of directors and other key management personnel.

### Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured at fair value, with changes in fair value recognised in other comprehensive income. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in other comprehensive income is reclassified to profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not subsequently reversed through the profit or loss. Impairment losses recognised previously on debt securities are reversed through the profit or loss when the increase in fair value can be related objectively to an event occurring after the impairment loss was recognised in the profit or loss.

An assessment for impairment is undertaken at least at each reporting date.

### Valuation of financial assets

- Cash and deposits are evaluated per holdings in banks.
- Public equities, Credit Notes and Bonds are valued per their bid market prices on quoted exchanges, or as quoted by market maker.
- Hedge Funds and Private Equity funds are valued per reports provided by the funds on a periodic basis, and if traded, per their bid market prices on quoted exchanges, or as quoted by market maker.
- Private Equities and Unlisted Investments are valued using market valuation techniques as determined by the directors.

- Derivative instruments are valued at fair value as provided by counter parties of the derivative agreement. Derivative instruments consist of interest rate swaps and forward currency contracts.

q) Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial liabilities are measured initially at fair value plus transactions costs, except for financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial liabilities are measured subsequently at amortised cost using the effective interest rate method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

The group's financial liabilities also include financial derivative instruments. Derivative instruments consist of interest rate swaps and forward currency contracts.

All derivative financial instruments that are not designed and effective as hedging instruments are accounted for at fair value through profit or loss.

r) Legal and other disputes

Provision is made where a reliable estimate can be made of the likely outcome of legal and other disputes against the Group. In addition, provision is made for legal and other expenses arising from claims received or other disputes. No provision is made for other possible claims or where an obligation exists but it is not possible to make a reliable estimate. Costs associated with claims made by the Group are charged to the profit or loss as they are incurred.

s) Critical accounting judgments and key sources of estimation uncertainty

The following areas are subject to judgment and uncertainty.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the bases used for financial assets and liabilities are disclosed above. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

**Impairment of available-for-sale financial assets**

The Company follows the guidance in IAS 39 on determining when an investment is impaired. This determination requires significant judgments. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such industry and sector performance, changes in technology and financing cash flow.

The group assesses at each reporting date whether financial assets are impaired. If an impairment has occurred, this loss is recognised to profit or loss.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of similar financial assets.

**Impairment of associate**

For the purpose of assessing impairment of the investment in associate, management undertakes a number of judgements, estimates and assumptions about the recoverability of the investment. Management recognises that such assumptions represent critical judgements that are subject to uncertainty. In making such estimates, management determines the Group's share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment.

**Provision for legal and other disputes**

Determining whether provisions for legal and other disputes is required requires the Group to assess the likelihood of an economic outflow occurring as a result of past events. Where an economic outflow is considered probable, a provision has been made for the estimated outflow. Where an outflow is considered possible, but not probable, it has only been disclosed.

Where the information required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is expected to prejudice the outcome of legal and other disputes, it has not been disclosed on these grounds.

Further details of provisions are provided in note 36.

t) Comparatives

The Group has made reclassifications to its comparative figures, in addition to changes resulting from the adoption of the revised IAS 1, as follows:

(i) In the consolidated statement of financial position the deferred tax asset, which originally occurred in 2008 and which had been included within trade and other receivables, is now shown separately under non-current assets.

(ii) In the consolidated income statement the presentation of certain items has been re-arranged with no change in the amounts previously reported.

(iii) Certain investments with a carrying amount at 31 December 2009 of US $1,507,155 (31 December 2008: US $1,808,850) have been reclassified from financial assets at fair value through profit or loss to the available-for-sale category, since upon their initial recognition when acquired in 2008, they were wrongly designated as at fair value through profit or loss.

The Group does not present a third statement of financial position as at 1 January 2008 since the financial position at that date is not affected by any of the above reclassifications, and remains unchanged from the previously published consolidated financial statements.

### 3. Property, plant and equipment

| | Office Renovation US $000 | Computer Hardware US $000 | Fixtures and Fittings US $000 | Motor Vehicles US $000 | Total US $000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2008 | 281 | 125 | 80 | – | 486 |
| Additions | 34 | 14 | 15 | – | 63 |
| Disposal | – | (5) | (7) | – | (12) |
| As at 1 January 2009 | 315 | 134 | 88 | – | 537 |
| Additions | 10 | 2 | 7 | 26 | 45 |
| As at 31 December 2009 | 325 | 136 | 95 | 26 | 582 |
| **Accumulated depreciation** | | | | | |
| As at 1 January 2008 | (7) | (65) | (9) | – | (81) |
| Charge for the year | (76) | (19) | (15) | – | (110) |
| Disposal | – | 4 | 2 | – | 6 |
| As at 1 January 2009 | (83) | (80) | (22) | – | (185) |
| Charge for the year | (67) | (36) | (19) | (1) | (123) |
| As at 31 December 2009 | (150) | (116) | (41) | (1) | (308) |
| **Net book value** | | | | | |
| **As at 31 December 2009** | 175 | 20 | 54 | 25 | 274 |
| **As at 31 December 2008** | 232 | 54 | 66 | – | 352 |

## 4. Intangible assets

| | Computer Software US $000 |
|---|---|
| **Cost** | |
| As at 1 January 2008 | 147 |
| Additions | – |
| As at 1 January 2009 and at 31 December 2009 | 147 |
| **Accumulated amortisation** | |
| As at 1 January 2008 | (102) |
| Charge for the year | (36) |
| As at 1 January 2009 | (138) |
| Charge for the year | (9) |
| As at 31 December 2009 | (147) |
| **Net book value** | |
| **As at 31 December 2009** | – |
| **As at 31 December 2008** | 9 |

## 5. Available-for-sale financial assets *

| | 2009 US $000 | 2008 US $000 |
|---|---|---|
| **Non-current assets** | | |
| Fixed income investments | 10,426 | 10,161 |
| Private equities | 18,193 | 19,868 |
| Financial and minority holdings ** | 22,092 | 45,015 |
| Other investments | 5,151 | 5,662 |
| | 55,862 | 80,706 |
| **Current assets** | | |
| Fixed income investments | 10,177 | 13,693 |
| Public equity investments | 5,635 | 5,863 |
| Hedge funds | 4,102 | 8,793 |
| | 19,914 | 28,349 |

* Financial assets relate to investments in bonds and equity classified as available-for-sale. Financial assets are measured at fair value.

Available-for-sale financial assets, comprising principally marketable equity securities, are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying assets. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Available-for-sale financial assets are classified as non-current, unless they are expected to be realised within twelve months of the reporting date or unless they will need to be sold to raise operating capital.

** Financial and minority holdings relate to significant investments (of over USD 5m) which are strategic for the Company and are done in the form of equity purchases or convertible loans. Main investments under this category are in the fields of real estate and media.

During the year management decided to structure and manage the Group's portfolio based on those investments which are considered to be long term, core investments and those which could be readily convertible to cash, are expected to be realised within normal operating cycle and form part of the Group's treasury function.

During 2009 for the purpose of annual impairment and due to market conditions, management considered the impairment of certain available-for-sale financial assets. Impairment testing indicated that the financial assets carrying amount may not be recoverable.

The related charges in 2009, of USD 28.235m (2008 USD 14.176m), are included within loss on investments.

## 6. Financial assets at fair value through profit or loss

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| **Non-current assets** | | |
| Private equities | 2,903 | 3,137 |
| Real estate entities | 2,982 | 3,224 |
| | 5,885 | 6,361 |
| **Current assets** | | |
| Fixed income investments | 22,062 | 8,106 |
| Public equity investments | 742 | - |
| Hedge funds | 798 | 830 |
| | 23,602 | 8,936 |

The Company's portfolio is structured based on investments which are considered to be long term, core investments and those which could be readily convertible to cash, are expected to be realised within normal operating cycle and form part of the Group's treasury function.

7. **Fair value measurements of financial assets**

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

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

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

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

| | 2009<br>US $000 | 2009<br>US $000 | 2009<br>US $000 | 2009<br>US $000 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Fixed income investments | 32,239 | 10,426 | – | 42,665 |
| Private equities | 4,669 | – | 16,427 | 21,096 |
| Financial and minority holdings | – | – | 22,092 | 22,092 |
| Other investments | 5,151 | – | – | 5,151 |
| Public equity investments | 6,377 | – | – | 6,377 |
| Hedge funds | – | 4,900 | – | 4,900 |
| Real estate entities | – | – | 2,982 | 2,982 |
| | 48,436 | 15,326 | 41,501 | 105,263 |
| **Liabilities** | | | | |
| Interest rate swaps | – | – | 8,537 | 8,537 |
| Forward contracts | – | – | 39 | 39 |
| | – | – | 8,576 | 8,576 |

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The Group's financial assets and liabilities classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data.

Financial assets within this level can be reconciled from beginning to ending balances as follows:

| | Available-for-sale | At fair value through profit or loss | | | |
|---|---|---|---|---|---|
| | **Financial and minority holdings** | **Private equities** | **Real estate** | **Private equities** | **Total** |
| **31 December 2009** | | | | | |
| | **US $000** | **US $000** | **US $000** | **US $000** | **US $000** |
| Opening balance | 43,796 | 15,129 | 4,443 | 3,138 | 66,506 |
| Sales | – | – | – | (364) | (364) |
| Purchases | – | 1,157 | | | 1,157 |
| Gains losses recognised in: | | | | | |
| • Profit or loss | (22,484) | – | (889) | 129 | (23,244) |
| • Other comprehensive income | – | (2,762) | – | – | (2,762) |
| Exchange difference | 780 | – | 15 | – | 795 |
| Settlements | – | – | (587) | – | (587) |
| Closing balance | 22,092 | 13,524 | 2,982 | 2,903 | 41,501 |

Financial liabilities within this level can be reconciled from beginning to ending balances as follows:

| | **Interest rate swaps** | **Forward contracts** | **Total** |
|---|---|---|---|
| **31 December 2009** | | | |
| | **US $000** | **US $000** | **US $000** |
| Opening balance | 7,539 | 610 | 8,149 |
| Gains losses recognised in: | | | |
| • Profit or loss | 998 | (571) | 427 |
| • Other comprehensive income | – | – | – |
| Closing balance | 8,537 | 39 | 8,576 |

A reasonable change in any individual significant input used in the level 3 valuations is not anticipated to have a significant change in fair values as above.

## 8. Investment and development property

| | Investment property US $000 | Development property US $000 | Total US $000 |
|---|---|---|---|
| As at 1 January 2008 | 86,284 | 11,348 | 97,632 |
| Additions | – | 4,214 | 4,214 |
| Change in fair value | (3,323) | – | (3,323) |
| Exchange difference | 5,300 | 697 | 5,997 |
| Transfer on completion | 16,259 | (16,259) | – |
| As at 1 January 2009 | 104,520 | – | 104,520 |
| Additions | 152 | – | 152 |
| Change in fair value | (1,358) | – | (1,358) |
| Exchange difference | 3,019 | – | 3,019 |
| As at 31 December 2009 | 106,333 | – | 106,333 |

The investment property was valued by Wuest & Partners as at 31 December 2009 on the basis of open market value in accordance with the appraisal and valuation guidelines of the Royal Institute of Certified Surveyors, and the European Group of Valuers' Associations.

Wuest & Partners are independent qualified valuers with substantial relevant experience.

Wyler Park property investment loan is secured on the property itself.

## 9. Investment in associate

| | 2009 US $000 | 2008 US $000 |
|---|---|---|
| As at 1 January | 39,939 | 69,639 |
| Adjustments for the period: | | |
| Share of loss for the year | (14,530) | (10,613) |
| Additions for the year | 1,668 | 1,590 |
| Sales for the year | (550) | – |
| Deemed disposal | – | (1,129) |
| Dividend received | – | (2,610) |
| Share of other comprehensive loss | (2,918) | (3,030) |
| Exchange differences | 640 | (2,938) |
| Impairment charge | (13,313) | (10,970) |
| As at 31 December | 10,936 | 39,939 |

a) **Investment in associates –** The Group has a 21.71% (2008: 21.21%) interest in Atlas Estates Limited (Guernsey), an AIM – quoted real estate investment and development company.

The following table illustrates summarised financial information of the Group's investment in Atlas Estates Ltd:

| | **2009 US $000** | **2008 US $000** |
|---|---|---|
| Share of the associate's Financial Position | | |
| Non-current assets | 87,312 | 99,400 |
| Current assets | 48,595 | 52,783 |
| Assets classified as held for sale | 8,275 | - |
| Share of gross assets | 144,182 | 152,183 |
| Current liabilities | (65,958) | (44,106) |
| Non-current liabilities | (36,727) | (56,810) |
| Liabilities classified as held for sale | (6,051) | - |
| | (108,736) | (100,916) |
| Minority interest | (227) | (358) |
| Share of gross liabilities | (108,963) | (101,274) |
| Share of net assets | 35,219 | 50,909 |
| Impairment provision | (24,283) | (10,970) |
| | 10,936 | 39,939 |

The Group has carried out an impairment test and has estimated that the recoverable amount of the investment in the associate is USD 11m (31 December 2008: USD 39.9m), which represents the investment's fair value based on its quoted market price as at 31 December 2009 of $1.07 per share.

## 10. Details of Group undertakings

Details of the investments in which the Group has a controlling interest are as follows:

| Name of Subsidiary | Place of incorporation | Holding | Proportion of voting rights and shares held | Principal activity |
|---|---|---|---|---|
| Livermore Capital Limited | British Virgin Islands | Ordinary shares | 100% | Fund management (Dormant) |
| Livermore Fund I Limited | British Virgin Islands | Ordinary shares | 100%* | Hedge Fund, (Dormant) |
| Livermore Properties Limited | British Virgin Islands | Ordinary shares | 100% | Holding of investments |
| Livermore Capital AG | Switzerland | Ordinary shares | 100% | Administration services |
| Livermore Investments AG | Switzerland | Ordinary shares | 100%* | Real Estate management |
| Livermore Real Estate I AG | Switzerland | Ordinary shares | 100% | Real Estate management, (Dormant) |
| Enaxor S.a.r.l | Luxembourg | Ordinary shares | 100% | Real Estate Owner |
| Livermore Investments Cyprus Limited | Cyprus | Ordinary shares | 100% | Administration services |
| Sandhirst Ltd | Cyprus | Ordinary shares | 100% | Holding of investments |

* Held by a Subsidiary undertaking.

During the year Livermore Capital Limited and Livermore Fund I Limited were closed and dissolved.

## 11. Deferred tax

The deferred tax shown in the consolidated statement of financial position relates to temporary differences between the carrying amount and the tax base of the following items:

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Investment property | (1,332) | (790) |
| Derivative financial instruments | 1,740 | 1,350 |
| Tax losses | 1,515 | 1,138 |
| **Net deferred tax asset** | 1,923 | 1,698 |

The movement on the deferred taxation account is as follows:

| | Investment property<br>US $000 | Derivative financial instruments<br>US $000 | Tax losses<br>US $000 | Total<br>US $000 |
|---|---|---|---|---|
| At 1 January 2008 | 284 | (542) | – | (258) |
| (Charged) / credited to profit or loss (note 30) | (1,074) | 1,892 | 1,138 | 1,956 |
| **At 1 January 2009** | (790) | 1,350 | 1,138 | 1,698 |
| (Charged) / credited to profit or loss (note 30) | (554) | 410 | 394 | 250 |
| Exchange difference | 12 | (20) | (17) | (25) |
| **At 31 December 2009** | (1,332) | 1,740 | 1,515 | 1,923 |

The Group expects that future taxable profits will be available in the jurisdiction where the deferred tax assets occurred (Switzerland) so as to utilise the carrying amount of the deferred tax assets recognised as at the end of the year.

## 12. Trade and other receivables

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Trade receivables | – | 397 |
| Other debtors and prepayments | 7,788 | 7,733 |
| | 7,788 | 8,130 |

The carrying amount of trade and other receivables approximates to their fair value.

## 13. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following at the reporting date:

| | 2009 US $000 | 2008 US $000 |
|---|---|---|
| Cash at bank | 5,898 | 2,468 |
| | 5,898 | 2,468 |
| Bank overdrafts used for cash management purposes | (5,198) | (8,518) |
| Cash and cash equivalents for the purposes of the consolidated statement of cash flows | 700 | (6,050) |

## 14. Share capital

**Authorised share capital**

The Company has authorised share capital of 1,000,000,000 ordinary shares with no par value, and no restrictions.

| Issued share capital | Number of shares | Share premium arising US $000 |
|---|---|---|
| **Ordinary shares with no par value** | | |
| As at 1 January 2008 | 292,777,772 | 209,806 |
| Issued under the scrip dividend offer | 11,342,629 | 5,693 |
| As at 1 January 2009 and 31 December 2009 | 304,120,401 | 215,499 |

| Treasury shares | Number of shares | US $000 |
|---|---|---|
| As at 1 January 2008 | 8,750,000 | 7,171 |
| Additions | 3,391,961 | 1,798 |
| As at 1 January 2009 | 12,141,961 | 8,969 |
| Additions | 1,284,005 | 641 |
| As at 31 December 2009 | 13,425,966 | 9,610 |

In the consolidated statement of financial position the amount included comprises of:

| | 2009 US $000 | 2008 US $000 |
|---|---|---|
| Share premium | 215,499 | 215,499 |
| Treasury shares | (9,610) | (8,969) |
| | 205,889 | 206,530 |

## 15. Share options

The Company has a share option scheme for acquiring ordinary shares of the Company.

| Outstanding options | Number of options | Average exercise price GBP | Average exercise price* USD |
|---|---|---|---|
| At 1 January 2008 | 11,545,555 | 0.84 | 1.37 |
| Granted in the year | 500,000 | 0.30 | 0.49 |
| At 1 January 2009 and 31 December 2009 | 12,045,555 | 0.82 | 1.33 |

| Exercisable options | Number of options | Average exercise price GBP | Average exercise price* USD |
|---|---|---|---|
| At 1 January 2008 | 4,548,888 | 0.95 | 1.53 |
| Exercisable during the year | 3,613,333 | 0.78 | 1.25 |
| At 1 January 2009 | 8,162,221 | 0.87 | 1.41 |
| Exercisable during the year | 3,550,000 | 0.76 | 1.22 |
| As at 31 December 2009 | 11,712,221 | 0.84 | 1.35 |

Details of share options outstanding at 31 December 2009

| Number of options | Grant date | Vesting date | Earliest exercise date | Expire date of exercise period | Exercise price GBP | Exercise Price* USD | Fair value at grant date USD |
|---|---|---|---|---|---|---|---|
| 705,555 | 08/06/05 | 08/06/05 | 15/06/05 | 15/06/10 | 1.90 | 3.07 | 648,188 |
| 230,000 | 07/12/05 | 07/12/06 | 07/12/06 | 07/12/15 | 0.71 | 1.15 | 82,739 |
| 230,000 | 07/12/05 | 07/12/07 | 07/12/07 | 07/12/15 | 0.71 | 1.15 | 94,333 |
| 230,000 | 07/12/05 | 07/12/08 | 07/12/08 | 07/12/15 | 0.71 | 1.15 | 103,948 |
| 3,383,333 | 19/07/06 | 19/07/07 | 19/07/07 | 19/07/16 | 0.78 | 1.26 | 1,608,710 |
| 3,383,333 | 19/07/06 | 19/07/08 | 19/07/08 | 19/07/16 | 0.78 | 1.26 | 1,824,133 |
| 3,383,333 | 19/07/06 | 19/07/09 | 19/07/09 | 19/07/16 | 0.78 | 1.26 | 2,001,774 |
| 166,667 | 13/05/08 | 13/05/09 | 13/05/09 | 13/05/18 | 0.30 | 0.49 | 21,703 |
| 166,667 | 13/05/08 | 13/05/10 | 13/05/10 | 13/05/18 | 0.30 | 0.49 | 24,115 |
| 166,667 | 13/05/08 | 13/05/11 | 13/05/11 | 13/05/18 | 0.30 | 0.49 | 25,820 |
| 12,045,555 | | | | | | | 6,435,464 |

The fair value of options granted to employees was determined using the Binomial valuation model. The model takes into account a volatility rate of 41-45% calculated using the historical volatility of a peer group of similar companies and a risk free interest rate of 4.0-4.4% and it has been assumed the options have an expected life of two years post date of vesting.

* The exercise prices as per the share option scheme are quoted in Great Britain Pounds. The indicative equivalent USD amounts shown in the table of details above as well as the average exercise prices are based on the exchange rates as at 31 December 2009.

## 16. Bank Loans

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Long term bank loan | 76,436 | 74,134 |

The long term bank loan is related to Wylerpark property investment purchase and is secured on this property. The increase in the loan amount from 2008 to 2009 reflects only the effects of currency translation from CHF to USD.

Interest is payable at 3M CHF Libor + 0.85%. The Group has fixed the variable element of interest to 3.3% using an interest rate swap (Note 17). Consequently, the loan's effective interest rate is 4.15%.

The loan balance is repayable on 12 July 2014.

## 17. Derivative Financial Instruments

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Interest rate swaps | 8,537 | 7,539 |
| Forward contracts | 39 | 610 |
| | 8,576 | 8,149 |

The Company uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion from floating rates to fixed rates as follows:

| Notional contract amount | Underlying floating rate | Contract fixed rate | Contract termination date |
|---|---|---|---|
| CHF 79,135,000 | 3M CHF Libor | 3.30% | 30 July 2014 |
| CHF 10,000,000 | 6M CHF Libor | 3.255% | 17 June 2014 |
| CHF 10,000,000 | 6M CHF Libor | 3.1675% | 17 November 2014 |

The calculation of the fair value of swaps is based on discounted cash flows of future anticipated interest payments on the swap agreements in place compared with the discounted cash flows of anticipated interest payments at market swap interest rates at the reporting date.

For the year ended 31 December 2009 a fair value loss of US$ 1,913,606 (2008: US$ 6,436,259) has been recognised in the profit or loss in relation to all derivative financial instruments.

## 18. Bank Overdrafts

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Short term bank overdrafts | 5,198 | 8,518 |

Short term bank overdrafts bear Libor + lender's margin and have an average interest rate of 1.97%.

## 19. Short term bank loans

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Short term bank loans | 13,987 | 7,370 |

Short term bank loans bear Libor + lender's margin and have an average interest rate of 1.04%. Their repayment period is usually one to three months and upon repayment date usually they are renewed.

## 20. Trade and other payables

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Trade payables | – | 1,370 |
| Other payables and accrued expenses | 1,295 | 1,850 |
| | 1,295 | 3,220 |

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. All amounts fall due within one year.

## 21. Current tax payable

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Corporation tax payable | 155 | 127 |

## 22. Net asset value per share

Net asset value per share has been calculated by dividing the net assets attributable to ordinary shareholders by the closing number of ordinary shares (net of treasury shares) in issue during the relevant financial periods.

Diluted net asset value per share is calculated after taking into consideration the potentially dilutive shares in existence as at the year ended 31 December 2009 and the year ended 31 December 2008.

| | 2009 | 2008 |
|---|---|---|
| Net assets attributable to ordinary shareholders (US $000) | 128,568 | 179,950 |
| Closing number of ordinary shares in issue | 290,694,435 | 291,978,440 |
| Basic net asset value per share (US $) | 0.44 | 0.62 |

| | 2009 | 2008 |
|---|---|---|
| Closing number of ordinary shares including the effect of potentially diluted shares | 290,694,435 | 292,478,440 |
| Diluted net assets value per share (US $) | 0.44 | 0.62 |
| **Number of Shares** | | |
| Closing number of ordinary shares in issue | 290,694,435 | 291,978,440 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | – | 500,000 |
| Closing number of ordinary shares including the effect of potentially dilutive shares | 290,694,435 | 292,478,440 |

The Share options do not impact the diluted net asset value per share for 2009 as their exercise price was higher than the average market price of the Company's shares on the London Stock Exchange (AIM division) during the year ended 31 December 2009.

## 23. Segment Information

Management consider investment activity to be the Group's only material class of business.

The Group does not have any external customers.

## 24. Interest and dividend income

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Interest from investments | 1,172 | 8,676 |
| Dividend income | 2,039 | 5,356 |
| | 3,211 | 14,032 |

## 25. Investment property revenue

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Gross rental income | 4,751 | 3,995 |
| Direct expenses | (319) | (508) |
| | 4,432 | 3,487 |

## 26. Loss on investments

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Loss on sale of investments | (6,092) | (20,849) |
| Investment property revaluation | (1,358) | (3,323) |
| Foreign exchange gain / (loss) | 3,480 | (3,759) |
| Loss due to significant fall in value of available-for-sale instruments | (28,235) | (14,176) |
| Fair value gains / (losses) on financial assets through profit or loss | 3,064 | (2,307) |
| Fair value losses on derivative instruments | (1,914) | (6,436) |
| | (31,055) | (50,850) |

The investments disposed of during the year resulted in the following realised gains/(losses) (i.e. in relation to their original acquisition cost):

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Available-for-sale | (6,092) | (20,849) |
| At fair value through profit or loss | 433 | 93 |
| | (5,659) | (20,756) |

## 27. Loss from investment in associate

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Atlas Estates Ltd | (26,869) | (22,712) |
| Share of loss for the year | (14,530) | (10,613) |
| Deemed disposal | – | (1,129) |
| Gain on bargain purchase | 1,409 | – |
| Loss on disposal | (435) | – |
| Impairment charge | (13,313) | (10,970) |
| | (26,869) | (22,712) |

## 28. Administrative expenses

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| | | |
| Operational expenses | 2,059 | 957 |
| Directors' fees and expenses | 913 | 870 |
| Share option expense | 359 | 1,167 |
| Consultants' fees and expenses | 259 | 534 |
| Other salaries and expenses | 408 | 410 |
| Office cost | 247 | 251 |
| Other administration costs | 198 | 108 |
| Depreciation and amortisation of assets | 132 | 140 |
| Provision for legal and other matters – charge for the year | 4,200 | – |
| Audit fees | 72 | 119 |
| Audit fees prior year | 84 | – |
| | 8,931 | 4,556 |

Throughout 2009 the Group employed 8 staff (2008: 8).

## 29. Finance costs

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Bank interest and fees | 290 | 1,562 |
| Bank interest on investment property loan | 3,080 | 3,108 |
| Bank custody fees | 85 | 170 |
| Foreign exchange (loss) / gain | 327 | (783) |
| | 3,782 | 4,057 |

## 30. Taxation

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| | | |
| Current tax charge | 46 | 21 |
| Deferred tax credit | (250) | (1,956) |
| | (204) | (1,935) |
| The tax credit for the year can be reconciled to the accounting loss as follows: | | |
| Loss before tax | (62,994) | (64,656) |
| Tax effect of applicable corporation tax rates | (260) | (1,774) |
| Effect of current year losses | 275 | 1,877 |
| Tax effect of expenses not deductible for tax purposes | 8 | – |
| Effect of tax losses brought forward | – | (124) |
| Property tax | 23 | 42 |
| Deferred tax credit | (250) | (1,956) |
| Tax for the year | (204) | (1,935) |

The Company is an international business company based in the British Virgin Islands (BVI) and, under its laws, is not subject to corporation tax. Corporation tax is calculated with reference to the results of the Company's subsidiaries.

## 31. Discontinued operations

The gains from discontinued operations represent adjustments made as a result of resolution of uncertainties in relation to operations discontinued in 2007.

### 32. Loss per share from continuing operations

Basic loss per share has been calculated by dividing the net loss for the year from continuing operations by the weighted average number of ordinary shares in issue of the parent during the relevant financial periods.

Diluted loss per share is calculated after taking into consideration other potentially dilutive shares in existence during the year ended 31 December 2009 and the year ended 31 December 2008.

| | 2009 | 2008 |
|---|---|---|
| Loss for the year from continuing operations ($000) | (62,790) | (62,721) |
| Weighted average number of ordinary shares in issue | 291,602,250 | 285,572,172 |
| Basic loss per share (US $) | (0.22) | (0.22) |
| Weighted average number of ordinary shares including the effect of potentially dilutive shares | 291,602,250 | 286,072,172 |
| Diluted loss per share (US $) | (0.22) | (0.22) |
| Number of Shares | | |
| Weighted average number of ordinary shares in issue | 291,602,250 | 285,572,172 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | - | 500,000 |
| Weighted average number of ordinary shares including the effect of potentially dilutive shares | 291,602,250 | 286,072,172 |

The Share options do not impact the diluted loss per share for 2009 as their exercise price was higher than the average market price of the Company's shares on the London Stock Exchange (AIM division) during the year ended 31 December 2009.

## 33. Loss per share

Basic loss per share has been calculated by dividing the net loss for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue of the parent during the relevant financial periods.

Diluted loss per share is calculated after taking into consideration other potentially dilutive shares in existence during the year ended 31 December 2009 and the year ended 31 December 2008.

| | 2009 | 2008 |
|---|---|---|
| Loss for the year attributable to ordinary shareholders of the parent ($000) | (61,125) | (61,859) |
| Weighted average number of ordinary shares in issue | 291,602,250 | 285,572,172 |
| Basic loss per share (US $) | (0.21) | (0.22) |
| Weighted average number of ordinary shares including the effect of potentially dilutive shares | 291,602,250 | 286,072,172 |
| Diluted loss per share (US $) | (0.21) | (0.22) |
| Number of Shares | | |
| Weighted average number of ordinary shares in issue | 291,602,250 | 285,572,172 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | - | 500,000 |
| Weighted average number of ordinary shares including the effect of potentially dilutive shares | 291,602,250 | 286,072,172 |

The Share options do not impact the diluted loss per share for 2009 as their exercise price was higher than the average market price of the Company's shares on the London Stock Exchange (AIM division) during the year ended 31 December 2009.

## 34. Dividends

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Dividends paid during the year per share (US $) | - | 0.033 |
| Dividends paid during the year (US $) | - | 9,848 |

The Directors do not propose the payment of any dividend in respect of the year 2009.

## 35. Related party transactions

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Amounts owed by key management | 5,000 | 5,500 |
| Interest receivable on key management balances | – | 225 |
| Amounts owed to Directors | (38) | (63) |
| Administration services provided by Tradal Limited | – | 117 |
| Paid in respect of key management services * | 797 | 840 |
| Share option expense of key management | 359 | 1,167 |
| | 1,156 | 2,007 |

* These payments were made in respect of members of key management either directly to them or to companies to which they are related. Payments to key management members are for salary and fees.

Tradal Ltd is a related party by virtue of common ownership with Livermore Investments Group Limited.

Loans with a balance at 31 December 2009 of USD 5,000,000 (31 December 2008: USD 5.5m) were made to key management during the year ended 31 December 2007 for the acquisition of shares in the Company. Interest is payable on these loans at US LIBOR plus 0.25% and the loans are secured on the shares acquired. The loans are repayable on the earlier of the employee leaving the Company or November 2010. These loans are classified as financial assets available for sale in the consolidated statement of financial position.

## 36. Provisions

### Corporate guarantee

The Company provided a corporate guarantee to DTH-Boom TV in the amount of €2.1m (USD 2.9m) as part of a shareholders' guarantee required by a financing bank as condition to a loan facility provided to DTH-Boom. DTH-Boom has financial difficulties and is in breach of its loan covenants.

No further information is provided as the Directors consider it could prejudice the outcome of any claim.

### Litigation

For litigation refer to note 37.

The movement in the provisions for the year is as follows:

| | US $000 |
|---|---|
| **Legal and other matters** | |
| At 1 January 2009 | – |
| Provided for the year | 4,200 |
| At 31 December 2009 | 4,200 |

## 37. Litigation

### Ex employee vs Empire Online Ltd

In Q3 2007 an ex employee of Empire Online Limited (the Company's former name) filed a law suit against one of its Directors and the Company in the Labor Court in Tel Aviv. According to the lawsuit the plaintiff claims compensation relating to the sale of all commercial activities of Empire Online Limited until the end of 2006, and the dissolution of the company and the terms of termination of his employment with Empire Online Limited.

Prior to the filing of the lawsuit in Israel, the Company filed a claim against the plaintiff in the Court in Cyprus based upon claims concerning breach of faith of the plaintiff towards his employers. As of yet, both litigation procedures are in progress both in Israel and in Cyprus.

### Secretline vs Livermore

In Q3 2009, Secretline Investments Ltd. ("**Secretline**"), a supplier of DTH Boom, filed a claim against the Company and certain other DTH Boom shareholders in the District Court in Tel Aviv. The claim is related to guarantees provided by Livermore and certain other DTH Boom shareholders to Secretline to secure a payment from DTH Boom to Secretline. Prior to the filing of the lawsuit, however, DTH had filed a claim against Secretline in Romania concerning breach of their contract. Since this claim in Romania has a direct impact on Secretline's claim against Livermore, the Tel Aviv court has decided to suspend the hearing until a decision on the case against Secretline in Romania has been reached.

The procedures are at a preliminary stage, and Livermore's claims are partially subject to DTH`s claims in the pending litigation in Romania.

No further information is provided on the above cases as the Directors consider it could prejudice the outcome of any claim.

## 38. Commitments

The Group has no capital or other commitments as at 31 December 2009.

## 39. Events after the reporting date

Atlas Estates: On 16 April 2010, Fragliolig Limited, a wholly owned subsidiary of the Izaki Group, made a cash offer to acquire the entire issued and to be issued share capital of Atlas Estates Limited not already owned by Fragliolig Limited or persons acting in concert with it. The offer is for GBP 0.90 in cash for each Atlas Estates share.

On 12 May 2010, the Offer was declared wholly unconditional as Fragliolig Limited along with its concert parties owned or had received acceptances in respect of approximately 62.9% of the issued share capital of Atlas Estates. The Offer remains open until 3:00pm GMT on 21 Jun 2010.

DTH Boom: On 12 May 2010, DTH Boom filed for insolvency in Romania. The insolvency followed DTH Boom's unsuccessful efforts in raising growth capital as well as finding a buyer for the entire company. As of year-end 2009 the Company wrote off entirely all equity and shareholders' loans related to this investment

40. **Financial risk management objectives and policies**

**Background**

The Group's financial instruments comprise of available for sale financial assets, financial assets at fair value through profit or loss, derivatives, cash balances and receivables and payables that arise directly from its operations.

**Risk objectives and policies**

The objective of the Group is to achieve growth of shareholder value, yet in line with reasonable risk, taking into consideration that the protection of long-term shareholder value is paramount. The policy of the Board is to provide a framework within which the investment manager can operate and deliver the objectives of the Group.

**Risks associated with financial instruments**

**Tax risk**

Since the Group trades in a number of jurisdictions, there is a risk that certain tax authorities consider that it should be subject to tax in those countries. The Directors have considered these risks and concluded that no further tax provision is required.

**Foreign currency risk**

Foreign currency risks arise in two distinct areas which affect the valuation of the investment portfolio, 1) where an investment is denominated and paid for in a currency other than US Dollars; and 2) where an investment has substantial exposure to non-US Dollar underlying assets or cash flows. Although the Company reports in USD, certain of the Company's assets are in non-USD currencies and the Company in general does not hedge its currency exposure. The Company discretionally partially hedges against foreign currency movements affecting the value of the investment portfolio based on its view on the relative strength of certain currencies. The management monitors the effect of foreign currency fluctuations through the pricing of the investments by the various markets. The level of investments denominated in foreign currencies held by the Group at 31 December 2009 is the following:

| | 2009 US $m | 2009 US $m | 2009 US $m | 2008 US $m | 2008 US $m | 2008 US $m |
|---|---|---|---|---|---|---|
| | Financial assets | Liabilities | Net value | Financial assets | Liabilities | Net value |
| US Dollar (USD) | 63.4 | (13.6) | 49.8 | 88.9 | (15.2) | 73.7 |
| British Pounds (GPB) | 4.6 | (2.4) | 2.2 | 16.5 | (2.3) | 14.2 |
| Euro (EUR) | 14.6 | (4.6) | 10.0 | 18.6 | (2.5) | 16.1 |
| Swiss Francs (CHF) | 10.4 | (41.0) | (30.6) | 7.2 | (31.5) | (24.3) |
| Indian Rupee (INR) | 25.6 | (-) | 25.6 | 3.6 | (-) | 3.6 |
| Others | 0.3 | (-) | 0.3 | 0.1 | (-) | 0.1 |
| Total | 118.9 | (61.6) | 57.3 | 134.9 | (51.5) | 83.4 |

Some of the USD denominated investments are backed by underlying assets which are invested in non-USD assets.

A 10% increase of the rate of United States Dollar (USD) against the following currencies at 31 December 2009 would have the following impact. A 10% decrease of USD against the following currencies would have an equal but opposite impact.

| | **2009 US $m** | **2009 US $m** | **2008 US $m** | **2008 US $m** |
|---|---|---|---|---|
| | Profit or loss | Other comprehensive income | Profit or loss | Other comprehensive income |
| British Pounds (GPB) | 234 | - | 1,420 | - |
| Euro (EUR) | 1,000 | - | 1,610 | - |
| Swiss Francs (CHF) | (3,060) | - | (2,436) | - |
| Indian Rupee (INR) | 2,559 | - | 360 | - |
| Total | 733 | - | 954 | - |

The above analysis assumes that all other variables in particular, interest rates, remain constant. The analysis does not include the impact arising from the translation of foreign operations from their functional to the presentation currency.

**Interest rate risk**

The Group is exposed to interest rate risk on its interest-bearing instruments which are affected by changes in market interest rates. The Group has borrowings of USD 76.4m (2008: USD 74.1m) related to a real estate asset (Wylerpark, Bern), which have been fixed through the use of an interest rate swap.

The Group has banking credit lines which are available on short notice for the Company to use in their investment activities, the costs of which are based on variable rates plus a margin. When an investment is made utilising the facility, consideration is given to the financing costs which would impact the returns. The level of banking facilities used is monitored by both the Board and the management on a regular basis. The level of banking facilities utilised at 31 December 2008 was USD 19.2m (2008: USD 15.8m). On 31 March 2010, the banking facilities utilised were USD 12.2m.

Interest rate changes will also impact equity prices. The level and direction of changes in equity prices are subject to prevailing local and world economics as well as market sentiment all of which are very difficult to predict with any certainty. As at 31 December 2009 the Group had no financial liabilities that bore an interest rate risk, other than the previously disclosed bank facilities.

The Group has floating rate financial assets consisting of bank balances that bear interest at rates based on the banks floating interest rate.

The Group's interest bearing assets and liabilities are as follows:

| | 2009 US $m | 2008 US $m |
|---|---|---|
| Financial assets – subject to: | | |
| • fair value changes | 14.7 | 13.1 |
| • interest changes | 23.4 | 10.9 |
| **Total** | 38.1 | 24.0 |
| | | |
| Financial liabilities – subject to: | | |
| • fair value changes | – | – |
| • interest changes | 95.6 | 90.0 |
| • both fair value and interest changes | 8.5 | 7.5 |
| **Total** | 104.1 | 97.5 |

Changes in market interest rates will affect the valuation of fixed rate interest bearing instruments. A 1% change in market interest rates would result in an estimated 4.24% change in the net asset value.

Particularly an increase of 1% (100 basis points) in interest rates would have the following impact. An equivalent decrease would have an equal but opposite impact, except for the financial liabilities' fair value impact in profit or loss that would have been US$ (2.9)m (31 December 2008: US$ (3.2)m).

| | 2009 US $000 | 2009 US $000 | 2008 US $000 | 2008 US $000 |
|---|---|---|---|---|
| | Profit or loss | Other comprehensive income | Profit or loss | Other comprehensive income |
| Financial assets | | | | |
| • fair value changes | 722 | 118 | 244 | 280 |
| • interest changes | 234 | – | 109 | – |
| | | | | |
| Financial liabilities | | | | |
| • fair value changes | 4,380 | – | 5,132 | – |
| • interest changes | 1 | – | 28 | – |
| | 5,337 | 118 | 5,513 | 280 |

The above analysis assumes that all other variables, in particular currency rates, remain constant.

**Equity price risk**

By the nature of its activities, most of the Group's investments are exposed to market price fluctuations. The Board monitors the portfolio valuation on a regular basis and consideration is given to hedging or adjusting the portfolio against large market movements.

The Group had no single major financial instrument that in absolute terms and as a proportion of the portfolio could result in a significant reduction in the NAV and share price. Due to the very low exposure of the Group to public equities, and having no specific correlation to any market, the market risk is negligible. The portfolio as a whole does not correlate exactly to any Index.

Management of risks is primarily achieved by having a diversified portfolio to spread the market risk. A 10% uniform change in the value of the Group's portfolio of financial instruments (excluding private equities and financial and minority holdings) would result in a 4.29% change in the net asset value, and would have the following impact (either positive or negative, depending on the corresponding sign of the change):

| | 2009 US $000 | 2009 US $000 | 2008 US $000 | 2008 SU $000 |
|---|---|---|---|---|
| | Profit or loss | Other comprehensive income | Profit or loss | Other comprehensive income |
| Available-for-sale financial assets | 642 | 3,044 | 71 | 3,868 |
| Financial assets designated at fair value through profit or loss | 2,471 | - | 1,025 | - |
| | 3,113 | 3,044 | 1,096 | 3,868 |

**Derivatives**

The Investment Manager may use derivative instruments in order to mitigate market / price risk or to take a directional investment. These provide a limited degree of protection against a rise in interest rates and would not materially impact the portfolio returns if a large market movement did occur.

**Credit Risk**

The Group invests in a wide range of securities with various credit risk profiles including investment grade securities and sub investment grade positions. The investment in debt instruments is usually in investment grade securities, however, the Group may invest also in sub investment grade or unrated debt instruments. The investment manager mitigates the credit risk via diversification across issuers. However, the Group is exposed to a migration of credit rating, widening of credit spreads and default of any specific issuer.

The Group only transacts with regulated institutions on normal market terms which are trade date plus one to three days. The levels of amounts outstanding from brokers are regularly reviewed by the management. The duration of credit risk associated with the investment transactions is the period between the date the transaction took place, the trade date and the date the stock and cash are transferred, the settlement date. The level of risk during the period is the difference between the value of the original transaction and its replacement with a new transaction. The Group is exposed to credit risk in respect of its interest bearing investments of USD 32.2m.

At 31 December the credit rating distribution of the Group's asset portfolio subject to credit risk (bonds, bank balances and receivables) was as follows:

| Rating | 2009 Amount US $000 | Percentage | 2008 Amount US $000 | Percentage |
|---|---|---|---|---|
| AA | 6,266 | 14% | 4,964 | 15% |
| AA+ | 1,360 | 3% | 3,115 | 10% |
| AA- | 1,939 | 4% | - | - |
| A | 17,449 | 38% | 12,060 | 38% |
| A- | 3,730 | 8% | - | - |
| BBB | 1,642 | 3% | - | - |
| BBB+ | 3,015 | 7% | 6,781 | 21% |
| BBB- | 3,096 | 7% | - | - |
| B | 846 | 1% | 806 | 3% |
| BB | 2,079 | 4% | 802 | 2% |
| BB+ | 221 | 1% | - | - |
| BB- | 258 | 1% | - | - |
| CCC+ | 3,850 | 8% | - | - |
| Not Rated | 173 | 1% | 3,587 | 11% |
| | 45,924 | 100% | 32,115 | 100% |

**Liquidity Risk**

The only significant financial liability of the Group is the bank loan of CHF 79m (USD 76.4m) used for purchase of a real estate property, which has a maturity in 2014 and is fully financed by the rental income from that same property. The loan is collateralized by property valued at CHF 110.1m (USD 106.3m) in December 2009. The loan is non-recourse, i.e. the holding company and its assets (apart from the Wyler Park property) are neither pledged for this loan nor liable for recovery in case of default. The following table summarizes the Group's financial liabilities according to their maturity duration.

| 31 December 2009 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| | US $000 | US $000 | US $000 | US $000 |
| Borrowings | 20,027 | 842 | 78,612 | – |
| Derivative financial instruments | 2,904 | 2,868 | 7,850 | – |
| Trade and other payables | 5,495 | – | – | – |
| Total | 28,426 | 3,710 | 86,462 | – |

| 31 December 2008 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| | US $000 | US $000 | US $000 | US $000 |
| Borrowings | 17,009 | 1,121 | 3,363 | 74,788 |
| Derivative financial instruments | 2,840 | 2,230 | 6,678 | 1,653 |
| Trade and other payables | 3,220 | – | – | – |
| Total | 23,069 | 3,351 | 10,041 | 76,441 |

A large proportion of the Group's portfolio is invested in mid term private equity investments with low or no liquidity. The investments of the Company in publicly traded securities are subject to availability of buyers at any given time and may be very low or non existent subject to market conditions.

The management take into consideration the liquidity of each investment when purchasing and selling in order to maximise the returns to Shareholders by placing suitable transaction levels into the market. Special consideration is given to investments that represent more than 5% of the investee.

At 31 December 2009, the Company had liquid investments totalling USD 49.4m, comprised of USD 5.9m in cash and cash equivalents, USD 32.2m in fixed income investments, USD 6.4m in public equities and USD 4.9m in hedge funds.

During the year management decided to structure and manage the Group's portfolio based on those investments which are considered to be long term, core investments and those which could be readily convertible to cash, are expected to be realised within normal operating cycle and form part of the Group's treasury function.

The following table lists the Group's financial assets based on their maturity.

| 31 December 2009 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| | US $000 | US $000 | US $000 | US $000 |
| Available-for-sale financial assets | 19,914 | 20,767 | 27,145 | 7,950 |
| Financial assets designated at fair value through profit or loss | 23,602 | 1,114 | 1,789 | 2,982 |

| 31 December 2008 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| | US $000 | US $000 | US $000 | US $000 |
| Available-for-sale financial assets | 28,349 | 22,062 | 50,590 | 8,054 |
| Financial assets designated at fair value through profit or loss | 8,936 | 1,402 | 1,735 | 3,224 |

**Capital Management**

The Group considers its capital to be its issued share capital and reserves.

Re-purchase of own shares

The Board regularly monitors its share discount policy and the level of discounts, and whilst it has the option to re-purchase shares, it considers that the best means of attaining a good rating for its shares is to concentrate on good shareholder returns.

However, the Board believes that the ability of the Company to re-purchase its own Ordinary shares in the market may potentially enable it to benefit all equity shareholders of the Company. The re-purchase of Ordinary shares at a discount to the underlying net asset value would enhance the net asset value per share of the remaining equity shares.

Under this policy, in 2009, the Company bought 1,284,005 of its Ordinary shares.

Net debt to equity

The Group also manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between its net debt and equity.

Net debt to equity ratio is calculated using the following amounts as included on the consolidated statement of financial position, for the reporting periods under review:

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| Cash and cash equivalents | (5,898) | (2,468) |
| Bank overdrafts | 5,198 | 8,518 |
| Bank loans | 76,436 | 74,134 |
| Short bank loans | 13,987 | 7,370 |
| Net Debt | 89,723 | 87,554 |
| Total equity | 128,568 | 179,950 |
| Net debt to equity ratio | 0.70 | 0.49 |

The increase of the ratio in 2009 is mainly attributable to the total comprehensive losses of USD 51.1m that decreased total equity. The Board believes that the ratio remains at an acceptable level.

**Financial assets by category:**

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| **Non current assets** | | |
| Available-for-sale financial assets | 55,862 | 80,706 |
| Financial assets at fair value through profit or loss | 5,885 | 6,361 |
| **Current assets** | | |
| Loans and other receivables: | | |
| Trade and receivables | 7,788 | 8,130 |
| Cash and cash equivalent | 5,898 | 2,468 |
| Available-for-sale financial assets | 19,914 | 28,349 |
| Financial assets at fair value through profit or loss | 23,602 | 8,936 |

**Financial liabilities by category:**

| | 2009<br>US $000 | 2008<br>US $000 |
|---|---|---|
| **Current liabilities** | | |
| Financial liabilities at amortised cost: | | |
| Bank overdrafts | 5,198 | 8,518 |
| Short term bank loans | 13,987 | 7,370 |
| Trade and other payables | 5,495 | 3,220 |
| **Non current liabilities** | | |
| Financial liabilities at amortised cost: | | |
| Bank loan | 76,436 | 74,134 |
| Financial liabilities at fair value through profit or loss: | | |
| Derivative financial instruments | 8,576 | 8,149 |

# Shareholder Information

## Registrars

All enquiries relating to shares or shareholdings should be addressed to:

Capita Registrars
The Registry
34 Beckenham RoadBeckenham
Kent BR3 4TU
Telephone: 0870 162 3100
Facsimile: 020 8639 2342

**Change of Address**

Shareholders can change their address by notifying Capita Registrars in writing at the above address.

## Website

www.livermore-inv.com

The Company's website provides, amongst other things, the latest news and details of the Company's activities, share price details, share price information and links to the websites of our brands.

## Direct Dividend Payments

Dividends can be paid automatically into shareholders' bank or building society accounts. Two primary benefits of this service are:

- There is no chance of the dividend cheque going missing in the post; and
- The dividend payment is received more quickly because the cash sum is paid directly into the account on the payment date without the need to pay in the cheque and wait for it to clear.

As an alternative, shareholders can download a dividend mandate and complete and post to Capita Registrars.

## Lost Share Certificate

If your share certificate is lost or stolen, you should immediately contact Capita Registrars on 0870 162 3100 who will advise on the process for arranging a replacement.

## Duplicate Shareholder Accounts

If, as a shareholder, you receive more than one copy of a communication from the Company you may have your shares registered in at least two accounts. This happens when the registration details of separate transactions differ slightly. If you wish to consolidate such multiple accounts, please call Capita Registrars on 0870 162 3100.

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell the Company's shares.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 10 Snow Hill, London, EC1A 2AL on 25 August 2010 at 10am for the purposes of the following:

## Ordinary business

To consider, and if thought fit, to pass the following resolutions which will be proposed as Resolutions of Members:

1. To receive and adopt the Report of Directors, the financial statements and the report of the Auditor for the year ended 31 December 2009.
2. To re-elect Mr. Menachem Marder who, having been appointed since the date of the last Annual General meeting of the Company, retires in accordance with the Articles of Association of the Company.
3. To re-appoint Grant Thornton Cyprus as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company.
4. To authorise the Directors to determine the auditor's remuneration.
5. That for the purposes of article 5.1 of the Articles of Association of the Company:
   (a) the Directors be and are generally and unconditionally authorised to allot up to a maximum aggregate amount of 95,929,163 new ordinary shares of no par value of the Company to such persons and at such times and on such terms as they think proper during the period expiring at the end of the Annual General Meeting of the Company in 2011 (unless previously revoked or varied by the Company in general meeting); and

   (b) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such ordinary shares to be issued in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution; so that all previous authorities of the Directors pursuant to the said article 5.1 be and are hereby revoked.

## Special business

As a special business to consider and, if thought fit, pass the following resolutions which will be proposed as Special Resolutions:

6. THAT, subject to the passing of resolution 5 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with article 5.2 of the Articles of Association of the Company to allot new ordinary shares of no par value of the Company for cash, pursuant to the authority conferred on them to allot such shares by that resolution 5 as if the pre-emption provisions contained in article 5.2 did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
   (a) the allotment of ordinary shares in connection with an issue or offering in favour of holders of ordinary shares and any other persons entitled to participate in such issue or offering where the

shares respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of ordinary shares held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

(b) the allotment of up to an aggregate amount of 14,534,721 of such ordinary shares.

and this power, unless renewed, shall expire at the end of the Annual General Meeting of the Company in 2011 or, if earlier, 15 months from the date of the passing of this resolution (unless previously revoked or varied by the Company in general meeting) but shall extend to the making, before such expiry, of an offer or agreement which would or might require ordinary shares to be allotted after such expiry and the Directors may allot such shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

7. That, in accordance with its articles of association, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985 (as amended)) on the AIM market of the London Stock Exchange plc of ordinary shares of no par value ("ordinary shares") in the capital of the Company provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 29,069,443;

(b) the authority hereby conferred (unless previously renewed or revoked) shall expire at the conclusion of the annual general meeting of the Company next following the meeting at which this resolution is passed; and

(c) the Company may, under the authority hereby conferred and prior to the expiry of that authority, make a contract to purchase its own shares which will or may be executed wholly or partly after the expiry of that authority and may make a purchase of its own shares in pursuance of such contract.

A member of the Company unable to attend the Meeting may be represented at the Meeting by a proxy appointed in accordance with the Notes attached hereto.

By order of the Board

**Chris Sideras**

Company Secretary
Trident Chambers
PO Box 146
Road Town
Tortola
British Virgin Islands
8 June 2010

**Notes**

(i) A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company. Completion of the Form of Proxy will not prevent you from attending and voting in person.

(ii) To appoint a proxy you should complete the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be delivered to the offices of Capita Registrars, Pxs, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the meeting or any adjourned meeting.

(iii) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(iv) In the case of holders of depository interests representing ordinary shares in the Company, a form of direction must be completed in order to appoint Capita IRG Trustees Limited, the Depository, to vote on the holder's behalf at the meeting or, if the meeting is adjourned, at the adjourned meeting. To be effective, a completed and signed form of direction (and any power of attorney or other authority under which it is signed) must be delivered to the Company's Transfer Agent, Capita Registrars, Pxs, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.

# Corporate Directory

**Secretary**

Chris Sideras

**Registered Office**

Trident Chambers
PO Box 146
Road Town
Tortola
British Virgin Islands

**Company Number**

475668

**Registrars**

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
England

**Auditor**

Grant Thornton
41-49 Agiou Nicolaou Str
Nicosia
Cyprus

**Solicitors**

Travers Smith
10 Snow Hill
London
EC1A 2AL
England

**Nominated Adviser & Broker**

Matrix Corporate Capital LLP
One Vine Street
London
W1J 0AH
England

**Principal Bankers**

**Leumi Bank**
Claridenstrasse 34
8022
Zurich
Switzerland

**Bank Hapoalim**
18 Boulevard Royal
BP 703
L-2017
Luxembourg

**FIBI Bank**
Seestrasse 61
Zurich 8027
Switzerland

**Livermore Investments Group Ltd.**

Trident Chambers
PO Box 146
Road Town
Tortola
British Virgin Islands