

BAY STREET HOLDINGS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Company No. – C –12058

BAY STREET HOLDINGS LIMITED

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BAY STREET HOLDINGS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2010

Directors:	Mr. Christopher Grech Mr. Paul Camilleri Mr. George Muscat
Secretary:	Mr. George Muscat
Company Number:	C 12058
Registered Office:	Bay Street Tourist Complex, Bay Street Management Offices, St. George's Bay, St. Julians.
Auditors:	Vincent Curmi & Associates Finance House, First Floor, Princess Elizabeth Street, Ta' Xbiex, XBX 1102
Bankers:	HSBC Bank Malta p.l.c., Business Banking Centre, Mill Street, Qormi. Bank of Valletta p.l.c., Corporate Branch, Airways House, Sliema.

The directors present their report and the audited financial statements of the Group and the Company for the year ended 31st December 2010.

Principal activities

The Group comprises of Bay Street Holdings Limited ("the Company") and Bay Street Finance p.l.c. The principal activity of the company is the ownership and operation of the Bay Street Tourist Complex comprising the Bay Street outlets and car park whilst that of Bay Street Finance p.l.c. is a special purpose finance company.

Performance review

The year ending 31st December 2010 was the tenth full year of operation of the Bay Street Tourist Complex.

During the year under review, the Group registered a loss before tax of €177,918 (2009: profit before tax of €377,226).

The Company continually strives to ensure that internationally known brands are present at the complex, most of which have now extended their contract till 2020.

Due to the continued support of the Company's ultimate shareholders and the availability of banking facilities to the Company to ensure that the liabilities will continue to be met as and when they fall due, the directors believe that it is appropriate to prepare the financial statements on a going concern basis which assumes that the Group and Company will continue in operational existence for the foreseeable future.

BAY STREET HOLDINGS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2010

Results and dividends

The results for the year ended 31 December 2010 are shown in the statement of comprehensive income on page 5. The loss for the year after taxation of the Group was €178,680 (2009: profit of €376,015).

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were:

Mr. Christopher Grech
Mr. Paul Camilleri
Mr. George Muscat

In accordance with the company's articles of association all the directors are to remain in office.

Post balance sheet event

By virtue of an extraordinary resolution dated 8 November 2010 it was resolved to amalgamate Bay Street Company Limited into Bay Street Holdings Limited by means of acquisition where on the date of effective merger, being the 17th March 2011, Bay Street Company's assets and liabilities will transfer to Bay Street Holdings Limited and Bay Street Company Limited will cease to exist. By virtue of this merger, the receivable in Bay Street Holdings Limited from Bay Street Company Limited will cancel and in lieu Bay Street Holdings Limited will mainly acquire the Investment in Bay Street Hotel Complex Limited and retained losses of €6,042,327.

BAY STREET HOLDINGS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2010

Directors' Responsibilities

The directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the Group and of the Company at the end of each financial year and of the profit or loss for the year then ended.

In preparing the financial statements, the directors should:-


- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Group and the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Auditors

A resolution to reappoint Vincent Curmi & Associates as auditor of the company will be proposed at the forthcoming annual general meeting.

This report was approved by the board of directors and authorised for issue on the 29th April 2011 and signed on its behalf by:



Mr. Christopher Grech
Director



Mr. Paul Camilleri
Director

Vincent Curmi & Associates

Certified Public Accountants



AUDITORS' REPORT TO THE SHAREHOLDERS OF BAYSTREET HOLDINGS LIMITED

We have audited the accompanying financial statements of Bay Street Holdings Limited on pages 5 to 25, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's responsibility for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Company's Act, 1995 and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

Without qualifying our opinion we draw your attention to note 2.1 to the financial statements. The financial statements have been prepared on a going concern basis, the validity of which depends on the success of operations of Baystreet Holdings Limited, the continuing support of the shareholders of the Company and the Company's bankers.

In our opinion, the financial statements give a true and fair view of the financial position of Baystreet Holdings Limited as at 31 December 2010, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and statutory requirements

In our opinion, the financial statements have been properly reported in accordance with the Companies Act (Chap. 386).


MICHAEL CURMI
VINCENT CURMI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Finance House, First Floor, Princess Elizabeth Street, Ta' Xbiex. XBX 1102

29th April 2011

□ Finance House, First Floor, Princess Elizabeth Street, Ta' Xbiex, XBX 1102, MALTA.

☒ Tel. (+356) 21 333 680 ☒ Fax. (+356) 21 333 679 ☒ E-mail: info@vca.com.mt

☒ Accountants: ☒ VINCENT CURMI FAIA, FIA, CPA ☒ MICHAEL CURMI B.A. (Hons) Econ., FCCA, FIA, CPA
☒ CAROL CASSAR TORREGGIANI MQR, B.A. (Hons) Business Management, ACCA, CPA

BAY STREET HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Note</i>	2010 €	Group 2009 €	2010 €	Company 2009 €
Turnover	5	2,828,242	2,999,654	2,828,242	2,999,654
Costs					
Administrative and Operating Expenditure		(1,325,972)	(1,300,937)	(1,299,395)	(1,283,234)
Depreciation charge		(771,550)	(625,832)	(771,550)	(625,832)
		(2,097,522)	(1,926,769)	(2,070,945)	(1,909,066)
Operating Profit before Interest		730,720	1,072,885	757,297	1,090,588
Interest receivable	21	266,077	351,660	266,077	351,660
Interest payable	6	(1,094,987)	(1,079,780)	(1,124,075)	(1,100,949)
Cost of early bond redemption		(84,683)	-	(84,336)	-
Other Income		44,894	32,461	44,894	32,461
Loss on financial instruments designated at FVTPL		(39,939)	-	(39,939)	-
		(908,638)	(695,659)	(937,379)	(716,828)
Profit/(Loss) before Taxation	7	(177,918)	377,226	(180,082)	373,760
Taxation	8	(762)	(1,211)	-	-
Total Comprehensive Income for the Year		(178,680)	376,015	(180,082)	373,760

BAY STREET HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

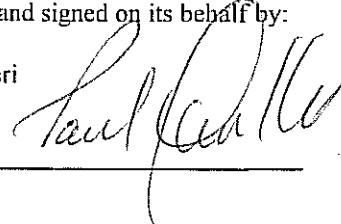
	Note	Group		Company	
		2010 €	2009 €	2010 €	2009 €
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	35,142,557	20,445,487	35,142,557	20,445,487
Financial Assets					
Investment in subsidiaries	11	-	-	174,696	174,696
		<u>35,142,557</u>	<u>20,445,487</u>	<u>35,317,253</u>	<u>20,620,183</u>
Non-Current Assets					
Deferred taxation	17	806,133	806,133	806,133	806,133
Receivables	13	9,208,333	6,883,420	9,208,333	6,883,417
		<u>10,014,466</u>	<u>7,689,553</u>	<u>10,014,466</u>	<u>7,689,550</u>
Current Assets					
Inventories	12	64,643	103,266	64,643	103,266
Receivables	13	1,772,506	1,338,503	1,697,689	1,336,703
Financial assets held at FVTPL	14	11,270	-	11,270	-
Cash and cash equivalents		30,273	26,571	20,473	24,120
Other taxes and social security		2,798	1,236	-	-
		<u>1,881,490</u>	<u>1,469,576</u>	<u>1,794,075</u>	<u>1,464,089</u>
Total Assets		<u><u>47,038,513</u></u>	<u><u>29,604,616</u></u>	<u><u>47,125,794</u></u>	<u><u>29,773,822</u></u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Share Capital	18	4,658,742	4,658,742	4,658,742	4,658,742
Revaluation reserve	19	19,220,106	5,674,989	19,220,106	5,674,989
Profit and loss account		(2,632,488)	(2,494,642)	(2,672,289)	(2,533,041)
Total Shareholders' Funds		<u>21,246,360</u>	<u>7,839,089</u>	<u>21,206,559</u>	<u>7,800,690</u>
Provision for Liabilities and Charges					
	17	3,741,316	1,888,686	3,741,316	1,888,686
Non-Current Liabilities					
Interest – bearing borrowings	15	16,638,145	13,598,730	16,720,802	13,765,569
Trade and other payables	16	2,106,866	2,011,875	2,106,866	2,011,875
		<u>18,745,011</u>	<u>15,610,605</u>	<u>18,827,668</u>	<u>15,777,444</u>
Current Liabilities					
Interest – bearing borrowings	15	1,110,139	2,163,504	1,110,139	2,163,504
Trade and other payables	16	2,144,479	2,102,732	2,188,904	2,143,498
Financial liabilities held at FVTPL	14	51,208	-	51,208	-
		<u>3,305,826</u>	<u>4,266,236</u>	<u>3,350,251</u>	<u>4,307,002</u>
Total Liabilities		<u><u>22,050,837</u></u>	<u><u>19,876,841</u></u>	<u><u>22,177,919</u></u>	<u><u>20,084,446</u></u>
Total Equity and Liability		<u><u>47,038,513</u></u>	<u><u>29,604,616</u></u>	<u><u>47,125,794</u></u>	<u><u>29,773,822</u></u>

The financial statements on pages 5 to 25 were approved by the Board of Directors on 29th April 2011 and signed on its behalf by:

Mr. Christopher Grech
Director



Mr. Paul Camilleri
Director



BAY STREET HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

Group

	<i>Note</i>	Share capital €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2009		4,658,742	5,695,406	(2,891,074)	7,463,074
Comprehensive income					
Profit for the financial year		-	-	376,015	376,015
Other Comprehensive income					
Transfer to revaluation reserve		-	(20,417)	20,417	-
Balance at 31 December 2009		<u>4,658,742</u>	<u>5,674,989</u>	<u>(2,494,642)</u>	<u>7,839,089</u>
Comprehensive income					
Loss for the financial year		-	-	(178,680)	(178,680)
Other comprehensive income					
Transfer to revaluation reserve	19	-	(40,834)	40,834	-
Revaluation on property, plant & equipment (Net of deferred tax)		-	13,585,951		13,585,951
Balance at 31 December 2010		<u>4,658,742</u>	<u>19,220,106</u>	<u>(2,632,488)</u>	<u>21,246,360</u>

Company

		Share capital €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2009		4,658,742	5,695,406	(2,927,218)	7,426,930
Comprehensive income					
Profit for the financial year		-	-	373,760	373,760
Other comprehensive income					
Transfer to revaluation reserve		-	(20,417)	20,417	-
Balance at 31 December 2009		<u>4,658,742</u>	<u>5,674,989</u>	<u>(2,533,041)</u>	<u>7,800,690</u>
Comprehensive income					
Loss for the financial year		-	-	(180,082)	(180,082)
Other comprehensive income					
Transfer to revaluation reserve	19	-	(40,834)	40,834	-
Revaluation on property, plant & equipment (Net of deferred tax)		-	13,585,951		13,585,951
Balance at 31 December 2010		<u>4,658,742</u>	<u>19,220,106</u>	<u>(2,672,289)</u>	<u>21,206,559</u>

BAY STREET HOLDINGS LIMITED

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Note</i>	Group 2010 €	2009 €	Company 2010 €	2009 €
Cash Flows from Operating Activities					
Net (loss)/profit before taxation		(177,918)	377,226	(180,082)	373,760
Adjustments for:					
Depreciation		771,550	625,832	771,550	625,832
Interest receivable		(266,077)	(351,660)	(266,077)	(351,660)
Interest payable & cost of early bond redemption		1,179,670	1,079,780	1,208,411	1,100,949
Loss on financial instruments designated at FVTPL		39,939	-	39,939	-
Provision for doubtful debts		15,537	77,914	15,537	77,914
<i>Operating profit before working capital changes</i>		<u>1,562,701</u>	<u>1,809,092</u>	<u>1,589,278</u>	<u>1,826,795</u>
Movement in inventories		38,623	33,261	38,623	33,261
Movement in receivables		(546,431)	118,714	(473,413)	120,514
Movement in payables		510,944	(148,460)	484,630	(150,423)
<i>Cash generated from operations</i>		<u>1,565,837</u>	<u>1,812,607</u>	<u>1,639,118</u>	<u>1,830,147</u>
Interest paid & cost of early bond redemption		(1,372,369)	(1,079,780)	(1,539,450)	(1,100,949)
Tax paid		(2,323)	(3,105)	-	-
<i>Net cash from operating activities</i>		<u>191,145</u>	<u>729,722</u>	<u>99,668</u>	<u>729,198</u>
Cash Flows from Investing Activities					
Payments to acquire property, plant and equipment		(30,039)	(86,538)	(30,039)	(86,538)
<i>Net cash used in investing activities</i>		<u>(30,039)</u>	<u>(86,538)</u>	<u>(30,039)</u>	<u>(86,538)</u>
Cash Flows from Financing Activities					
Bank loans		7,804,348	(785,604)	7,804,348	(785,604)
Loans to related companies		(2,067,873)	-	(6,823,826)	-
Loans to related undertaking		(75,581)	-	(52,217)	-
Other long term loans/payables		(4,816,717)	(188,866)	-	(22,031)
<i>Net cash generated from/(used in) financing activities</i>		<u>844,177</u>	<u>(974,470)</u>	<u>928,305</u>	<u>(807,635)</u>
Net movement in Cash and Cash Equivalents		1,005,284	(331,286)	997,934	(164,975)
Cash and cash equivalents at the beginning of the year		(1,297,906)	(966,620)	(1,300,357)	(1,135,382)
Cash and Cash Equivalents at the end of the year	<i>20</i>	<u>(292,623)</u>	<u>(1,297,906)</u>	<u>(302,423)</u>	<u>(1,300,357)</u>

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. Reporting Entity

Bay Street Holdings Limited (the 'Company') is a limited liability company domiciled and incorporated in Malta.

2. Basis of Preparation

These consolidated financial statements include the financial statements of Bay Street Holdings Limited and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the non-current assets categories of property, plant and equipment except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the group's accounting policies (see Note 2.2 – Critical accounting estimates and judgements)

Standards, interpretations and amendments to published standards effective in 2010

In 2010, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2010. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

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

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

2.1 Going Concern basis

The Group is composed of the Company and a subsidiary undertaking Bay Street Finance p.l.c, which subsidiary had debt securities in issue at 31st December 2010 of €2,785,892 (2009: €7,602,609) bearing interest at 8% per annum and redeemable in 2012.

During 2010, Bay Street Holdings Limited re-structured its debt and obtained new financing arrangements from its bankers. New bank facilities were primarily granted for the early redemption of the Group's debts securities in issue of €7,602,609 maturing in 2012, of which €4,816,717 were redeemed with the remaining balance of €2,785,892 to be settled with bank facilities already in place. Also, the Group obtained additional bank facilities of €10,500,000 to repay prior bank facilities and extend its borrowing facilities to June 2020. With these new financing arrangements in place, the maturity of its debts were extended; by replacing its debt securities with new bank facilities, its maturity dates increased from the year 2012 to 2020 and existing bank facilities from 2017 to 2020. To date all financing obligations towards the bank have been met.

The Group's future cash flows and ability to meet its obligations, both in terms of the servicing and repayment of its debts is dependent on the following:

- Net Cash flows generated from the Company's core operations, being the operation of the Bay Street Complex and earnings generated from the operational agreements with the various retail outlets;
- The continued support of the Company's shareholders, who have given an undertaking to continue to provide the Company with the necessary support in order to meet its obligations and
- The continued support of the Company's bankers.

After due consideration to the above and having reviewed the group's budget and forecast for 2011, the Director's have determined that there is reasonable expectation that the Group will have the necessary resources in order to meet its obligations at 31st December 2010 and any obligations arising from liabilities existing at that date. The Directors therefore deem it is appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments should the above strategies not materialise.

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2.2 Critical accounting estimates and judgements

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

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

Fair value of property, plant and equipment

Determining the fair value of property, plant and equipment requires an estimation of the value in use of the cash-generating units. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. The carrying amount of property, plant and equipment of the Group at the end of the reporting period was €35,142,557.

2.3 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Euro which is the Company's functional currency and the Group's presentation policy.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Group Accounting

(i) Subsidiary undertakings

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measure as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date, irrespective of the extent of any minority interest.

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Group Accounting (continued)

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

A listing of subsidiaries is set out in note 11 to the financial statements.

(ii) Associated undertakings

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment loss.

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

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

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment comprising land and buildings, electrical installations, plant, machinery and equipment, and furniture and fittings are initially recorded at cost. Land and buildings are subsequently shown at market value based on periodic valuations by external independent valuers. All other non-current assets are stated at historical cost less depreciation.

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Property, plant and equipment (continued)

Depreciation is calculated on the straight line method to write off the cost or revalued amount of each asset, other than land, to their residual values over their estimated useful life as follows:

Buildings	2%
Mechanical and electrical	4%
Furniture, fixtures and fittings	5 - 10%
Equipment	5 - 20%
Other fixed assets	20% - replacement basis
Land is not depreciated	

Expenditure on repairs or maintenance of property, plant & equipment made to maintain future economic benefits expected from the asset, is recognised as an expense when incurred.

Revaluations

Land and buildings held for use in the supply of services or for administrative purposes are stated in the statement of financial position at their revalued amounts being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation on buildings. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve, except the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of land and buildings is charged as an expense to the extent that it exceeds the balance, if any held in the revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property the attributable revaluation surplus remaining in the revaluation reserve is transferred to accumulated profits.

Inventory

Inventory is stated at the lower of cost and net realisable value.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdraft. In the statement of financial position, the bank overdraft is included in borrowings in current liabilities.

Revenue Recognition

Concessionary income and premia charged to clients are included in the financial statements as turnover. Premia are taken to the profit and loss account over the period of the concessions to which they relate. Interest income is accounted for as it accrues, unless collectability is in doubt. Forfeited premia are taken to the profit and loss account in the year that the relevant concessionary agreement is cancelled.

Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to contractual provisions of the instrument. Financial assets and financial liabilities are initially recognized at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Financial instruments (continued)

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognized when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) Investments

Financial assets are classified into the following specified categories: financial assets are as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company classifies its financial assets at (FVTPL) as they are principally acquired for the purpose of selling in the near future.

Financial assets at (FVTPL) are stated at fair value, with any resultant gain or loss recognised in the profit and loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

(ii) Derivative financial instruments

Derivative financial instruments are initially recognised and subsequently measured at fair value. Fair values are obtained from discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group designates interest rate swaps as hedges of the exposure to variability in interest rate movements which arise on bank borrowings. Changes in the fair value of interest rate swaps that are designated and qualify as fair value hedging instruments, are recognised in profit or loss

(i) Trade and other receivables

Trade receivables are classified with current assets and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(iii) Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

(iv) Trade and other payables

Trade payables are classified with current liabilities and are stated at their nominal value.

(v) Shares issued by the company

Ordinary shares issued by the company are classified as equity instruments.

Taxation

The charge for current tax is based on the charge for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing Costs

Borrowing costs are capitalised within property, plant and equipment in so far as they relate to the specific external financing of assets under development. Such borrowing costs are capitalised up to the time that the assets are brought into use. Other borrowing costs are recognised as an expense in the year to which they relate.

Foreign Currencies

Assets, liabilities, revenue and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences thus arising are included in the profit and loss account.

4. Change in accounting estimate

During the current year, the Group has changed the estimation of the useful life of building from 1% to 2%. The change in accounting estimate has been accounted for in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The effect of the change in accounting estimate has been recognised prospectively by including it in the income statement in 2010 and in future periods.

Had no change in accounting estimate been made, the depreciation charge for the year would have been €691,844. For 2011 due to change in accounting estimate, depreciation will increase by €79,706 and will increase by €318,824 between the years 2012 to 2015.

5. Segmental Analysis of Turnover

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Turnover from concessions	1,884,348	2,067,512	1,884,348	2,067,512
Other operating incomes	214,916	212,524	214,916	212,524
Common area recoveries	728,978	719,618	728,978	719,618
	<u>2,828,242</u>	<u>2,999,654</u>	<u>2,828,242</u>	<u>2,999,654</u>

6. Interest Payable and Similar charges

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Bank overdraft and loans	543,704	460,932	543,703	460,931
Bond/group loan interest	551,283	618,848	580,372	640,018
	<u>1,094,987</u>	<u>1,079,780</u>	<u>1,124,075</u>	<u>1,100,949</u>

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

7. Loss on Ordinary Activities before Taxation

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
This is stated after charging:				
Total remuneration payable to the Company's auditor's for the audit of the Group's financial statements	9,994	8,811	8,484	7,661
Bad and doubtful debts	15,537	77,914	15,537	77,914

8. Tax on Ordinary Activities

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Current tax charge	762	1,211	-	-
	<u>762</u>	<u>1,211</u>	<u>-</u>	<u>-</u>

(b) The tax expense and the tax charge using the statutory income tax rate of 35% are reconciled as follows:

(Loss)/Profit before taxation	(177,918)	377,226	(180,082)	373,760
Tax charge at 35%	<u>(62,271)</u>	<u>132,029</u>	<u>(63,029)</u>	<u>130,816</u>

Tax effect of:

Depreciation on property plant & equipment not allowable for tax purposes by way of capital allowances	43,612	(158,088)	43,612	(158,086)
Expenses disallowed for tax purposes	5,442	27,270	5,438	27,270
Unrealised losses on investments held at FVTPL	13,979	-	13,979	-
Tax charge for the year	<u>762</u>	<u>1,211</u>	<u>-</u>	<u>-</u>

9. Staff Costs and Employee Information

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Wages and salaries	161,195	188,974	148,831	182,523
Social security costs	8,126	7,466	8,126	7,466
	<u>169,321</u>	<u>196,440</u>	<u>156,957</u>	<u>189,989</u>
Charge from Bay Street Hotel Complex Limited	98,851	146,058	98,851	146,058
	<u>268,172</u>	<u>342,498</u>	<u>255,808</u>	<u>336,047</u>

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

9. Staff Costs and Employee Information (continued)

The average weekly number of persons including directors employed by the Company during the year was:

	Group		Company	
	2010 Number	2009 Number	2010 Number	2009 Number
Administrative	6	6	6	6
Operational	5	9	5	9
	<u>11</u>	<u>15</u>	<u>11</u>	<u>15</u>

10. Property, Plant and Equipment

	Land and Buildings	Mechanical and Electrical	Equipment	Furniture Fittings & Improvements	Other Fixed Assets	Total
	€	€	€	€	€	€
Cost/Valuation						
As at 1 st January 2010	18,297,135	1,819,709	3,054,893	4,799,288	74,706	28,045,731
Additions	-	-	23,841	5,435	763	30,039
Revaluations	15,438,581	-	-	-	-	15,438,581
As at 31 st December 2010	<u>33,735,716</u>	<u>1,819,709</u>	<u>3,078,734</u>	<u>4,804,723</u>	<u>75,469</u>	<u>43,514,351</u>
Depreciation						
As at 1 st January 2010	953,062	664,132	2,506,137	3,448,108	28,805	7,600,244
Charge for year	211,343	72,788	96,075	384,668	6,676	771,550
As at 31 st December 2010	<u>1,164,405</u>	<u>736,902</u>	<u>2,602,212</u>	<u>3,832,776</u>	<u>35,481</u>	<u>8,371,794</u>
Net Book Value						
As at 31 st December 2010	<u>32,571,311</u>	<u>1,082,789</u>	<u>476,522</u>	<u>971,947</u>	<u>39,988</u>	<u>35,142,557</u>
As at 31 st December 2009	<u>17,344,073</u>	<u>1,155,577</u>	<u>548,756</u>	<u>1,351,180</u>	<u>45,901</u>	<u>20,445,487</u>

Bank borrowings are secured by the group's and company's property, plant and equipment (note 15)

On 7th July 2010, the directors approved revaluations of the owned property of the group after assessing the valuations made by a duly appointed independent chartered architect. These valuations were determined on the bases of open market values after considering the intrinsic value of the property and net potential returns. The directors have confirmed these values as at 31st December 2010.

At 31st December 2010 the carrying amount of land and buildings would have been €9,737,842 (2009: €9,902,292) had these assets been included in the financial statements at historical cost less depreciation.

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

11. Financial Assets

Company	Shares in group undertakings €	Total €
At 1 st January 2009	174,696	174,696
Movement during the year	-	-
At 31 st December 2010	174,696	174,696

Shares in group undertakings represent the following investments:

The following subsidiary has been consolidated on a line-by-line basis

Group	Registered Address	Principal Activity	2010 % holding	2009 % holding
Bay Street Finance p.l.c.	Bay Street Management Offices St. George's Bay St. Julians.	Finance company	99.9	99.9

12. Inventories

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Consumables	64,643	103,266	64,643	103,266

13. Receivables

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Amounts falling due within one year				
Trade receivables	1,357,045	1,041,421	1,357,045	1,041,421
Concession commitments	204,850	119,290	204,850	119,290
Other receivables	84,410	19,389	11,389	19,389
Prepayments and accrued income	126,201	158,403	124,405	156,603
	<u>1,772,506</u>	<u>1,338,503</u>	<u>1,697,689</u>	<u>1,336,703</u>

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Amounts falling due after more than one year				
Trade receivables	384,120	319,217	384,120	319,214
Amounts owed by related undertakings (i)	8,441,461	6,479,512	8,441,461	6,479,512
Concession commitments (ii)	277,507	56,826	277,507	56,826
Deferred issue costs re new financing	105,245	27,865	105,245	27,865
	<u>9,208,333</u>	<u>6,883,420</u>	<u>9,208,333</u>	<u>6,883,417</u>

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

13. Receivables (continued)

- (i) Amounts owed by related undertakings total €8,441,461 (2009: €6,479,512) which are unsecured, of which €4,552,495 (2009: €4,368,239) earned interest at 6% up to 30th September 2010. Due to the merger on the 17th March 2011 of Bay Street Company Limited into Bay Street Holdings Limited, the advances of €4,552,495 will be cancelled. Interest receivable on these loans ceased on 1st October 2010 in accordance with the definite instrument of amalgamation filed on the 10th December 2010. The remaining balance of €3,888,966 (2009: €2,111,273) is unsecured, interest free and no date has been set for repayment.
- (ii) These amounts represent future minimum operating concession payments due to the Company under non-cancellable operating concession agreements. They are determined by reference to the point in time in the operating agreement when the operator is given the option to cancel the agreement without the requirement of any additional payment thereon.

14. Financial Investments at Fair Value through Profit or Loss

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Fair value				
Financial assets classified as held for trading	11,270	-	11,270	-
- Derivative financial instruments				
Financial liabilities classified as held for trading				
- Derivative financial instruments	(51,208)	-	(51,208)	-

Derivative financial instruments comprise interest-rate swaps and are classified with financial assets or financial liabilities classified as held for trading.

The notional principal amounts of the outstanding interest rate swaps at the end of the reporting period amounted to €11,583,262.

At the end of the reporting period, the fixed interest rates on the interest rate swaps were on €10,500,000 : 2.61% and on €1,083,262 : 2.38% per annum. The floating rate is the three-month EURIBOR. The interest rate swaps settle on a quarterly basis and the company settles the difference between the fixed and the floating interest rate.

15. Interest-bearing borrowings

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Short term - Falling due within one year				
Bank overdraft (i)	322,896	1,324,477	322,896	1,324,477
Bank loans	787,243	839,027	787,243	839,027
Short term borrowings	1,110,139	2,163,504	1,110,139	2,163,504
Long term - Falling due after more than one year				
Bank loans	13,852,253	5,996,121	13,852,253	5,996,121
Amounts owed to group undertaking (ii)	-	-	2,868,549	7,769,448
Other loans (iii)	2,785,892	7,602,609	-	-
Long term borrowings	16,638,145	13,598,730	16,720,802	13,765,569
Total borrowings	17,748,284	15,762,234	17,830,941	15,929,073

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

15. Interest-bearing borrowings (continued)

- (i) The Group's and Company's banking overdraft facilities as at 31st December 2010 and 2009 amounted to €500,000 (2009: €1,630,550).
- (ii) These amounts represent borrowings from Bay Street Finance p.l.c., a fully owned subsidiary of Bay Street Holdings Limited at an annual interest rate of 8.2% repayable on the 30th May 2012.
- (iii) In 2002, Bay Street Finance p.l.c. issued to the public 76,026 8% redeemable bonds of €100 each, due 2012. During the financial year the Company redeemed 11,403 bonds by re-purchasing them on the open market. Further more on the 8th October 2010 a tender offer was issued to its current bond holders at a price of €102 per bond. 36,764 bonds were redeemed at this price. The remaining bonds will be redeemed on the 26th June 2012, subject to the right of the Company to purchase bonds on the open market before redemption date. Any bonds so purchased shall be cancelled.

The interest rate exposure of the borrowings of the Company was as follows:

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
At floating rates	4,130,547	8,159,625	4,130,547	8,159,625
At fixed rates	13,617,737	7,602,609	13,700,394	7,769,448
	<u>17,748,284</u>	<u>15,762,234</u>	<u>17,830,941</u>	<u>15,929,073</u>

Weighted average effective interest rates
as at the balance sheet date:

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Bank overdraft	5.50	5.45	5.50	5.45
Bank loans at variable rates	4.05	5.45	4.05	5.45
Bank loans at fixed rate swap	5.38	-	-	-
Bank loans at fixed rate swap	5.61	-	-	-
Loan from subsidiary undertaking	-	-	8.20	8.20
Other loans	8.00	8.00	-	-

Maturity of long-term borrowings:

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Between 2 and 5 years	8,484,228	11,504,599	8,566,885	11,671,438
Over 5 years	8,153,917	2,094,131	8,153,917	2,094,131
	<u>16,638,145</u>	<u>13,598,730</u>	<u>16,720,802</u>	<u>13,765,569</u>

The bank loans and overdraft are secured by a general and special hypothec and by a special privilege over the Company's assets, a pledge on the insurance policy covering the Company's assets and by guarantees by the shareholders. Other loans are guaranteed by Bay Street Holdings Limited under a Deed of Guarantee and a Loan Facility Agreement.

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

16. Trade and Other Payables	Group		Company	
	2010	2009	2010	2009
Amounts falling due within one year	€	€	€	€
Trade payables	485,450	362,733	485,450	362,733
Capital creditors	28,600	28,983	28,600	28,983
Amounts owed to related undertakings	686,758	792,682	831,705	792,682
Other payables	234,613	243,702	229,965	243,702
Deferred income (i)	170,493	143,540	170,493	143,540
Accruals	538,565	531,092	442,691	571,858
	<u>2,144,479</u>	<u>2,102,732</u>	<u>2,188,904</u>	<u>2,143,498</u>
Amounts falling due after more than one year	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Trade payables	-	45,251	-	45,251
Capital creditors	-	42,954	-	42,954
Amounts owed to related undertakings	413,658	465,875	413,658	465,875
Deferred income (i)	1,693,208	1,434,431	1,693,208	1,434,431
Shareholders loans	-	23,364	-	23,364
	<u>2,106,866</u>	<u>2,011,875</u>	<u>2,106,866</u>	<u>2,011,875</u>

(i) These amounts represent premia received from operators within Bay Street Complex which is being taken to the profit and loss account over the term of the operating agreement.

17. Deferred Tax

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% and 12% (2009 – 35% and 12%). These amounts shown represent a deferred tax asset on unabsorbed capital allowances and unutilised tax losses available for set-off against future taxable profits, as well as deferred tax liability on the revaluation of land and buildings.

The movement in the deferred tax account is as follows:

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
At the end of the year	<u>(2,935,183)</u>	<u>(1,082,553)</u>	<u>(2,935,183)</u>	<u>(1,082,533)</u>

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

17. Deferred Tax (continued)

The following amounts are shown in the balance sheet:

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Deferred tax assets	806,133	806,133	806,133	806,133
Deferred tax liabilities	(3,741,316)	(1,888,686)	(3,741,316)	(1,888,686)
	<u>(2,935,183)</u>	<u>(1,082,553)</u>	<u>(2,935,183)</u>	<u>(1,082,553)</u>

As at 31st December 2010, the Company had a deferred tax asset of €2,276,475 (2009: €2,305,224). However, the directors feel that they should take a prudent approach and not account for the increase in this asset until it clearly results that it can be crystallised in the foreseeable future.

18. Called Up Issued Share Capital

	2010/2009	
	Authorised €	Issued and Called up €
"E" Ordinary shares of €2.329373 each	2,096,436	1,552,914
"F" Ordinary shares of €2.329373 each	2,096,436	1,552,914
"G" Ordinary shares of €2.329373 each	2,096,436	1,552,914
	<u>6,289,308</u>	<u>4,658,742</u>

19. Revaluation Reserve

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
As at 1 January	5,674,989	5,695,406	5,674,989	5,695,406
Revaluation of land (net of deferred tax)	13,585,951	-	13,585,951	-
Depreciation on revalued amount	(40,834)	(20,417)	(40,834)	(20,417)
As at 31 December	<u>19,220,106</u>	<u>5,674,989</u>	<u>19,220,106</u>	<u>5,674,989</u>

The revaluation reserve was created on the revaluation of the Group's and Company's property plant and equipment.

The revaluation reserve is a non-distributable reserve.

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

20. Cash and Cash Equivalents

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Cash in hand	30,273	26,571	20,473	24,120
Bank overdraft	(322,896)	(1,324,477)	(322,896)	(1,324,477)
	<u>(292,623)</u>	<u>(1,297,906)</u>	<u>(302,423)</u>	<u>(1,300,357)</u>

21. Related Party Transactions

Related party transactions are traded on a commercial basis with entities that are related by way of common directors who are able to exercise significant influence over the Company's operations. Related party transactions traded during the year which are considered to be material are:

	Related Party Activity €	Total Activity €	%
Interest receivable	184,255	266,077	69

22. Financial Risk Management

Overview

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Fair Values

This note presents information about the group's exposure to each of the above risks, the group's objectives and policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises from cash and cash equivalents, deposits with banks, as well as credit risk exposures to customers, including outstanding receivables and committed transactions. The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

22. Financial Risk Management (continued)

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Carrying amounts				
Trade and other receivables	10,980,839	8,221,923	10,906,023	8,220,120
Cash at bank and in hand	30,273	26,571	20,473	24,120
	<u>11,011,112</u>	<u>8,248,494</u>	<u>10,926,496</u>	<u>8,244,240</u>

Credit risk with respect to receivables is constantly monitored by senior management and the company holds alternative financial instruments in order to hedge certain risks associated with these amounts, however, in common with similar business concerns the failure of specific large customers could have a material impact on the Group's results. Further, trade receivables on premia are generally matched by a corresponding liability in deferred income (Note 16), which is released to the profit and loss account in the event of default by a customer in respect of the premium due. Credit risk with respect to amounts owed by related undertakings is dependent on the success of the related company's operations, the ownership and control of which is in the hands of the same directors as Bay Street Holdings Limited. Included in trade and other receivables is the amount of €4,554,295 due from Bay Street Company Limited which will cancel upon the post year-end merger of Bay Street Company Limited into Bay Street Holdings Limited and in lieu Bay Street Holdings Limited will mainly acquire the Investment in Bay Street Hotel Complex Limited and retained losses of €6,042,327. The company's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution.

Included in the Group's trade receivable balance are the following receivables which are past due at the reporting date for which the group has not provided as the amounts are still considered recoverable:

	Group	
	2010 €	2009 €
91 – 120 days	198,566	146,761
Over 120 days	959,177	679,928
	<u>1,157,743</u>	<u>826,689</u>

The group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history. The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. This allowance represents specific provisions against individual exposures. The group's receivables which are not impaired financial assets are principally in respect of transactions with customers for whom there is no history of default. Management does not expect any material losses from non-performance by these customers.

Impairment provisions of €264,087 (2009: €248,551) for the group were present at year end in respect of trade receivables that were overdue and not expected to be recovered.

BAY STREET HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

22. Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally of trade and other payables and interest-bearing borrowings. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Directors monitor liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period. The carrying amount of the group's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date in the respective notes to the financial statements.

As at the balance sheet date, the group is in net current liability of €1,424,336 (2009: €1,556,176). This was effectively financed by the group's overdraft and bank loan facilities. The directors of the group believe that full support of its bankers, and the ultimate shareholders will be available as part of the group's effective financing strategy. As such the group is confident that it will meet its commitments as and when they fall due.

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

	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	Over five years €
Group					
31 December 2010					
Borrowings	17,748,284	30,939,373	2,072,424	10,921,386	17,945,563
Trade and other payables	4,251,346	4,251,346	2,144,484	683,651	1,423,211
	<u>21,999,630</u>	<u>35,190,719</u>	<u>4,216,908</u>	<u>11,605,037</u>	<u>19,368,774</u>
31 December 2009					
Borrowings	16,572,234	19,028,734	3,202,345	14,617,126	2,209,263
Trade and other payables	4,114,611	4,114,610	2,102,736	661,127	1,350,747
	<u>19,876,845</u>	<u>23,143,344</u>	<u>5,305,081</u>	<u>14,278,253</u>	<u>3,560,010</u>
Company					
31 December 2010					
Borrowings	17,830,941	31,375,088	2,208,140	10,921,386	18,245,563
Trade and other payables	4,295,771	4,295,771	2,188,908	683,651	1,423,216
	<u>22,126,712</u>	<u>35,670,859</u>	<u>4,397,048</u>	<u>11,605,037</u>	<u>19,668,779</u>
31 December 2009					
Borrowings	15,929,073	19,124,108	3,234,136	13,680,708	2,209,263
Trade and other payables	4,425,377	4,425,377	2,143,502	661,127	1,620,747
	<u>20,354,450</u>	<u>23,549,485</u>	<u>5,377,638</u>	<u>14,341,835</u>	<u>3,830,010</u>

BAY STREET HOLDINGS LIMITED

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22. Financial Risk Management (continued)

Cash flow and fair value interest rate risk

The Group's interest rate risk arises on its interest bearing borrowings. Borrowings issued at variable rates, comprising bank borrowings, expose the Group to cash flow interest rate risk. The Group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. The Group has adopted a cautious risk policy with regards to interest rate fluctuation which has been mitigated with a 10 year Interest Rate Swap on €11,583,262 of its bank borrowing. The Directors monitor the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank. Borrowings issued at fixed rates consist primarily of bonds which are carried at cost and therefore do not expose the Group to fair value interest rate risk.

Based on the above, the Directors consider the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period keeping all other variables constant, to amount to +/- €33,000.

Fair values

At 31 December 2010 and 2009 the carrying amounts of payables, receivables and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of long-term borrowings are not materially different from their carrying amounts.

23. Comparative Figures

Certain comparative figures have been changed to comply with this year's presentations.