



**Livermore**Investments

# Livermore Investments Group Limited

Annual Report & Consolidated Financial Statements  
for the year ended 31 December 2010





# Table of Contents

<b>Table of Contents</b> .....	<b>4</b>
<b>Highlights</b> .....	<b>6</b>
<b>Chairman's and Chief Executive's Review</b> .....	<b>7</b>
Introduction.....	7
Financial Review .....	7
Dividend & Buyback .....	8
Annual General Meeting.....	8
<b>Review of Activities</b> .....	<b>9</b>
Introduction and Overview.....	9
Global Investment Environment .....	9
Livermore's Strategy .....	11
Review of Significant Investments .....	12
Events after the Reporting Date .....	17
Litigation .....	17
<b>Report of the Directors</b> .....	<b>18</b>
The Board's Objectives .....	18
The Board of Directors .....	18
Directors' responsibilities in relation to the consolidated financial statements.....	19
Disclosure of information to the Auditor .....	19
Substantial Shareholdings .....	20
<b>Corporate Governance Statement</b> .....	<b>21</b>
Introduction.....	21
The Board Constitution and Procedures .....	21
Board Committees.....	21
Remuneration Committee .....	21
Audit Committee.....	21
Communication with Investors .....	22
Internal Control.....	22
Independence of Auditor .....	22



<b>Remuneration Report</b> .....	<b>23</b>
Directors' Emoluments .....	23
Directors' Interests .....	23
Interests of Directors in share options .....	24
Share Option Scheme .....	24
Remuneration Policy .....	24
<b>Review of the Business and Risks</b> .....	<b>26</b>
Risks .....	26
Share Capital .....	26
Related Party Transactions .....	27
<b>Report of the independent auditor to the members of Livermore Investments Group Limited</b> .....	<b>28</b>
<b>Consolidated Statement of Financial Position as at 31 December 2010</b> .....	<b>30</b>
<b>Consolidated Income Statement for the year ended 31 December 2010</b> .....	<b>31</b>
<b>Consolidated Statement of Comprehensive Income for the year ended 31 December 2010</b> .....	<b>32</b>
<b>Consolidated Statement of Changes in Equity for the year ended 31 December 2010</b> .....	<b>33</b>
<b>Consolidated Statement of Cash Flows for the year ended 31 December 2010</b> .....	<b>35</b>
<b>Notes on the Financial Statements</b> .....	<b>37</b>
<b>Shareholder Information</b> .....	<b>82</b>
Registrars .....	82
Website .....	82
Direct Dividend Payments .....	82
Lost Share Certificate .....	82
Duplicate Shareholder Accounts .....	82
<b>Notice of Annual General Meeting</b> .....	<b>83</b>
<b>Corporate Directory</b> .....	<b>86</b>

# Highlights

- Net Asset Value per share – USD 0.50 (December 2009: USD 0.44, June 2010: 0.46) – representing a net increase of 13.6%.
- NAV uplift driven by strong performance of financial portfolio (28.3% net performance) as well as currency gains, partially offset by write offs on legacy investments.
- Successfully rented all apartments at Wyler Park, Bern. The property is fully let.
- No material developments in the private equity portfolio.
- Total administrative expenses during the year (excluding provisions for legal and other matters) were USD 3.2m, representing 2.4% of the average NAV.
- Net profit of USD 8.5m mainly from interest and dividend income.



# 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") and its subsidiaries (together "the Group") for the year ended 31 December 2010.

During the year, the Group performed well generating an increase of 13.6% on a NAV per share basis. The Group took advantage of the continued economic recovery in the US, reduced systemic risk, dislocation in market prices and availability of cheap leverage and increased allocation to its financial portfolio, specifically corporate bonds and exposure to US and European senior secured loans.

The year-end NAV was USD 0.50 per share (2009 NAV: USD 0.44 per share). Net profit for the year was USD 8.5m (2009 Net Loss: USD 61.1m). The portfolio remained well diversified across sectors and geographies with increased exposure to fixed income securities and senior secured loans as compared to 2009.

The positive performance is attributed largely to the capital gains and income from the financial portfolio and currency gains on the non-USD denominated investments. Interest and dividend income from the financial portfolio was USD 10.5m.

Wylar Park, our investment property in Bern, Switzerland performed well, generating over CHF 5.4m in net rent during the year. All of the 39 apartments and commercial spaces are fully rented.

There were no significant developments in the private equity portfolio during the year.

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

## Financial Review

The NAV of the Group at 31 December 2010 was USD 142.3m. This represents an increase of USD 13.7m or 12.2% over the NAV at 31 December 2009 excluding share buybacks. On a per share basis, the NAV increased by 13.6%. Net profit during the year was USD 8.5m, which represents earnings per share of USD 0.03.

Administrative expenses excluding provisions for legal and other matters were USD 3.2m (2009: USD 4.7m), representing 2.4% of the average NAV.

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

	31 December 2010 US \$m	31 December 2009 US \$m
Shareholders' funds at beginning of year	128.6	179.9
Income from investments	15.2	7.6
Realised gains / (losses) on investments	0.6	(6.2)
Loss on impairment on investments	(6.3)	(28.2)
Unrealised gains / (losses) on investments	5.6	(17.4)
Unrealised exchange gains	5.9	4.0
Administration costs including provisions for legal cases	(1.0)	(8.9)
Finance costs	(3.5)	(3.9)
Tax (charge) / credit	(0.8)	0.2
Gain for year from discontinued operations	-	1.7
Increase / (Decrease) in net assets from operations	15.7	(51.1)
Purchase of own shares	(2.0)	(0.6)
Adjustments for share option charge	-	0.4
Shareholders' funds at end of year	142.3	128.6
<b>Net Asset Value per share</b>	US \$0.50	US \$0.44

## Dividend & Buyback

The Board has decided not to declare a dividend for the year ended 31 December 2010.

Given the discount between the market price and the NAV, the Board recommends continuing the share buyback as the most efficient means to generate value for shareholders.

During 2010, the Company purchased 8,409,798 shares to be held in treasury for a total cost of USD 2.037m. The total number of shares held in treasury at 30 April 2011 was 31,832,883.

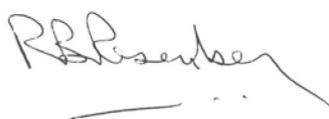
## Annual General Meeting

The Group's Annual General Meeting will be held on 23 August 2011. The Notice for the meeting is on page 83 of this report.

Richard B Rosenberg  
Chairman

Noam Lanir  
Chief Executive Officer

18 May 2011





# Review of Activities

## Introduction and Overview

During 2010 Livermore took advantage of the continued economic recovery in the US, reduced systemic risk, dislocation in market prices and availability of cheap leverage and increased allocation to its financial portfolio, specifically corporate bonds and exposure to US and European senior secured loans.

The year-end NAV was USD 0.50 per share (2009 NAV: USD 0.44 per share). The portfolio remained well diversified across sectors and geographies with increased exposure to fixed income securities and senior secured loans as compared to 2009.

In 2010, the Group generated interest and dividend income of USD 10.5m and investment property income of USD 4.7m. The Group's results (net income of USD 8.5m) relate mainly to gains and interest and dividend income from fixed income securities, currency gains from the non-USD portfolio, and income and valuation gains on its Wyler Park property in Switzerland. At the same time the results were negatively affected by impairments related to CALS refinery and reclassification of certain losses from reserves to income statement. Administrative expenses excluding provisions amounted to USD 3.2m. Finance costs were USD 3.5m, of which USD 3.2m 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 that the Group is well positioned to benefit from current market conditions.

## Global Investment Environment

Economies in most developed and developing countries continued their recovery during the year, albeit at a slower pace than anticipated in developed economies. Sovereign risks were heightened substantially during the year especially in certain European economies. Job destruction reduced, however, economic growth in developed economies was not sufficient to increase employment. Central banks in developed economies 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 evident.

During the first half of 2010, world growth accelerated to over 5% before slowing down to 3.75% in the second half reflecting a normal inventory cycle. Businesses rebuilt depleted inventories resulting in a sharp rebound in industrial production and trade. Subsequently in the latter half, inventory rebuilding and thus industrial production reduced. However, low excess capacity, accommodative policies, and further improvements in confidence encouraged private investment and consumption. Global financial conditions broadly improved, amid lingering vulnerabilities. Equity markets rose, risk spreads continued to tighten, and bank lending conditions in major advanced economies became less tight, even for small and medium-sized firms. Consequently, risks of a double-dip recession in advanced economies have receded, and global activity seems set to accelerate again. Nonetheless,

pockets of vulnerability persisted; real estate markets and household incomes were still weak in some major advanced economies.

Emerging market economies exhibited robust growth momentum driven by domestic demand. Inflation and overheating risks, however, prompted monetary tightening at varied pace. Commodity prices firmed up, largely reflecting easy liquidity conditions in developed economies, as well as growing demand pressures in emerging markets. The asymmetry in monetary and liquidity conditions between the developed and the emerging economies and the imbalance in their growth outlook led to larger capital inflows to emerging markets.

Credit markets in general performed well during the year as investors searched for income in a low interest rate environment. In particular, the High Yield and the Leveraged Loan markets performed well amid improving credit fundamentals and declining default rates. The U.S. lagged 12-month loan default rate fell to 1.87% in December 2010, down from a high of 10.8% recorded in November 2009. The S&P/LSTA Leveraged Loan Index and the CS High Yield Index were up 10.1% and 14.5% respectively during the year.

**EURO ZONE:** The overall macroeconomic environment in the euro area continued to improve moderately in early 2010, albeit with pronounced heterogeneity at the country level. The Euro zone GDP grew by 3% in 2010 on a year-on-year basis. Corporate balance sheets improved with large firms in better shape than small and medium enterprises which are dependent on bank finance and faced tighter lending standards. Concerns about sovereign credit risks within the euro area intensified progressively impairing the functioning of some financial markets intermittently and hampering monetary policy transmission. Greece had to be bailed out and non-standard policy actions were required to address the severe tensions in certain market segments. Credit spreads, especially of financial institutions, widened considerably and equity markets dropped in the first half of the year before recovering substantially in the latter half.

**SWITZERLAND:** In spite of the appreciation of the Swiss franc, the economic recovery in Switzerland proved to be more dynamic than anticipated. GDP grew by 3.2% in 2010 on a year-on-year basis and exceeded potential growth and was broad based. Technical capacity utilisation continued to increase. Manufacturing and the services sector utilizations were at a satisfactory level, while construction industry utilization was at a high. At the same time, demand for labour has firmed, resulting in a renewed drop in unemployment and short-time work. Despite the noticeable dampening effect of the Swiss franc appreciation, the continued positive business expectations suggest favourable developments in the coming months.

**INDIA:** Robust broad-based growth put the Indian economy back on its earlier high growth trajectory. The GDP grew by 8.6% in 2010. Private consumption expenditure and gross capital formation emerged as the key growth drivers. Inflation risks from structural demand supply imbalance in certain sectors and firming global commodity prices increased and food inflation continued to inch upwards. The Reserve Bank of India tightened monetary policy and hiked the reverse repo rate by 200 bps. Equity market in India performed well with the NIFTY Index posting an 18% gain over the prior year.\*

\*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 reached profitability. 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 generate periodic cash flows and include mainly corporate bonds and exposure to senior secured loans. This part of the portfolio is geographically focused on the US and Europe with limited exposure to emerging markets.

Livermore's investments are made directly or alongside professional managers with a proven track record. Strong emphasis is given to maintaining sufficient liquidity and low leverage 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*	34.3
SRS Charminar **	24.0
Montana Tech Components	4.5
Other Real Estate Assets	1.7
<b>Total</b>	<b>64.5</b>

\* Net of related loan.

\*\* Including accrued but unpaid interest- see details below.

### 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 space, 4,100 square meters of residential space, and another 7,800 square meters available for additional commercial development. The commercial part is leased entirely to SBB (AAA rated), the Swiss national transport authority wholly owned by the Swiss Confederation, and serves as the headquarters of their Passenger Traffic division. The commercial lease is 100% linked to inflation and ends in 2019 with two 5 year extension periods thereafter.

Following the successful development of 39 residential apartments, management has completed renting all of the apartments. The entire property is now fully rented.

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 2010 is CHF 111.17m

Management continues to evaluate the potential development of the additional commercial development rights of 7,800 square meters attached to the property.

### SRS Charminar – India

In 2008, Livermore invested USD 20m, through SRS Charminar Investments Ltd, 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 investee company is a top 10 real estate developer in India by land bank value and size. It controls over 5,000 acres across Southern India, with over 650 acres in Hyderabad.

The investment in the investee company was in the form of compulsorily convertible debt and included a put option, which can be exercised if the investee company does not IPO 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 Fund 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 the investors. The award entitles the investors to investment plus interest amounting to 30% IRR until 14 August 2009 and 18% IRR thereafter. However, Livermore decided, for prudent reasons, to stop accruing interest on its investment as of February 2009.

Subsequently, the promoters offered 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.

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 arbitration award. 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 Fund manager is of the opinion that the value of the land is sufficient to secure the put option. As at 31 December 2010 there was no change in the status of this case. Due to the legal complexity of these legal proceedings as well as the various counterparties involved the outcome remains uncertain.

In January 2011, the Corporate Law Board of India (CLB) inducted IL&FS, a leading local infrastructure and finance company, into the target company as the new promoters.

The carrying amount of the investment is based on cost in local currency. The accrued interest as described above is included in receivables.

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

Montana Tech Components AG is a leading components manufacturer in the fields of Aerospace & Industrial Components, Metal Tech and Micro Batteries.

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 could be concluded in significant areas and a fast close of the remaining certification is planned as an ongoing process.

Metal Tech business segment operates in a niche area and is a market leader in an otherwise highly fragmented industry. This business segment produces tools for identification and marking of steel products. Sales and results were as expected below the previous year mainly because of reduced order intakes.

The Micro Batteries business is a market leader in hearing aid batteries and rechargeable batteries with a strong brand (VARTA Micro Power). VARTA has formed a significant joint venture with the Volkswagen group to develop batteries for hybrid cars. The business segment registered rising sales during the year due to increasing demand in the Original Equipment Manufacturer (OEM) business.

The MTC Group increased net sales by 15% compared to the previous year and recorded sales of EUR

351m (2009: EUR 304.4m). EBITDA for the year was EUR 45m (2009: EUR 31.8m) or 12.8% and EBIT was 27.9m (2009: EUR 13.6m) or 7.9%.

In January 2011, the shareholders of MTC approved a capital raise from existing shareholders. The funds will be used to repay the convertible debt and fund additional build-out for the Romanian factory, and to possibly purchase non-controlling shareholders in the Romanian subsidiary.

### 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, during 2010 the investment environment relating to most funds continued to improve and the Group expects that exits of portfolio companies should materialize between 2011 and 2014. No material exits occurred during the reported period.

Name	Book Value US \$m
India Blue Mountains (India)	6.7
Elephant Capital (India)	3.3
SRS Private & JM Financial (India)	3.2
Panda Capital (China)	1.9
Blue Ridge (China)	1.9
Evolution Venture (Israel)	1.6
Da Vinci (Russia)	1.2
<b>Total</b>	<b>19.8</b>

**India Blue Mountains:** India Blue Mountains is a leading hotel and hospitality development fund that is developing 4 star and 5 star hotels in India. The fund has acquired land and is in the process of developing three hotels in prime areas of Mumbai, Pune and Goa. All hotels will be managed by the Accor Group (Novotel brands). Accor has also invested equity and holds a 26% stake in all of the hotels.

The Pune hotel is being built on a land area of 70,200 sq ft with a total built-up area of 338,692 sq ft. The hotel will be a Novotel brand hotel with 333 bays. Casting of the 4th floor is completed and the 5th floor is in progress. The project is expected to be completed by May 2012.

The Mumbai hotel is on a 82,609 sq ft land site with a built-up area of 550,217 sq ft. The hotel will be a Novotel brand hotel with 572 bays. The hotel is close to the Mumbai airport with an unusually high frontage area of 38 meters on one of Mumbai's main arterial roads. Civil contracts for the construction have been awarded and work has begun on the site. The project is expected to be completed by November 2013.

The Goa hotel is on a 905,790 sq ft land site with a built-up area of 200,000 sq ft. The hotel will be a



Novotel brand resort with approximately 250 rooms. The land site benefits from being on the beach front with easy access to the airport. Construction will begin once the master plan is approved. So far the local government has finalized and notified two zones and the remaining seven zones are expected to be notified by Q2 2011.

**Elephant Capital:** India-focused private equity fund, which is AIM quoted (formerly called Promethean India plc). (Ticker: ECAP). The fund executes an active value strategy in both public and private businesses in India. 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 media business with an exclusive content library, a clinical research organization, a m-commerce player, and an online venture to distribute cricket related content (GCV).

During the year, the Board of Control of Cricket in India (BCCI) decided to rescind its media rights contract, which had a material impact on GCV. The board of the fund has decided to impair and dispose of the investment. The investment in the clinical research organization was also marked down as it reported lower than expected performance. The m-commerce player roll-out is progressing but slower than anticipated.

**SRS Private & JM Financial 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 major cities of India such as Mumbai and Hyderabad.

**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's main investment is in a bamboo flooring company in China, which provides an innovative low cost alternative to hardwood flooring in shipping containers. The manager is in the process of building up operational capacity for product manufacturing. This investment could generate attractive returns once the shipping industry recovers from the current downturn.

**Blue Ridge:** 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. In 2011, the fund has realized partial exits from the plastic and chemicals manufacturer and the distressed real estate turnaround company at valuations higher than cost.

**Evolution Venture:** 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 software test tool developer, and a virtualization technology company.

**Da Vinci:** 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 Eastern European software company. Both investments are performing well.

### **Financial portfolio and trading activity**

The Group manages a financial portfolio of USD 54m (net of leverage), invested mainly in fixed income securities. The recovery of the global financial markets witnessed through 2010 has led to improvements in the credit quality and overall strength of Livermore's credit portfolio. We believe that these improvements are likely to be sustainable, at least in the short to medium-term, and therefore take a positive view of our investment portfolio.

During 2010, the Group increased its exposure to corporate bonds generally at credit spreads which were wider than current market spreads. Exposure to senior corporate bonds was reduced as credit spreads tightened. Exposure to subordinated bonds of highly rated Central European and US banks was increased. Investments were generally restricted to debt with inflation protection features. Management took advantage of special opportunities such as the sell-off in European markets during the second quarter to increase exposure to high quality credit mainly of large European banks. The introduction of Basel 3 including the requirement to phase out from 1 January 2013 legacy tier 1 debt, was followed by a rally in tier 1 bank debt which benefited our portfolio. As part of Basel 3, banks are being required to replace the legacy tier 1 debt by other means of subordinated debt with a conversion or permanent write off feature and to boost up their capital adequacy ratios. This should be positive for the existing portfolio. In addition to capital gains, interest received during 2010 from corporate bonds totalled USD 2.16m.

During 2010 the Group almost doubled its exposure to the US and EU syndicated loan market mainly through investment into US Collateralized Loan Obligations (CLO) mostly of 2006 and 2007 vintages. These are managed funds invested into large pools of senior secured floating rate loans and financed with long term financing pre-fixed at the respective pre crisis levels. On absolute and relative value basis the loan market offered value as an undervalued, diversified inflation linked asset class with a senior collateralized claim on the borrower and with overall low volatility and low correlation to equity market. New issue loans offered historically high spreads (including Libor floors) of 400-600 bps over the average cost of the respective CLO Fund's liabilities. New issue credit quality was also attractive, especially compared to the pre crisis vintages. That allows CLO managers to reinvest their prepayment proceeds in higher spread, better quality new issue loans.

The Group increased significantly during 2010 its exposure to performing CLOs at lower than current market prices and at modelled IRRs and cash-on-cash returns of over 30%. This portfolio has performed extremely well on account of declining default rates and improving credit fundamentals of their underlying loans. During 2010, the portfolio generated dividend income of USD 7.56m and since inception in 2007 USD 16.6m.

At the end of 2010 nearly all of our investments were passing their coverage tests (thereby making dividend distributions), which significantly outperformed the general market average. The excess spread of these CLOs, namely the difference between the interest income generated by a CLO's assets and the cost of financing through its liabilities as well as certain fees (which are locked-in at closing), increased substantially from original levels. The robust performance of this asset class during the 2008 financial crisis (as noted in Citibank report of 26 January 2011 "CLO Equity-performing as marketed" and Morgan Stanley CLO market tracker dated 8 February 2011) as well as the improving credit environment resulted in exceptionally strong performance for all CLO tranches in 2010.

This combination of improving coverage ratios and increasing excess spread availability led in 2010 to increased payments to CLO income notes. This trend is likely to continue over the next few quarters. Furthermore, these cushions are expected to insulate the portfolio from moderate potential future credit losses, implying that performance should remain strong even in the absence of a significant



improvement in macroeconomic conditions, so long as another dramatic fundamental downturn or financial market crisis is avoided. We also expect loan market credit quality to continue to improve in 2011, as corporate profits continue their recent rapid growth, with moderate growth in the US economy. Recently, interest rate concerns have sparked increased demand for floating rate loans which again emphasized the attractiveness of loans as an asset class.

At the same time mid-long term performance may be negatively impacted by a pull back into a double dip recession in US and/or Europe involving a spike in defaults. Despite positive developments in the overall health of the US economy in 2010 we acknowledge the potential headwinds posed by continued weakness in the US housing market, high unemployment and the recent spike in inflation expectations driven by increasing commodity prices and unrest in the Middle-East.

The following is a table summarizing the financial portfolio as of year-end 2010

Name	Book Value US \$m
Corporate bonds	45.5
Hedge Funds & Credit Managers	30.4
Public Equities	8.3
Total	84.2
<b>Total net of leverage</b>	<b>54.0</b>

## Events after the reporting date

There were no significant events after the reporting date.

## Litigation

At the time of this Report, there are two litigation matters that the Group is involved in. Further information is provided in note 36 to the consolidated 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 are used to monitor performance.

## The Board of Directors

### **Richard Barry Rosenberg (age 55), 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 SRLV. 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 58), 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 44), 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 thirteen 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 43), 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 23. Details of the Directors' remuneration and service contracts also appear on page 23.

The Directors submit their annual report and audited consolidated financial statements of the Group for the year ended 31 December 2010.

## Directors' responsibilities in relation to the consolidated financial statements

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

The Directors are required to prepare consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group, and its financial performance and cash flows for that period. In preparing these consolidated 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 consolidated 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 Group's transactions, and at any time enable the financial position of the Group to be determined with reasonable accuracy and enable them to ensure that the consolidated financial statements comply with the applicable law and International Financial Reporting Standards as adopted by the European Union. 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 21 March 2011 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	56.71
Bristol Investments Group S.A.	28,429,426	9.35	10.44
RB Investments GmbH	13,915,419	4.57	5.11
Aviv Raiz	13,847,726	4.55	5.09
Bank Leumi Swiss	12,481,937	4.10	4.58
Bank Hapoalim Luxemburg	10,773,015	3.54	3.96
Merrill Lynch Pierce, Fenner & Smith, Inc	9,329,051	3.07	3.43

\* 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 34 to the consolidated 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 2010 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 Group has in place a system of internal controls 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 2010 were as follows:

## Directors' Emoluments

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

	Date of agreement	Salary/Fees US \$000	Benefits US \$000	Share options expense US \$000	Total Emoluments 2010, US \$000	Total Emoluments 2009, US \$000
Richard Barry Rosenberg	10/06/05	69	-	14	83	156
Noam Lanir	10/06/05	400	45	-	445	768
Ron Baron	01/09/07	350	-	-	350	350
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 2010		As at 31 December 2009	
		Number of Ordinary Shares	Percentage of ordinary share capital	Number of Ordinary Shares	Percentage of ordinary share capital
Noam Lanir	a)	154,412,173	50.773%	154,412,173	50.773%
Ron Baron	b)	13,915,419	4.576%	13,915,419	4.576%
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 was renewed during the year ended 31 December 2010, and 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 2010	Date of grant	Exercise price, GBP	Exercise Price**, US \$	Vesting period of options
Noam Lanir	10,000,000	19/07/06	0.78	1.22	One to three years*
	500,000	13/05/08	0.30	0.47	One to three years*
Richard Barry Rosenberg	150,000	19/07/06	0.78	1.22	One to three years*
	75,000	07/12/05	0.71	1.11	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 2010.

\*\* The exercise prices as per the share option scheme are quoted in British Pounds. The indicative equivalent USD amounts shown in the table above are based on the exchange rates as at 31 December 2010.

## 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 was 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 Group 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's functional currency is USD. In addition, the Group is exposed to interest rate changes, credit risk, liquidity risk and volatility in the global economies and in particular in Emerging markets (mainly India), as well as access to capital markets for certain investee companies. In addition, investments in certain countries are exposed to governmental and regulatory 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.

The mitigation of these risks is achieved by investment diversification, both by sector and by geography. The Group 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 geography selection and concentration), balance sheet risk (gearing) and/or investment mismanagement risks. The Group's portfolio has a significant exposure to senior secured loans of mainly US companies and therefore has a concentration risk to this asset class.

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 of the Company 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 US senior secured loans.

## Share Capital

There was no change in the authorised share capital during the year to 31 December 2010. 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 2010 are disclosed in Note 34 to the consolidated financial statements.

**By order of the Board of Directors**

**Chief Executive Officer**  
**18 May 2011**

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

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Livermore Investments Group Limited (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the 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.

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

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these 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 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.



*Emphasis of matter*

We draw attention to Note 5 to the consolidated financial statements which describe the uncertainty related to the outcome of the legal case in India relating to the investment of the Group through SRS Charminar Investments Ltd, in a leading Indian Real Estate company. Our opinion is not qualified in respect of this matter.

**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.

Augoustinos Papathomas

Certified Public Accountant and Registered Auditor  
for and on behalf of  
**Grant Thornton (Cyprus) Ltd**  
**Certified Public Accountants and Registered Auditors**

Nicosia  
Date: 18 May 2011

## Livermore Investments Group Limited

Consolidated Statement of Financial Position as at 31 December 2010

	Note	2010 US \$000	2009 US \$000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	181	274
Available-for-sale financial assets	5	68,436	55,862
Financial assets at fair value through profit or loss	6	4,607	5,885
Investment property	8	119,018	106,333
Investment in associate	9	-	10,936
Deferred tax	11	1,799	1,923
		194,041	181,213
<b>Current assets</b>			
Trade and other receivables	12	10,131	7,788
Cash at bank	13	3,294	5,898
Available-for-sale financial assets	5	20,554	19,914
Financial assets at fair value through profit or loss	6	41,041	23,602
		75,020	57,202
<b>Total assets</b>		269,061	238,415
<b>Equity</b>			
Share capital	14	-	-
Share premium and treasury shares	14	203,852	205,889
Other reserves		(4,308)	(17,530)
Retained earnings		(57,252)	(59,791)
<b>Total equity</b>		142,292	128,568
<b>Liabilities</b>			
<b>Non current liabilities</b>			
Bank loans	16	84,722	76,436
Derivative financial instruments	17	8,723	8,576
		93,445	85,012
<b>Current liabilities</b>			
Bank overdrafts	18	13,289	5,198
Short term bank loans	19	17,128	13,987
Trade and other payables	20	1,159	1,295
Provisions for legal and other cases	35	1,585	4,200
Current tax payable	21	163	155
		33,324	24,835
<b>Total liabilities</b>		126,769	109,847
<b>Total equity and liabilities</b>		269,061	238,415
<b>Net asset valuation per share</b>			
Basic and diluted net asset valuation per share (US. \$)	22	0.50	0.44

These Financial Statements were approved by the Board of Directors on 18 May 2011.

The notes on pages 37 to 81 form part of these financial statements.



**Livermore Investments Group Limited**

Consolidated Income Statement for the year ended 31 December 2010

	Note	2010 US \$000	2009 US \$000
<b>Continuing operations</b>			
<b>Investment income</b>			
Interest and dividend income	24	10,490	3,211
Investment property revenue	25	4,734	4,432
Loss on investments	26	(1,976)	(31,055)
Gain / (loss) from investment in associate	27	495	(26,869)
<b>Gross profit/ (loss)</b>		<b>13,743</b>	<b>(50,281)</b>
Administrative expenses	28	(1,018)	(8,931)
<b>Operating profit / (loss)</b>		<b>12,725</b>	<b>(59,212)</b>
Finance costs	29	(3,551)	(3,782)
Finance income	29	99	-
<b>Profit / (loss) before taxation</b>		<b>9,273</b>	<b>(62,994)</b>
Taxation (charge) / credit	30	(786)	204
<b>Profit / (loss) for year from continuing operations</b>		<b>8,487</b>	<b>(62,790)</b>
<b>Discontinued operations</b>	31		
Gain for year from discontinued operations		-	1,665
<b>Profit / (Loss) for the year</b>		<b>8,487</b>	<b>(61,125)</b>
<b>Earnings per share</b>			
Basic and diluted earnings / (loss) per share ( US \$) from continuing operations	32	0.03	(0.22)
Basic and diluted earnings / (loss) per share ( US \$)	33	0.03	(0.21)

The notes on pages 37 to 81 form part of these financial statements.

**Livermore Investment Group Limited**

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

	Note	2010 US \$000	2009 US \$000
<b>Profit / (loss) for the year</b>		8,487	(61,125)
<b>Other comprehensive income:</b>			
Available for sale financial assets			
• Fair value losses		(1,364)	(21,873)
• Reclassification to profit or loss due to disposals		573	6,092
• Reclassification to profit or loss due to significant fall in value		6,330	28,235
Share of other comprehensive loss of associate	9	-	(2,918)
Foreign exchange gains / (loss) from translation of:			
• associate	9	(4,856)	640
• subsidiaries		(577)	(151)
• reclassification to profit or loss due to disposal of associate		7,154	-
<b>Total comprehensive income / (loss) for the year</b>		15,747	(51,100)

The total comprehensive income for the year ended 31 December 2010 and 2009 is wholly attributable to the owners of the parent company.

The notes on pages 37 to 81 form part of these financial statements.



**Livermore Investments Group Limited**

Consolidated Statement of Changes in Equity for the year ended 31 December 2010

	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
<b>Balance at 1 January 2009</b>		-	215,499	(8,969)	5,400	(2,938)	(30,376)	1,334	179,950
Purchase of own shares	14	-	-	(641)	-	-	-	-	(641)
Share option charge	15/28	-	-	-	359	-	-	-	359
<b>Transactions with owners</b>		-	-	(641)	359	-	-	-	(282)
Loss for the year		-	-	-	-	-	-	(61,125)	(61,125)
<b>Other comprehensive income:</b>									
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)
<b>Total comprehensive loss for the year</b>		-	-	-	-	489	9,536	(61,125)	(51,100)
<b>Balance at 31 December 2009</b>		-	215,499	(9,610)	5,759	(2,449)	(20,840)	(59,791)	128,568
Purchase of own shares	14	-	-	(2,037)	-	-	-	-	(2,037)
Share option charge	15/28	-	-	-	14	-	-	-	14
<b>Transactions with owners</b>		-	-	(2,037)	14	-	-	-	(2,023)
Profit for the year		-	-	-	-	-	-	8,487	8,487

	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
<b>Other comprehensive income:</b>									
Available-for-sale financial assets									
• Fair value losses		-	-	-	-	-	(1,364)	-	(1,364)
• Reclassification to profit or loss due to disposals		-	-	-	-	-	573	-	573
• Reclassification to profit or loss due to significant fall in value		-	-	-	-	-	6,330	-	6,330
Transfer on disposal of associate	9	-	-	-	-	-	5,948	(5,948)	-
Foreign exchange gain / loss arising from translation of:									
• associate	9	-	-	-	-	(4,856)	-	-	(4,856)
• subsidiaries		-	-	-	-	(577)	-	-	(577)
• reclassification to profit or loss due to disposal of associate		-	-	-	-	7,154	-	-	7,154
<b>Total comprehensive income for the year</b>		-	-	-	-	1,721	11,487	2,539	15,747
<b>Balance at 31 December 2010</b>		-	215,499	(11,647)	5,773	(728)	(9,353)	(57,252)	142,292

The notes on pages 37 to 81 form part of these financial statements.



**Livermore Investments Group Limited**

Consolidated Statement of Cash Flows for the year ended 31 December 2010

	Note	2010 US \$000	2009 US \$000
<b>Cash flows from operating activities</b>			
Profit / (loss) before tax		9,273	(61,329)
<b>Adjustments for</b>			
Depreciation and amortisation	3/4	148	132
Provisions for legal and other cases	35	(2,248)	4,200
Interest expense	29	3,447	3,370
Interest and dividend income	24	(10,490)	(3,211)
(Gain) / loss on investment in associate	27	(495)	26,869
Loss on sale of investments	26	1,976	31,055
Equity settled share options	28	14	359
Exchange differences	29	(99)	327
		1,526	1,772
<b>Changes in working capital</b>			
(Increase) / decrease in trade and other receivables		(593)	342
(Decrease) in trade and other payables		(423)	(1,950)
<b>Cash flows from operations</b>		510	164
Tax paid		(469)	(25)
<b>Net cash generated from operating activities</b>		41	139
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(55)	(45)
Acquisition of investments		(66,805)	(58,942)
Proceeds from investments		36,488	62,252
Payments for derivative financial instruments		(585)	(1,911)
Acquisition of investment property	8	-	(152)
Addition to associate	9	-	(259)
Disposal of associate	9	13,729	115
Interest and dividend received		8,675	3,211

	Note	2010 US \$000	2009 US \$000
<b>Net cash from investing activities</b>		(8,553)	4,269
<b>Cash flows from financing activities</b>			
Purchase of own shares	14	(2,037)	(641)
Proceeds from bank loans		142,193	108,202
Repayments of bank loans		(139,332)	(101,585)
Interest paid		(3,447)	(3,370)
<b>Net cash from financing activities</b>		(2,623)	2,606
<b>Net (decrease) / increase in cash and cash equivalents</b>		(11,135)	7,014
<b>Cash and cash equivalents at the beginning of the year</b>		700	(6,050)
Exchange differences on cash and cash equivalents		284	(327)
Translation differences on foreign operations' cash and cash equivalents		156	63
<b>Cash and cash equivalents at the end of the year</b>	13	(9,995)	700

The notes on pages 37 to 81 form part of these financial statements.



# Notes on the Financial Statements

## 1. Accounting Policies

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 consolidated 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 consolidated 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 2010, the Group 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 any material effect on the consolidated financial statements.

All IFRSs issued by the International Standards Board (IASB) which are effective for the year ended 31 December 2010, have been adopted by the EU through the endorsement procedure 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 to Standards and Interpretations had been issued by the date of authorisation of these consolidated financial statements but are not yet effective for the year ended 31 December 2010:

#### **Standards and Interpretations adopted by the EU**

- IAS 24 (Revised): "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).
- IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).
- Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010 / 1 January 2011).
- Amendment to IFRS 1: "Limited Exemption from Comparative IFRS 7 Disclosures for First time Adopters" (effective for annual periods beginning on or after 1 July 2010).
- Amendment to IAS 32: "Classification of Rights Issues" (effective for annual periods beginning on or after 1 February 2010).
- Amendment to IFRIC 14: "Prepayments of a Minimum Funding Requirement" (effective for annual periods beginning on or after 1 January 2011).

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

- IFRS 9: "Financial Instruments: Classification and Measurement" (effective for annual periods beginning on or after 1 January 2013)
- Amendment to IFRS 1: "Severe Hyperinflation and Removal of Fixed Dates for First time Adopters" (effective for annual periods beginning on or after 1 July 2011).
- IFRS 10: "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11: "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013)
- IFRS 12: "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13: "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 (Revised): "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013)
- IAS 28 (Revised): "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013)
- Amendment to IFRS 7: "Disclosures - Transfers of Financial Assets" (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 12: "Deferred Tax: Recovery of Underlying Assets" (effective for annual periods beginning on or after 1 January 2012).

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 Group. Exception to the above is the implementation of the amendment to IAS 12: "Deferred Tax: Recovery of Underlying Assets", under which the deferred tax liability for investment



properties will be calculated based on the assumption of ultimate sale of these properties. Given that the capital gains tax rate in Switzerland is higher than the corporation tax rate, the implementation will result in a significant increase of deferred tax liability.

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.

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.

On disposal of an associate the carrying amount is derecognised and a disposal gain or loss is recognised in the profit or loss. The disposal gain or loss is adjusted for the Group's share of the associate's available-for-sale fair value gains or losses and also the relevant cumulative foreign exchange translation differences that are reclassified from other comprehensive income to profit or loss. Other amounts recognised in other comprehensive income in relation to the associate are transferred to retained earnings.

- 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 described above. 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:

- assets and liabilities are translated at the closing rate at the reporting date; and
- 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
- 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 reporting 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, 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 three 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. Financial assets within this category are measured at fair value, with changes in fair value recognised in other comprehensive income. Unquoted equity investments for which the fair value cannot be reliably measured are stated at cost less impairments. Gains

and losses arising from investments classified as available-for-sale are recognised in the profit or loss 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.

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 at amortised cost**

After initial recognition financial liabilities are measured at amortised cost using the effective interest rate method.

**Derivative financial liabilities**

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.

**Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

After initial recognition, financial guarantee contracts are measured at the higher of:

- the amount determined in accordance with IAS 37; and
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

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) Segment reporting

In identifying its operating segments, management generally follows the Group's investment activity lines. Each of these operating segments is managed separately as each of these investment activity lines requires different monitoring and strategic decision making process as well as allocation of resources.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its consolidated financial statements. Any inter-segment transfers are carried out at arm's length prices.

t) Critical accounting judgments and key sources of estimation uncertainty

The following is the significant management judgment in applying the accounting policies of the Group that has the most significant effect on the consolidated financial statements.

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

The Group 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 as industry and sector performance, changes in technology and financing cash flow.

The Group assesses at each reporting date whether financial assets are impaired. If 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.

Further details of provisions are provided in note 5.

u) Estimation uncertainty

The following are the significant estimates that have the most significant effect on recognition and measurement of relevant items.

**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 in note 6. 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.

### Provision for legal and other cases

Determining whether provisions for legal and other disputes shall be recognised, 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 35.

#### v) Comparatives

Since 1 January 2010, management has changed its monitoring and strategic decision making process in relation to its investments, separating them into two activity lines, which have also been identified as operating segments. As a result, the Group initially applies IFRS 8 "Operating Segments" for the year ended 31 December 2010. Segmental information is also provided for 2009 for comparison purposes.

The Group does not present a third statement of financial position as at 1 January 2009 since the initial application of IFRS 8, as described above, does not affect in any way the financial position of the Group in any 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
<b>Cost</b>					
As at 1 January 2009	315	134	88	-	537
Additions	10	2	7	26	45
As at 1 January 2010	325	136	95	26	582
Additions	35	9	11	-	55
As at 31 December 2010	360	145	106	26	637
<b>Accumulated depreciation</b>					
As at 1 January 2009	(83)	(80)	(22)	-	(185)
Charge for the year	(67)	(36)	(19)	(1)	(123)
As at 1 January 2010	(150)	(116)	(41)	(1)	(308)



	Office Renovation US \$000	Computer Hardware US \$000	Fixtures and Fittings US \$000	Motor Vehicles US \$000	Total US \$000
Charge for the year	(86)	(29)	(27)	(6)	(148)
As at 31 December 2010	(236)	(145)	(68)	(7)	(456)
<b>Net book value</b>					
As at 31 December 2010	124	-	38	19	181
As at 31 December 2009	175	20	54	25	274

#### 4. Intangible assets

	Computer Software US \$000
<b>Cost</b>	
As at 31 December 2009 and at 31 December 2010	147
<b>Accumulated amortisation</b>	
As at 1 January 2009	(138)
Charge for the year	(9)
As at 1 January 2010 and 31 December 2010	(147)
<b>Net book value</b>	
As at 31 December 2010	-
As at 31 December 2009	-

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

	2010 US \$000	2009 US \$000
<b>Non-current assets</b>		
Fixed income investments	25,827	10,426
Private equities	18,070	18,193
Financial and minority holdings *	18,919	22,092
Other investments	5,620	5,151
	68,436	55,862

<b>Current assets</b>		
Fixed income investments	11,886	10,177
Public equity investments	5,826	5,635
Hedge funds	2,842	4,102
	20,554	19,914

Available-for-sale financial assets, comprising principally investments in bonds and equity are fair valued annually at least at each reporting date. 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.

\* 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.

Included in the Financial and minority holdings investments is the investment in SRS Charminar Investments Ltd, with carrying amount of USD 17.8m for which the investors have filed and won an arbitration award and an interim order for injunction against the promoters or the company to sell, transfer, or encumber the assets of the real estate company in which SRS Investments Ltd has invested in India. Thereafter, the promoters have filed against the arbitral award. 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 Fund manager is of the opinion that the value of the land is sufficient to secure the put option. As at 31 December 2010 there was no change in the status of this case. Due to the legal complexity of these legal proceedings as well as the various counterparties involved the outcome remains uncertain.

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.

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

During 2010 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 for those financial assets their carrying amount may not be recoverable.

The related charges in 2010, of USD 6.330m (2009 USD 28.235m), are included within loss on investments.



6. Financial at fair value through profit or loss

	2010 US \$000	2009 US \$000
<b>Non-current assets</b>		
Private equities	2,844	2,903
Real estate entities	1,763	2,982
	4,607	5,885
<b>Current assets</b>		
Fixed income investments	33,453	22,062
Public equity investments	5,878	742
Hedge funds	1,710	798
	41,041	23,602

The Financial assets at fair value through profit or loss, comprising principally investments in bonds and equity, are fair valued at least at each reporting date.

The Group'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 and 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 consolidated 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.

**Valuation of financial assets**

- Public equities, Credit Notes and Bonds are valued per their closing 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 closing 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.

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

	2010 US \$000 Level 1	2010 US \$000 Level 2	2010 US \$000 Level 3	2010 US \$000 Total	2009 US \$000 Level 1	2009 US \$000 Level 2	2009 US \$000 Level 3	2009 US \$000 Total
<b>Assets</b>								
Fixed income investments	45,339	25,827	-	71,166	32,239	10,426	-	42,665
Private equities	2,850	-	18,064	20,914	4,669	-	16,427	21,096
Financial and minority holdings	-	-	18,919	18,919	-	-	22,092	22,902
Other investments	5,620	-	-	5,620	5,151	-	-	5,151
Public equity investments	11,704	-	-	11,704	6,377	-	-	6,377
Hedge funds	-	4,552	-	4,552	-	4,900	-	4,900
Real estate entities	-	-	1,763	1,763	-	-	2,982	2,982
	65,513	30,379	38,746	134,638	48,436	15,326	41,501	105,263
<b>Liabilities</b>								
Interest rate swaps	-	-	8,723	8,723	-	-	8,537	8,537
Forward contracts	-	-	-	-	-	-	39	39
			8,723	8,723			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.

No financial assets or liabilities have been transferred between levels.

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 US \$000	Private equities US \$000	Real estate US \$000	profit or loss Private equities US \$000	Total US \$000
At 1 January 2009	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)
At 1 January 2010	22,092	13,524	2,982	2,903	41,501
Purchases	-	1,965	-	-	1,965
Gains losses recognised in:					
• Profit or loss	(3,896)	(1,944)	(1,210)	(59)	(7,109)
• Other comprehensive income	-	1,734	-	-	1,734
Exchange difference	723	-	(9)	-	714
Settlements	-	(59)	-	-	(59)
At 31 December 2010	18,919	15,220	1,763	2,844	38,746

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

	Interest rate swaps US \$000	Forward contracts US \$000	Total US \$000
At 1 January 2009	7,539	610	8,149
Additions	1,911	-	1,911
Gains losses recognised in:			
• Profit or loss	(1,346)	(571)	(1,917)
• Exchange differences	433	-	433
At 1 January 2010	8,537	39	8,576
Gains losses recognised in:			
• Profit or loss	536	(39)	497
• Exchange differences	(350)	-	(350)
At 31 December 2010	8,723	-	8,723

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 property

	2010 US \$000	2009 US \$000
Valuation as at 1 January	106,333	104,520
Additions	-	152
Change in fair value	1,114	(1,358)
Exchange difference	11,571	3,019
As at 31 December	119,018	106,333

The investment property relates to Wyler Park property in Switzerland, which is used for earning rental income.



The investment property was valued by Wuest & Partners as at 31 December 2010 and 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.

The future minimum rental income under non-cancellable rental agreements, is receivable as follows:

	2010 US \$000	2009 US \$000
Less than 1 year	5,194	4,506
Between 1 and 5 years	20,922	19,982
Over 5 years	12,553	15,985
Exchange difference	38,669	40,473

Rental agreements are quoted in Swiss Francs. The equivalent USD amounts shown in the table above are based on the exchange rates as at 31 December 2010 and 31 December 2009 correspondingly.

9. Investment in associate

	2010 US \$000	2009 US \$000
As at 1 January	10,936	39,939
Share of loss for the year	(2,141)	(14,530)
Additions for the year	-	1,668
Sales for the year	(3,939)	(550)
Share of other comprehensive loss	-	(2,918)
Exchange differences	(4,856)	640
Impairment charge	-	(13,313)
As at 31 December	-	10,936

The company disposed of its 21.71% interest in Atlas Estates Limited after taking the opportunity of a public cash offer. The disposal has the following impact in the results of the Group for the year ended 31 December 2010:

	2010 US \$000
Proceeds received	13,729
Carrying amount of investment in associate	(3,939)
Translation losses reclassified to profit or loss	(7,154)
Net gain on disposal of associate	2,636

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

	2010 US \$000	2009 US \$000
Share of the associate's Financial Position		
Non-current assets	-	87,312
Current assets	-	48,595
Assets classified as held for sale	-	8,275
Share of gross assets	-	144,182
Current liabilities	-	(65,958)
Non-current liabilities	-	(36,727)
Liabilities classified as held for sale	-	(6,051)
Minority interest	-	(108,736)
Share of gross liabilities	-	(108,963)
Share of net assets	-	35,219
Impairment provision	-	(24,283)
	-	10,936

The investment's fair value based on its quoted market price as at 31 December 2009 of USD 1.07 per share was USD 10.936m.



## 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 Properties Limited	British Virgin Islands	Ordinary shares	100%	Holding of investments
Livermore Management Limited	British Virgin Islands	Ordinary shares	100%	Holding of investments
Livermore Israel Investments Limited	Israel	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.

Livermore Management Limited and Livermore Israel Investments Limited have been established by the Group during the year.

## 11. Deferred tax

The company is an international business company based in the British Virgin Islands (BVI) and, under its laws, is not subject to taxation. Deferred taxes relate to the temporary differences between carrying amounts and corresponding tax base of its subsidiaries.

	2010 US \$000	2009 US \$000
Investment property	(2,271)	(1,332)
Derivative financial instruments	1,746	1,740
Tax losses	2,324	1,515
<b>Net deferred tax asset</b>	<b>1,799</b>	<b>1,923</b>

The movement on the deferred taxation account is as follows:

	Investment property US \$000	Derivative financial instruments US \$000	Tax losses US \$000	Total US \$000
<b>At 1 January 2009</b>	(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)
<b>At 1 January 2010</b>	<b>(1,332)</b>	<b>1,740</b>	<b>1,515</b>	<b>1,923</b>
(Charged) / credited to profit or loss (note 30)	(763)	(176)	620	(319)
Exchange difference	(176)	182	189	195
<b>At 31 December 2010</b>	<b>(2,271)</b>	<b>1,746</b>	<b>2,324</b>	<b>1,799</b>

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.

As at 31 December 2010 and 2009 there is no unrecognised deferred tax asset.



## 12. Trade and other receivables

	2010 US \$000	2009 US \$000
Accrued interest and dividend income	9,886	7,615
Other receivables	33	173
Prepayments	212	-
	10,131	7,788

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

An amount of USD 3.7m (2009: USD 1.5m) is neither past due nor impaired and is due from institutions that the Group never faced any difficulties.

The ageing analysis of these past due but not impaired amounts is as follows:

	2010 US \$000	2009 US \$000
Less than 3 months	-	-
Between 3 and 6 months	-	-
Between 6 and 12 months	-	-
More than 1 year	6,152	6,152
	6,152	6,152

The amounts due for more than one year relate to accrued interest income receivable from SRS Charminar Investments Ltd.

## 13. Cash and cash equivalents

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

	2010 US \$000	2009 US \$000
Cash at bank	3,294	5,898
	3,294	5,898
Bank overdrafts used for cash management purposes	(13,289)	(5,198)
Cash and cash equivalents for the purposes of the consolidated statement of cash flows	(9,995)	700

## 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
<b>Ordinary shares with no par value</b>		
As at 31 December 2009 and at 31 December 2010	304,120,401	215,499

Treasury shares	Number of shares	US \$000
As at 1 January 2009	12,141,961	8,969
Additions	1,284,005	641
As at 1 January 2010	13,425,966	9,610
Additions	8,409,798	2,037
As at 31 December 2010	21,835,764	11,647

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

Treasury shares	2010 US \$000	2009 US \$000
Share premium	215,499	215,499
Treasury shares	(11,647)	(9,610)
	203,852	205,889



## 15. Share capital

<b>Outstanding options</b>	<b>Number of options</b>	<b>Average exercise price GBP</b>	<b>Average exercise price* USD</b>
At 1 January 2009 and 31 December 2009	12,045,555	0.82	1.28
Expired in the year	(705,555)	1.90	2.97
<b>At 31 December 2010</b>	<b>11,340,000</b>	<b>0.75</b>	<b>1.18</b>

<b>Exercisable options</b>	<b>Number of options</b>	<b>Average exercise price GBP</b>	<b>Average exercise price* USD</b>
At 1 January 2009	8,162,221	0.87	1.36
Exercisable during the year	3,550,000	0.76	1.18
<b>At 1 January 2010</b>	<b>11,712,221</b>	<b>0.84</b>	<b>1.31</b>
Exercisable during the year	166,667	0.30	0.47
Expired	(705,555)	1.90	2.97
<b>As at 31 December 2010</b>	<b>11,173,333</b>	<b>0.76</b>	<b>1.19</b>

### Details of share options outstanding at 31 December 2010

<b>Number of options</b>	<b>Grant date</b>	<b>Vesting date</b>	<b>Earliest exercise date</b>	<b>Expire date of exercise period</b>	<b>Exercise price GBP</b>	<b>Exercise Price* USD</b>	<b>Fair value at grant date USD</b>
230,000	07/12/05	07/12/06	07/12/06	07/12/15	0.71	1.11	82,739
230,000	07/12/05	07/12/07	07/12/07	07/12/15	0.71	1.11	94,333
230,000	07/12/05	07/12/08	07/12/08	07/12/15	0.71	1.11	103,948
3,383,333	19/07/06	19/07/07	19/07/07	19/07/16	0.78	1.22	1,608,710
3,383,333	19/07/06	19/07/08	19/07/08	19/07/16	0.78	1.22	1,824,133
3,383,333	19/07/06	19/07/09	19/07/09	19/07/16	0.78	1.22	2,001,774

166,667	13/05/08	13/05/09	13/05/09	13/05/18	0.30	0.47	21,703
166,667	13/05/08	13/05/10	13/05/10	13/05/18	0.30	0.47	24,115
166,667	13/05/08	13/05/11	13/05/11	13/05/18	0.30	0.47	25,820
11,340,000							5,787,275

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 British 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 2010.

#### 16. Bank Loans

	2010 US \$000	2009 US \$000
Long term bank loan	84,722	76,436

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 2009 to 2010 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

	2010 US \$000	2009 US \$000
Interest rate swaps	8,723	8,537
Forward contracts	-	39
	8,723	8,576

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.

The interest rate swap with CHF 79,135,000 notional amount relates to fixing the interest rate on the loan against Wyler Park at 3.3%.

For the year ended 31 December 2010 a fair value gain of USD 497,175 (2009: loss USD 1,913,606) has been recognised in the profit or loss in relation to all derivative financial instruments.

#### 18. Bank Overdrafts

	2010 US \$000	2009 US \$000
Short term bank overdrafts	13,289	5,198

#### 19. Short term bank loans

	2010 US \$000	2009 US \$000
Short term bank loans	17,128	13,987

Short term bank loans bear Libor + lender's margin and have an average interest rate of 1.96% (2009: 1.04%). Their repayment period is usually one to three months and upon repayment date usually they are renewed.

#### 20. Trade and other payables

	2010 US \$000	2009 US \$000
Other payables and accrued expenses	1,159	1,295
	1,159	1,295

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

	2010 US \$000	2009 US \$000
Corporation tax payable	163	155

## 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 31 December 2010 and 31 December 2009.

	2010	2009
Net assets attributable to ordinary shareholders (US \$000)	142,292	128,568
Closing number of ordinary shares in issue	282,284,637	290,694,435
Basic net asset value per share (US \$)	0.50	0.44
Closing number of ordinary shares including the effect of potentially diluted shares	282,284,637	290,694,435
Diluted net assets value per share (US \$)	0.50	0.44
<b>Number of Shares</b>		
Ordinary shares	304,120,401	304,120,401
Treasury shares	(21,835,764)	(13,425,966)
Closing number of ordinary shares in issue	282,284,637	290,694,435



The Share options do not impact the diluted net asset value per share for 2010 and 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 2010 and 2009.

### 23. Segment reporting

Since 1 January 2010, management has changed its monitoring and strategic decision making process in relation to its investments, separating them into two activity lines, which have also been identified as operating segments. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

Segment information can be analysed as follows. Segmental information is also provided for 2009 for comparison purposes.

	Equity and debt instruments investment activities		Investment property activities		Total per financial statements	
	2010 US \$000	2009 US \$000	2010 US \$000	2009 US \$000	2010 US \$000	2009 US \$000
<b>Segment results</b>						
<b>Investment income</b>						
Interest and dividend income	10,490	3,211	-	-	10,490	3,211
Investment property revenue	-	-	4,734	4,432	4,734	4,432
Loss on investments	(3,090)	(29,697)	1,114	(1,358)	(1,976)	(31,055)
Gain / (loss) from investment in associate	495	(26,869)	-	-	495	(26,869)
<b>Gross profit/ (loss)</b>	<b>7,895</b>	<b>(53,355)</b>	<b>5,848</b>	<b>3,074</b>	<b>13,743</b>	<b>(50,281)</b>
Administrative expenses	(823)	(8,853)	(195)	(78)	(1,018)	(8,931)
<b>Operating profit / (loss)</b>	<b>7,072</b>	<b>(62,208)</b>	<b>5,653</b>	<b>2,996</b>	<b>12,725</b>	<b>(59,212)</b>
Finance costs	(326)	(702)	(3,225)	(3,080)	(3,551)	(3,782)
Finance income	99	-	-	-	99	-
<b>Profit / (loss) before taxation</b>	<b>6,845</b>	<b>(62,910)</b>	<b>2,428</b>	<b>(84)</b>	<b>9,273</b>	<b>(62,994)</b>

	Equity and debt instruments investment activities		Investment property activities		Total per financial statements	
	2010 US \$000	2009 US \$000	2010 US \$000	2009 US \$000	2010 US \$000	2009 US \$000
Taxation (charge) / credit	(88)	(24)	(698)	228	(786)	204
<b>Profit / (loss) for year from continuing operations</b>	6,757	(62,934)	1,730	144	8,487	(62,790)
<b>Discontinued operations</b>						
Gain for year from discontinued operations	-	1,665	-	-	-	1,665
<b>Profit / (Loss) for the year</b>	8,487	(61,269)	8,487	144	8,487	(61,125)
Segment assets	149,001	130,326	120,060	108,089	269,061	238,415



The Group's interest and dividend income, investment property revenue and its investments are divided into the following geographical areas:

	Equity and debt instruments investment activities		Investment property activities		Total per financial statements	
	2010 US \$000	2009 US \$000	2010 US \$000	2009 US \$000	2010 US \$000	2009 US \$000
<b>Revenue</b>						
Switzerland	204	121	4,734	4,432	4,938	4,553
Other European countries	1,814	462	-	-	1,814	462
United States	8,396	2,571	-	-	8,396	2,571
India	76	57	-	-	76	57
	10,490	3,211	4,734	4,432	15,224	7,643
<b>Investments</b>						
Switzerland	-	-	119,018	106,333	119,018	106,333
Other European countries	42,603	38,202	-	-	42,603	38,202
United States	55,629	39,817	-	-	55,629	39,817
India	31,061	33,355	-	-	31,061	33,355
Asia	5,345	4,825	-	-	5,345	4,825
	134,638	116,199	119,018	106,333	253,656	222,532

Interest and dividend income, investment property revenues are allocated on the basis of the customer's geographical location in the case of the investment property activities segment and the issuer's location in the case of the equity and debt instruments investment activities segment. Investments are allocated based on the issuer's location.

During 2010, 80.5% of the Group's rent relate to rental income from a single customer (SBB – Swiss national transport authority) in the investment property activities segment (2009: 89%).

#### 24. Interest and dividend income

	2010 US \$000	2009 US \$000
Interest from investments	1,970	1,172
Dividend income	8,520	2,039
	10,490	3,211

#### 25. Investment property revenue

	2010 US \$000	2009 US \$000
Gross rental income	5,196	4,751
Direct expenses	(462)	(319)
	4,734	4,432

#### 26. Loss on investments

	2010 US \$000	2009 US \$000
Loss on sale of investments	(573)	(6,092)
Investment property revaluation	1,114	(1,358)
Foreign exchange gain	4,146	3,480
Loss due to significant fall in value of available-for-sale instruments	(6,330)	(28,235)
Fair value (losses) / gains on financial assets through profit or loss	(830)	3,064
Fair value gains / (losses) on derivative instruments	497	(1,914)
	(1,976)	(31,055)

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



	2010 US \$000	2009 US \$000
Available-for-sale	(573)	(6,092)
At fair value through profit or loss	1,198	433
	625	(5,659)

#### 27. Gain / (loss) from investment in associate

	2010 US \$000	2009 US \$000
Atlas Estates Ltd	495	(26,869)
Share of loss for the year	(2,141)	(14,530)
Gain on bargain purchase	-	1,409
Gain / (loss) on disposal	9,790	(435)
Impairment charge	-	(13,313)
Foreign exchange loss reclassified from translation reserve	(7,154)	-
	495	(26,869)

#### 28. Administrative expenses

	2010 US \$000	2009 US \$000
Operational expenses	385	675
Legal expenses	626	1,384
Directors' fees and expenses	864	913
Share option expense	14	359
Consultants' fees and expenses	266	259
Other salaries and expenses	420	408
Office cost	283	247
Other administration costs	157	198
Depreciation and amortisation of assets	148	132
Provision for legal and other matters – (credit) / charge for the year	(2,248)	4,200

	2010 US \$000	2009 US \$000
Audit fees	103	72
Audit fees prior year	-	84
	1,018	8,931

Throughout 2010 the Group employed 7 staff (2009:8).

## 29. Finance costs and income

	2010 US \$000	2009 US \$000
<b>Finance costs</b>		
Bank interest and fees	222	290
Bank interest on investment property loan	3,225	3,080
Bank custody fees	104	85
Foreign exchange loss	-	327
	3,551	3,782
<b>Finance income</b>		
Foreign exchange gain	99	-
<b>Net finance costs</b>	3,452	3,782

## 30. Taxation

	2010 US \$000	2009 US \$000
Current tax charge	169	46
Prior year tax charge	298	-
Deferred tax charge / (credit)	319	(250)
	786	(204)
The tax credit for the year can be reconciled to the accounting profit / (loss) as follows:		
Profit / (loss) before tax	10,217	(62,994)



Tax effect of applicable corporation tax rates	52	(260)
Effect of current year losses	-	275
Tax effect of expenses not deductible for tax purposes	-	8
Effect of tax due to prior year	298	-
Interest withholding tax	45	-
Property tax	72	23
Deferred tax charge / (credit)	319	(250)
Tax for the year	786	(204)

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. Earnings / (loss) per share from continuing operations

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

Diluted earnings / (loss) per share is calculated after taking into consideration other potentially dilutive shares in existence during the year ended 31 December 2010 and the year ended 31 December 2009.

	2010	2009
Profit / (loss) for year from continuing operations (\$000)	8,487	(62,790)
Weighted average number of ordinary shares in issue	286,552,752	291,602,250
Basic earnings / (loss) per share (US \$)	0.03	(0.22)
Weighted average number of ordinary shares including the effect of potentially dilutive shares	286,552,752	291,602,250
Diluted earnings / (loss) per share (US \$)	0.03	(0.22)

The Share options do not impact the diluted earnings per share for 2010 and 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 2010 and 2009 correspondingly.

### 33. Earnings / (loss) per share

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

Diluted earnings / (loss) per share is calculated after taking into consideration other potentially dilutive shares in existence during the year ended 31 December 2010 and the year ended 31 December 2009.

	2010	2009
Profit / (loss) for the year attributable to ordinary shareholders of the parent (\$000)	8,487	(61,125)
Weighted average number of ordinary shares in issue	286,552,752	291,602,250
Basic earnings / (loss) per share (US \$)	0.03	(0.21)
Weighted average number of ordinary shares including the effect of potentially dilutive shares	286,552,752	291,602,250
Diluted earnings / (loss) per share (US \$)	0.03	(0.21)

The Share options do not impact the diluted earnings per share for 2010 and 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 2010 and 2009 correspondingly.

### 34. Related party transactions

The Group is controlled by Groverton Management Ltd, an entity owned by Mr. Noam Lanir, which at 31 December 2010 held 56.71% (2009: 53.12%) of the company's voting rights.

	2010 US \$000	2009 US \$000
Amounts owed by key management	5,523	5,000
Amounts owed to Directors	(9)	(38)
<b>Key management compensation (including executive directors)</b>		
Fees for the period*	795	797
Share option expense	-	321
<b>Non-executive directors compensation</b>		



Fees for the period	69	118
Share option expense	14	38
	878	1,274

\* These payments were made either directly to them or to the companies to which they are related.

Loans with a balance at 31 December 2010 of USD 5.5m (31 December 2009: USD 5m) were made to key management during the year ended 31 December 2007 for the acquisition of shares in the Company and were renewed during the year 31 December 2010. Interest is payable on these loans at 6 month US LIBOR plus 0.25% per annum and the loans are secured on the shares acquired. The loans are repayable on the earlier of the employee leaving the Company or April 2013. These loans are classified as financial assets available for sale in the consolidated statement of financial position.

### 35. Provisions

#### Corporate guarantee

The Company provided a corporate guarantee to a bank in the amount up to €2.1m as part of a shareholders' guarantee required by a financing bank as condition to a loan facility provided to DTH-Boom. DTH-Boom is in a restructuring process and in breach of its loan covenants. The Group is currently negotiating with the said bank a possible settlement of the guarantee but no agreement has been reached yet.

The guarantee has been accounted for as a financial guarantee contract and an appropriate amount has been provided for based on the management's best estimate.

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

#### Litigation

For litigation refer to note 36.

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

	2010 US \$000	2009 US \$000
<b>Legal and other cases</b>		
At 1 January	4,200	-
Exchange differences	(367)	-
Provided for the year	-	4,200
Amounts reversed	(2,248)	-
At 31 December	1,585	4,200

During the year the Group's management have decided to reverse an amount of USD 2.2m for the provisions made during 2009 based on their estimate of the expected outcome of the legal and other cases involving the Group.

### **36. Litigation**

#### **Ex employee vs Empire Online Ltd**

In Q3 2007 an ex employee of Empire Online Limited (the Company's former name) filed a lawsuit 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.

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

#### **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. The guarantee has been accounted for as a financial guarantee contract.

The procedures were concluded during Q1 2011 and there was a settlement during the same period that is fully provided at 31 December 2010.

### **37. Commitments and contingencies**

The Group has commitments as at 31 December 2010, for investing an additional USD 8m in JM Financial India Property Fund. As at 31 December 2010, JM Financial India Property Fund had called a second drawdown USD 2m, which the Group has not funded. The Group is currently negotiating a reduction of its commitment amount. In the event no agreement is reached and the Group does not fulfil its commitment, then it may be subject to forfeiture of all its participating shares. Alternatively the Group has the option to cap its total commitments up to and including the second drawdown contribution by investing the USD 2m subject to incurring a penalty, which is also currently in negotiation. As of 31 December 2010, the Group has decided to treat the existing investment as if all participating shares were forfeited and impair the investment completely.

### **38. Events after the reporting date**

There were no material events after the end of the reporting year, which have a bearing on the understanding of these consolidated financial statements.

### **39. Financial risk management objectives and policies**

#### **Background**

The Group's financial instruments comprise 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

#### 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 Group reports in USD, some of the Group's assets are in non-USD currencies and the Company in general does not hedge its currency exposure. The Group 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. The level of investments denominated in foreign currencies held by the Group at 31 December 2010 is the following:

	2010 US \$'000	2009 US \$'000	2010 US \$'000	2009 US \$'000	2010 US \$'000	2009 US \$'000
	Financial assets	Liabilities	Net value	Financial assets	Liabilities	Net value
British Pounds (GBP)	10,312	(4,014)	6,298	4,661	(2,320)	2,341
Euro (EUR)	23,437	(16,255)	7,182	14,657	(4,653)	10,004
Swiss Francs (CHF)	43,928	(5,668)	38,260	42,937	(8,460)	34,477
Indian Rupee (INR)	26,206	(2)	26,204	25,589	-	25,589
Others	1,297	(4,120)	(2,823)	299	-	299
<b>Total</b>	<b>105,180</b>	<b>(30,059)</b>	<b>75,121</b>	<b>88,143</b>	<b>(15,433)</b>	<b>72,710</b>

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

A 10% increase of the following currency rates against the rate of United States Dollar (USD) at 31 December 2010 would have the following impact. A 10% decrease of the following currencies against USD would have an approximately equal but opposite impact.

	2010 US \$000	2009 US \$000	2010 US \$000	2009 US \$000
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
British Pounds (GBP)	630	-	234	-
Euro (EUR)	718	-	1,000	-
Swiss Francs (CHF)	3,826	-	3,448	-
Indian Rupee (INR)	2,620	-	2,559	-
Total	7,794	-	7,241	-

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 84.7m (2009: USD 76.4m) 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 2010 was USD 30.4m (2009: USD 19.2m)

As at 31 December 2010 the Group had no financial liabilities that bore an interest rate risk, other than the previously disclosed bank facilities.

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.

The Group has fixed and floating rate financial assets including bank balances that bear interest at rates based on the banks floating interest rates. In particular, the fair value of the Group's fixed rate financial assets is likely to be negatively impacted by an increase in interest rates. The interest income of the Group's floating rate financial assets is likely to be positively impacted by an increase in interest rates.



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

	2010 US \$000	2009 US \$000
Financial assets – subject to:		
• fair value changes	35,348	20,008
• interest changes	40,101	18,129
<b>Total</b>	<b>75,449</b>	<b>38,137</b>
Financial liabilities – subject to:		
• interest changes	115,139	95,621
• both fair value and interest changes	8,723	8,537
<b>Total</b>	<b>123,862</b>	<b>104,158</b>

Changes in market interest rates will affect the valuation of fixed rate interest bearing instruments. A 1% (100 basis points) change in market interest rates would result in an estimated 2.25% change in the net asset value as at 31 December 2010 (2009: 3.08%).

Particularly an increase of 1% (100 basis points) in interest rates would have the following impact. An equivalent decrease would have an approximately equal but opposite impact, except for the financial liabilities' fair value impact in profit or loss that would have been USD (3.7)m (31 December 2009: USD (2.9)m).

	2010 US \$000	2010 US \$000	2009 US \$000	2009 US \$000
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
Financial assets				
• fair value changes	(1,580)	85	(722)	118
• interest changes	401	-	181	-
Financial liabilities				
• fair value changes	4,406	-	4,380	-
• interest changes	(90)	-	1	-
	3,137	85	3,840	118

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 that 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 equity price risk is low. 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 equity price 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 6.19% change in the net asset value as at 31 December 2010 (2009: 4.29%), and would have the following impact (either positive or negative, depending on the corresponding sign of the change):

	2010 US \$000	2010 US \$000	2009 US \$000	2009 US \$000
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
Available-for-sale financial assets	99	4,546	642	3,044
Financial assets at fair value through profit or loss	4,223		2,471	-
	4,322	4,645	3,113	3,044

### Derivatives

The Investment Manager may use derivative instruments in order to mitigate market 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 mainly exposed to credit risk in respect of its interest bearing investments of USD 72.2m (2009: USD 32.2m). The Group's maximum credit risk exposure at 31 December 2010 is USD 85.6m (2009: USD 45.9m)

The fair values of the Group's investments in bonds and other debt instruments are also affected by the credit risk of those instruments. However, it is not practical to provide an analysis of the changes in fair values due to the credit risk impact for the year or previous periods, nor to provide any relevant sensitivity analysis.

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

Rating	2010 Amount		2009 Amount	
	US \$000	Percentage	US \$000	Percentage
AA	5,692	7%	6,266	14%
AA+	-	-	1,360	3%
AA-	321	0%	1,939	4%
A	13,231	15%	17,449	38%
A-	6,161	7%	3,730	8%
BBB	5,735	7%	1,642	3%
BBB+	9,879	12%	3,015	7%
BBB-	-	-	3,096	7%
B	2,959	4%	846	1%
BB	2,750	3%	2,079	4%
BB+	5,993	7%	221	1%
BB-	760	1%	258	1%
C	242	0%	-	-
CCC+	5,275	6%	3,850	8%

Not Rated	26,583	31%	173	1%
	85,581	100%	45,924	100%

For past due financial assets refer to note 12.

### Liquidity Risk

The major financial liability of the Group is the bank loan of CHF 79m (USD 84.7m) used for purchase of a real estate property, which has a maturity in 2014. The loan is collateralized by property valued at CHF 111.2m (USD 119.0m) in December 2010. 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.

	Less than 1 year US \$000	Between 1 and 2 years US \$000	Between 2 and 5 years US \$000	Over 5 years US \$000
<b>31 December 2010</b>				
Borrowings	31,281	864	86,234	-
Derivative financial instruments	3,257	2,958	2,632	-
Other financial liabilities	2,447	-	-	-
Total	36,985	3,822	88,866	-

	Less than 1 year US \$000	Between 1 and 2 years US \$000	Between 2 and 5 years US \$000	Over 5 years US \$000
<b>31 December 2009</b>				
Borrowings	20,027	842	78,612	-
Derivative financial instruments	2,904	2,868	7,850	-



Other financial liabilities	4,744	-	-	-
<b>Total</b>	<b>27,675</b>	<b>3,710</b>	<b>86,462</b>	<b>-</b>

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 Group 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 2010, the Group had liquid investments totalling USD 64.9m, comprised of USD 3.3m in cash and cash equivalents, USD 45.3m in fixed income investments, USD 11.7m in public equities and USD 4.6m in hedge funds.

Management structures and manages 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 with a contractual maturity based on their maturity.

	Less than 1 year US \$000	Between 1 and 2 years US \$000	Between 2 and 5 years US \$000	Over 5 years US \$000
<b>31 December 2010</b>				
Available-for-sale financial assets	4,645	5,275	-	27,794
Financial assets designated at fair value through profit or loss	-	-	1,497	31,956

	Less than 1 year US \$000	Between 1 and 2 years US \$000	Between 2 and 5 years US \$000	Over 5 years US \$000
<b>31 December 2009</b>				
Available-for-sale financial assets	-	4,502	3,850	12,250
Financial assets designated at fair value through profit or loss	-	1,399	3,343	17,320

### Capital Management

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

#### Net debt to equity

The Group 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:

	2010 US \$000	2009 US \$000
Cash at bank	(3,294)	(5,898)
Bank overdrafts	13,289	5,198
Bank loans	84,722	76,436
Short term bank loans	17,128	13,987
<b>Net Debt</b>	<b>111,845</b>	<b>89,723</b>
<b>Total equity</b>	<b>143,236</b>	<b>128,568</b>
<b>Net debt to equity ratio</b>	<b>0.78</b>	<b>0.70</b>

The increase of the ratio in 2010 is mainly attributable to foreign exchange differences that arose on the translation of the bank loans from functional to presentation currency that increased net debt by USD 8.3m and at the same time decreased equity by the same amount. The Board believes that the ratio remains at an acceptable level.



### Re-purchase of own shares

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

Under this policy, in 2010, the Company bought 8,409,798 of its Ordinary shares at an average price of USD 0.24 per share.

### Financial assets by category:

	2010 US \$000	2009 US \$000
<b>Non current assets</b>		
Available-for-sale financial assets	68,436	55,862
Financial assets at fair value through profit or loss	4,607	5,885
<b>Current assets</b>		
Loans and receivables:		
Trade and receivables	9,919	7,788
Cash at bank	3,294	5,898
Available-for-sale financial assets	20,554	19,914
Financial assets at fair value through profit or loss	41,041	23,602

### Financial liabilities by category:

	2010 US \$000	2009 US \$000
<b>Non current liabilities</b>		
Financial liabilities at amortised cost:		
Bank loan	84,722	76,436
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	8,723	8,576
<b>Current liabilities</b>		
Financial liabilities at amortised cost:		
Bank overdrafts	13,289	5,198
Short term bank loans	17,128	13,987
Other financial liabilities	2,447	4,744

# Shareholder Information

## Registrars

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

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
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](http://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 Livermore Investments Group Limited (the "Company") will be held at the offices of Travers Smith LLP at 10 Snow Hill, London, EC1A 2AL on 23 August 2011 at 10am for the purposes of the following:

To consider, and if thought fit, to pass the following resolutions, numbers 1 to 5 of which will be proposed as Resolutions of Members and numbers 6 to 8 of which will be proposed as Special Resolutions:

1. To receive and adopt the Report of Directors, the financial statements and the Report of the Auditor for the year ended 31 December 2010.
2. To re-elect Mr. Ron Baron, who is due to retire 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 90,762,506 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 2012 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); 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.
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 in the capital of the Company ("ordinary shares") 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 13,614,375 of such ordinary shares and this power, unless renewed, shall expire at the end of the annual general meeting of the Company in 2012 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 the Articles of Association of the Company, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Companies Act 2006 (as amended)) on the AIM market of the London Stock Exchange plc of ordinary shares of no par value in the capital of the Company ("ordinary shares") provided that:
- (a) the maximum number of ordinary shares hereby authorised to be purchased is 54,457,502;
  - (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  
14 June 2011



## 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, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours (not including weekends or bank holidays) 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, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 72 hours (not including weekends or bank holidays) before the time fixed for the meeting or any adjourned meeting. Completion of the Form of Direction will not prevent you from attending and voting in person. Depository Interest holders wishing to attend the meeting should contact the Depository on the above address or email [custodymgt@capitaregistrars.com](mailto:custodymgt@capitaregistrars.com) to request a Letter of Corporate Representation.

# 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 (Cyprus) Ltd  
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  
Dianastrasse 5  
CH-8002  
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