



Xanthus Holdings p.l.c.

168 St. Christopher Street

Valetta VLT1467 / Malta

Consolidated Financial Statements

**for the period from
1 Januar to 31 December 2012**

Xanthus Holding p.l.c., Malta
Consolidated Financial Statements as of 31 December 2012

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Xanthus Holdings p.l.c., Malta

Consolidated Statement of Financial Position as of 31 December 2012

Assets

| | Notes | 31 December 2012 kEUR | 31 December 2011 kEUR |
|-------------------------------------|-------|--------------------------|--------------------------|
| A. <u>Non-current assets</u> | | | |
| I. Intangible assets | 8 | 121 | 469 |
| II. Loans | 9 | 552 | 2.941 |
| III. Other investments | 10 | 0 | 5.657 |
| IV. Other financial assets | 11 | 9.458 | 0 |
| Total non-current assets | | 10.131 | 9.067 |
| B. <u>Current assets</u> | | | |
| I. Loans | 9 | 2.566 | 0 |
| II. Other investments | 10 | 2.973 | 0 |
| III. Other financial assets | 11 | 0 | 10.000 |
| IV. Cash and cash equivalents | 12 | 17 | 12 |
| Total current assets | | 5.556 | 10.012 |
| Total assets | | 15.687 | 19.079 |

Xanthus Holdings p.l.c., Malta

Consolidated Statement of Financial Position as of 31 December 2012

Shareholders' equity and liabilities

| | Notes | 31 December 2012 kEUR | 31 December 2011 kEUR |
|--|-------|--------------------------|--------------------------|
| A. <u>Shareholders' equity</u> | | | |
| I. Common stock | 13 | 19.758 | 19.758 |
| II. Accumulated amounts recognised directly in equity relating to currency translation adjustments | | -130 | -19 |
| III. Accumulated losses | | -4.502 | -2.190 |
| Total shareholders' equity | | 15.126 | 17.549 |
| B. <u>Liabilities</u> | | | |
| I. Financial liabilities due to banks (short-term) | 14 | 480 | 1.011 |
| II. Trade payables | 15 | 12 | 247 |
| III. Liabilities due to shareholders | 16 | 0 | 81 |
| IV. Accrued expenses | 17 | 69 | 191 |
| Total liabilities | | 561 | 1.530 |
| Total shareholders' equity and liabilities | | 15.687 | 19.079 |

Xanthus Holdings p.l.c., Malta

Consolidated Income Statement for the period from 1 January to 31 December 2012

| | Notes | 1 January 2012 to 31 December 2012 kEUR | 21 March 2011 to 31 December 2011 kEUR |
|--|-------|---|--|
| Continuing operations | | | |
| Investment revenues | | | |
| Interest income | 18 | 477 | 160 |
| Gain from bargain purchase | 5 | 0 | 154 |
| Other business related income | 19 | 469 | 113 |
| Total investment revenues | | 946 | 427 |
| Investment costs | | | |
| Management fees | 31 | -723 | -525 |
| Interest expenses | 11 | -863 | -22 |
| Loss from fair value valuation of assets and liabilities | 20 | -882 | -1.192 |
| Loss on disposal of investments | 10 | -200 | -42 |
| Impairment loss on assets | 10 | -82 | 0 |
| Amortisation and impairment on film rights | 8 | -349 | -771 |
| Other business related fees | | -159 | -513 |
| Total investment costs | | -3.258 | -3.065 |
| Loss before tax | | -2.312 | -2.638 |
| Income Tax | | 0 | 0 |
| Loss from continuing operations | | -2.312 | -2.638 |
| Discontinued operations | | | |
| Profit from discontinued operations | 21 | 0 | 448 |
| Loss for the period | | -2.312 | -2.190 |
| Basic and diluted earnings per share | | | |
| Continuing operations | 24 | -0,12 | -0,15 |
| Discontinued operations | 24 | 0,00 | 0,03 |

Xanthus Holdings p.l.c., Malta

Consolidated Statement of Comprehensive Income for the period from 1 January to 31 December 2012

| | <u>Notes</u> | 1 January 2012 to 31 December 2012 <u>kEUR</u> | 21 March 2011 to 31 December 2011 <u>kEUR</u> |
|---|--------------|--|---|
| Loss for the period | | -2.312 | -2.190 |
| Other comprehensive Income | | | |
| Unrealised gains (losses) from currency translation adjustments, net of tax | 23 | -111 | -19 |
| Other comprehensive income (loss) | | -111 | -19 |
| Total comprehensive income (loss) | 23 | -2.423 | -2.209 |
| thereof loss attributable to shareholders' of the parent | | -2.423 | -2.209 |

Xanthus Holdings p.l.c., Malta

Consolidated Statement of Changes in Shareholders' Equity for the period from 1 January to 31 December 2012

| | Share capital | | Accumulated losses | Foreign currency translation adjustment | Total shareholders' equity |
|--|------------------|---------------|--------------------|---|----------------------------|
| | Shares thousands | Amount kEUR | Amount kEUR | Amount kEUR | Amount kEUR |
| Balance 21 March 2011 | 50 | 50 | | | 50 |
| Issuance of shares | 19.708 | 19.708 | | | 19.708 |
| Loss for the period | | | -2.190 | | -2.190 |
| Other comprehensive income, net of tax | | | | -19 | -19 |
| Total comprehensive income | | | -2.190 | -19 | -2.209 |
| Balance 31 December 2011 | 19.758 | 19.758 | -2.190 | -19 | 17.549 |
| Issuance of shares | | | | | |
| Loss for the period | | | -2.312 | | -2.312 |
| Other comprehensive income, net of tax | | | | -111 | -111 |
| Total comprehensive income | | | -2.312 | -111 | -2.423 |
| Balance 31 December 2012 | 19.758 | 19.758 | -4.502 | -130 | 15.126 |

Xanthus Holdings p.l.c., Malta

Consolidated Cash Flow Statement for the period from 1 January to 31 December 2012

| | Notes | 1 January 2012 to 31 December 2012 kEUR | 21 March 2011 to 31 December 2011 kEUR |
|---|-------|---|--|
| Operating activities: | 32 | | |
| Loss for the period | | -2.312 | -2.190 |
| <i>Adjustments:</i> | | | |
| Loss from valuation of financial assets | | 1.312 | 1.963 |
| Loss (gain) on disposal of investments/subsidiaries | | 200 | -378 |
| Gain on bargain purchase | | 0 | -154 |
| Other non cash income and expenses | | -289 | -133 |
| Interest expenses recognised in profit and loss | | 21 | 22 |
| <i>Movements in working capital:</i> | | | |
| Change in assets, provisions and other payables from operating activities | | 103 | 367 |
| <i>Cash generated from operations</i> | | | |
| Interests paid | | -21 | -22 |
| Cash flow used for operating activities | | -986 | -525 |
| <i>(thereof for discontinued operations)</i> | | <i>0)</i> | <i>-397)</i> |
| Investing activities: | | | |
| Payments for the acquisition of shares in investments | | 0 | -1.476 |
| Proceeds from sale of shares in investments | | 1.522 | 939 |
| Proceeds from redemption of loans granted | | 0 | 325 |
| Cash acquired in business combinations | | 0 | 1.252 |
| Cash sold in business combinations | | 0 | -1.218 |
| Cash flow from investing activities | | 1.522 | -178 |
| <i>(thereof from discontinued operations)</i> | | <i>0)</i> | <i>24)</i> |
| Financing activities: | | | |
| Proceeds from contribution of capital | | 0 | 50 |
| Contractual payments to minor shareholders | | 0 | -374 |
| Proceeds from shareholder loans | | 0 | 28 |
| Cash flow used for financing activities | | 0 | -296 |
| <i>(thereof for discontinued operations)</i> | | <i>0)</i> | <i>0)</i> |
| Increase in cash and cash equivalents | | 536 | -999 |
| Opening balance of cash and cash equivalents 1 January 2012 | | -999 | 0 |
| Closing balance of cash and cash equivalents 31 December 2012 | | -463 | -999 |

1 General Information

Xanthus Holdings p.l.c., Malta, (“the Company”) is a limited liability company incorporated as of 21 March 2011 in Malta, with a financial year-end as of 31 December each year. It is the parent holding company of the Xanthus Group (herein referred to as “the Group”).

The Company is registered with the Registry of Companies in Malta, registration number C 52332 with its registered office at 168, St. Christopher Street, Valletta, VLT1467, Malta.

The principle purpose of Xanthus Holdings p.l.c., Malta, and the Xanthus Group is one of Investment. The objectives of the Company and the Group are to acquire and hold, buy and/or sell shares, stocks, bonds or securities of/or in any other company, any movable or immovable property, and to invest these funds, and the assets of the Company, and the Group as a whole in a matter such as deemed appropriate by the Board of Directors. This also includes the granting/advancing of money, extension of credit to companies and/or partnerships on such terms that the Company and the Group deem appropriate.

2 Application of new and revised International Financial Reporting Standards (IFRS) and new and revised IFRSs in issue but not yet effective

(a) Application of new and revised IFRSs

In publishing its financial statements the Group has applied all relevant new and revised IFRSs which were issued and published by the IASB and IFRIC as far as they were effective for business years commencing on, or after 1 January 2012 and adopted by the EU.

IFRS 7 Financial Instrument Disclosures

The Company has applied the amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* in the current year. The amendment came into effect in July 2011. The IASB introduced these enhanced disclosure requirements to IFRS 7 Financial Instruments as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets, including the possible effects or any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this standard did not result in material changes on the presentation of the Company’s operations, financial position and cash flows.

IAS 12 Income Taxes Revised

The Company has applied the amendments to IAS 12 *Deferred Taxes: Recovery of Underlying Assets* in the current year, effective for annual periods beginning on, or after 1 January 2012. Under the amendments, investment properties that are measured using fair value model in accordance with IAS 40 *Investments Properties* are presumed to be recovered entirely through the sale for the purposes of measuring deferred taxes unless the presumption is rebutted. The Company has applied the amendments as far as fair value model valuation has been used, this amendment does not currently materially impact the financial statements of the Company.

(b) New and revised IFRSs in issue but not yet effective

The following standards/amendments to standards and interpretations have been issued, but are not effective for the financial statements of the Company and have not been considered for early adoption by the Company.

Amendments to IAS 1 Presentation of items of Other Comprehensive Income

The Company has decided against early application of the amendments made to IAS 1 *Presentation of items of Other Comprehensive Income* in advance of the effective date (annual periods beginning on or after July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss, (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012).

The Company has decided against the early adoption of the amendments to IAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are required to accompany the third statement of financial position.

IFRS 9 Financial Instruments

Published in November 2009 as part of a phase I of the IASB's comprehensive project to replace IAS 39, and amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 39 *Financial Instruments: Recognition and Measurement* are to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model, (as is the case for Xanthus Spec 1 Limited, Malta) whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principle and interest on the principle outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. Currently Xanthus is measuring all loans under the amortised cost method and so when the Company fully adopts IFRS 9 in this instance a material impact is not

anticipated. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of changes in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Due to the nature of the Company and its business model the amendments to IFRS 9 are likely to have a significant impact on the Company's accounting of financial assets. At present, the Company has not opted for early adoption of this standard, thus the full potential impacts on the financial statements have not yet been fully assessed.

IFRS 10 Consolidated Financial Statements

Issued during May 2011 and effective for periods beginning on, or after January 2013, this standard was designed to implement a new definition of control that determines which entities will be consolidated. An entity controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Furthermore, the standard introduces guidance on assessing whether an entity with decision making rights is a principle or an agent. The standard describes an agent as a party who has been engaged on behalf, and for the benefit, of another party (principle). The adoption of this standard will not have a material impact on the Company's financial positions and cash flows.

IFRS 11 Interests in Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Venture*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation. The adoption of this standard will not have a material impact on the Company's financial positions and cash flows.

IFRS 12 Disclosure of Interest in Other Entities

This standard was issued in May 2011, and will take effect for period beginning on or after January 2013. It requires extensive disclosures regarding an entities interest in subsidiaries, joint ventures, associates and unconsolidated structured entities in order to assist users of the financial statements to evaluate the nature and risk associated with its interest in other entities and the effects of those interests on its financial statements. The adoption of this standard will not have a material impact on the presentation of the Company's financial position and cash flows, but the standard will impact the extent of disclosures required by the Company.

IFRS 13 *Fair Value Measurement*

This standard was issued in May 2011, and will take effect for periods beginning on or after January 2013. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard aims to replace fair value measurement guidance contained within the individual IFRS's with a single unified definition of fair value. The scope of this standard is broad and covers financial and non-financial instruments; in general the disclosure requirements are more extensive than those included in the current standard. An early adoption of this standard has not yet been applied by the Company. The future impact on the Company's Financial Statement disclosures should be substantive and is currently being fully assessed.

3 Summary of Significant Accounting Policies and Valuation Methods

3.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

3.2 Basis of preparation

This year the Company has prepared its first subsequent Consolidated Financial Statements. The Company's financial year ran from 1 January to 31 December 2012. The financial year ended as of 31 December 2011, herein referred to as the 'previous year/previous period' ran from 21 March (the date of incorporation) to 31 December 2011, a 9 month period. The Company has disclosed comparative information in respect of the previous period for all amounts reported in the current period's financial statements.

The Group entered the line item 'Loss on disposal of investments' separately on the Consolidated Income Statement and the Consolidated Cash Flow Statement in order to create additional transparency for the investment costs. The comparable disclosures for the previous period have been adapted accordingly in order to achieve some conformity with the current presentation.

The Consolidated Financial Statements have been prepared in accordance with IAS 1 based on historical cost, except financial instruments which have been measured at fair value in accordance with IAS 39. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The structure of the Consolidated Statement of Financial Position will follow the traditional Current/Non-Current classification. The entity has elected to present all items of income and expense in a two statement format, a statement displaying components of profit or loss, and a second statement displaying components of other comprehensive income. The Company presents all expenses based on the nature of expenses method.

The following financial components, in accordance with the fore mentioned reporting standard (IAS 1.10), have been prepared:

- a Consolidated Statement of Financial Position as of 31 December 2012 (and a Consolidated Statement of Financial Position as of 31 December 2011, as comparable figures);
- a Consolidated Income Statement for the period 1 January to 31 December 2012; (and comparable figures for the period from 21 March to 31 December 2011);
- a Consolidated Statement of Comprehensive Income for the period from 1 January to 31 December 2012 (and a comparable Statement of Comprehensive Income for the period from 21 March to 31 December 2011);

- a Consolidated Cash Flow Statement for the period from 1 January to 31 December 2012 (and comparable figures for the period from 21 March to 31 December 2011);
- a Consolidated Statement of Changes in Shareholders' Equity for the period from 1 January to 31 December 2012 (and comparable figures for the period from 21 March to 31 December 2011); and
- a set of accompanying explanatory Notes to these Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared and presented in Euro (EUR) which is the functional and reporting currency of the Group in accordance with *IAS 21*. In accordance with proper accounting practices rounding have been applied throughout to the nearest thousand Euro (kEUR), therefore rounding differences may occur.

3.3 Basis of Consolidation

The consolidated financial statements incorporate the Financial Statements of the Company and 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests have a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by others within the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation of the Group.

3.4 Going Concern

The Board of Directors has, at the time of approving the Consolidated Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing the Consolidated Financial Statements.

3.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred. Acquisition-related costs are generally expensed as incurred and recognised in the income statement.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition amounts of the identifiable assets acquired and any liabilities assumed. If after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceed the consideration given, then the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously

held interest in the acquiree (if any), the excess is recognised immediately in the Consolidated Income Statement as gain from bargain purchase.

Non-controlling interests (Minority interests) in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination.

3.6 Goodwill

Goodwill constitutes capitalised differences arising on the consolidation of equity in the Consolidated Financial Statements. Goodwill represents the excess of the cost of the acquisition, established at the date of acquisition, over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary controlled. These amounts have been capitalised in accordance with IFRS 3. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amounts of non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill arising on a business combination is not allowed to be amortised. Instead in accordance with IAS 36, the Group tests this goodwill annually for impairment, or more frequently if there are any indications that goodwill may be impaired. The value in use of the individual business is determined based on the discounted cash flow method. The impairment loss (if any) is allocated first to reduce the carrying amount of the allocated goodwill, if the impairment loss exceeds the carrying amount of the goodwill then the remaining impairment is allocated on a pro rata basis to the remaining assets. An impairment loss recognised for goodwill is not reversible in subsequent periods.

On disposal of the subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.7 Non-current assets/liabilities held for sale

Non-current assets/liabilities and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current assets/liabilities are available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from date of classification.

When the Group is committed to a sale plan involving the loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the above criteria is met, regardless of whether the Group will retain a non-controlling interest in that company.

3.8 Foreign currencies

The individual financial statements of each company of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The presentation currency of the Consolidated Financial Statements is the functional currency of the Group – Euro (EUR). In preparing the financial statements of the individual companies, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are retranslated at the rates prevailing at the date when the items were recognised the first time.

Exchange differences are recognised in the income statement in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings,
- exchange differences on transactions entered into in order to hedge certain foreign currency risks, and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of those group companies, which have a functional currency other than the parent company, are translated to the currency expressed in the Consolidated Financial Statements of the Company (EUR). Assets and liabilities of the companies included into consolidation are translated at the average exchange rates on the balance sheet date. The respective income statements are translated at annual average exchange rates. If the average exchange rate does not reasonably approximate the actual transaction rate, translation is subject to the respective transaction rates. According to IAS 21 exchange differences arising are separately presented in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Shareholders' Equity. Such exchange differences are recognised in the Consolidated Income Statement in the period in which the foreign operation is disposed of.

3.9 Intangible assets

3.9.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of film rights is conducted on the basis of a unit-of-production method, which shows the consumption of used film rights as a factor of the revenues that can be achieved. This method is known as the “individual film forecast method”. According to this method, a film title is amortised in the period on the basis of a quotient “revenues generated from the film in the period divided by estimated remaining total revenues generated by the film” multiplied by the residual carrying value of the film. The estimation of the total revenue is reviewed at the end of each reporting period. The quotient of the amortisation charge for the period is determined on the basis of any adjusted total revenue. An impairment test is conducted when a triggering event arises.

Amortisation of other intangible assets, except film rights are recognised on a straight line basis over the estimated useful life of the asset. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted on a prospective basis. Intangible assets with indefinite useful lives, that are acquired separately, are carried at cost less accumulated impairment losses.

3.9.2 Internally generated intangible assets – research and development

During the business year the Group did not have any internally generated intangible assets.

3.9.3 De-recognition of intangible assets

An intangible asset is de-recognised on disposal, or when no future economic benefits will flow into the entity. Gains or losses arising on disposal of the asset, measured as the difference between net proceeds and the carrying amount of the intangible asset, are recognised in the Consolidated Income Statement when the asset is de-recognised.

3.10 Impairment on intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indicator and/or triggering event to determine if those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the assets may be impaired.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows of the Company are discounted to their present value using a pre-tax discount rate that reflects current market assessments of both, the time value of money, and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless

the relevant asset is carried at a revalued amount, and in which case, the impairment loss is treated as a revaluation decrease through equity.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 Financial Instruments

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

Financial assets and financial liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than those recognised at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit and loss.

3.12 Financial assets

Financial assets are classified into the following specified categories in accordance with IAS 39:

- Financial assets ‘at fair value through profit or loss’ (FVTPL)
- ‘Held-to-maturity’ investments
- ‘Available-for-sale’ (AFS) financial assets and
- ‘Loans and receivables’.

The classification in one of the four above mentioned categories depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.12.1 Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future
- it is a part of an identified portfolio of financial instruments as determined by the Board of Directors and has a recent actual pattern of short-term profit-taking or
- it is a derivative (except for a derivative that is a financial guarantee contract) that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise,
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis to the Board of Directors, or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

3.12.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are recorded at amortised acquisition cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Currently, the Group does not have any held-to-maturity investments.

3.12.3 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit and loss.

AFS are measured at their fair value at the end of each reporting period. An AFS investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the period.

3.12.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at FVTPL or as AFS financial assets or those for which the Company may not recover substantially all of its initial investment other than because of credit deterioration. Loans and receivables (including trade receivables, bank balances and cash, and other financial loans extended by the loan to third parties) are measured at amortised cost, plus interest (interest income is recognised by applying the effective interest rate method, except for to short-term receivables when the recognition of interest would be immaterial) using the effective interest method, less any impairment.

3.12.5 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability on initial recognition.

3.12.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty,
- default or delinquency in interest or principal payments, or
- it becoming probable that the borrower will enter bankruptcy or financial restructuring.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed

does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

3.12.7 De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the differences between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit and loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair value of those parts on the date of transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash at hand, and other short-term highly liquid investments that are readily convertible and have a maturity of up to three months when initially recognised as cash and cash equivalents.

3.14 Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.14.1 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.14.2 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- it is a part of an identified portfolio of financial instruments as determined by the Board of Directors and has a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract) that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis to the Board of Directors; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the profit or loss incorporates any interest paid on the financial liability.

3.14.3 De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.14.4 Derivative financial instruments

The Group has not entered into any transactions involving derivative financial instruments.

3.15 Provisions and accrued expenses

Provisions are recognised for all identifiable risks and for unsecure obligations when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation in the future, and a reliable estimate can be made as to the amount of the obligation.

The amount recognised as a provision is the Board of Director's best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Present obligations arising under onerous contracts are recognised and measured as provision. An onerous contract is considered to exist when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.16 Dividend and interest income

Dividend income from investments is recognised when the shareholders right to receive payment has been established (provided that it is probable that economic benefits will flow into the Group and that the level of income can be reliably measured).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow into the Group and the amount of income can be reliably measured. Interest income is accrued on a timely basis, by reference to the principle outstanding and at the appropriate effective interest rate, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's net carrying amount at initial recognition.

3.17 Taxation

Income tax expense represents the sum of all the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method in compliance with IAS 12. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets on existing tax loss-carry forwards are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and tax loss-carry forwards can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset in compliance with IAS 12 when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.18 Earnings per share

In compliance with IAS 33 a calculation of the Earnings per share (EPS) must be presented in the Consolidated Financial Statements of the Company if the shares are (a) traded on a public market, or (b) are in the process of filing its Consolidated Financial Statements with a securities commission. The EPS illustrates a basis return of total earnings divided by the total amount of shares, shown separately for every share class and for continuing and discontinued operations. Detailed information about earnings per share can be found in note 24 to the Consolidated Financial Statements.

3.19 Critical accounting judgements and key sources of estimation uncertainty

Preparation of Consolidated Financial Statements requires that estimates and assumptions are made affecting the presentation of assets, liabilities, accruals, prepaid expenses, deferred taxes, income and expenses as well as commitments and contingent liabilities. Although accounting estimates and assumptions are conscientiously made thoroughly it cannot be excluded that the actual amounts to be presented will deviate from the estimates.

Factors which may lead to changes in accounting estimates may result from the development of the world economy, development of exchange and interest rates as well as significant legal proceedings, changes in environmental law or other legal regulations. Loss of major customers and changes in financing may also affect future results of the Group.

In the process of applying the Group's accounting policies, the Board of Directors has made no judgements which can significantly affect the amounts recognised in the Consolidated Financial Statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below.

a) Accrued expenses

In the Consolidated Financial Statement of the Company the recognised accrued expenses amount to kEUR 69 as of 31 December 2012 (previous year kEUR 191). The Group exercises considerable judgment in measuring and recognising provisions and accruals. Because of inherent uncertainties in the evaluation process these provisions may be subject to changes as new and relevant information becomes available through the support of both internal and external consultants.

b) Valuation of financial assets

As described in note 26, the Group uses valuation techniques that include inputs that are not always based on observable market data in order to estimate the fair value of certain types of financial instruments. Note 26 provides detailed information regarding these valuation methods, and the key assumptions used in performing such valuations. The Board of Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of the financial instruments in accordance with IFRS.

Note 26 describes the terms and conditions of the outstanding loans and other financial assets that are recognised in the Consolidated Statement of Financial Positions. The Group recognised loans in the amount of kEUR 2,566 and other financial assets in the amount of kEUR 9,458 as overdue for repayment. The directors have reviewed the Group's loans and other financial assets in the light of their maturity date and their recoverability at the end of the year. Detailed sensitivity analysis has been carried out and the directors are confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored, and adjustments will be made in future periods, if any impairment indications arise.

c) Impairment on intangible assets

In the Consolidated Income Statement for the period 1 January to 31 December 2012 the Group realised an impairment loss in the amount of kEUR 0, previous period kEUR 771, which is included in the line item “Amortisation and impairment on film rights” (see note 8). As described in detail in note 3.10 the Group performed an impairment test at 31 December 2012. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market assumptions. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require Board of Directors to make significant judgements concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

4 Scope of Consolidation

As of 31 December 2012, Xanthus Holdings p.l.c., Malta, held shares in the following entities:

| <u>Entity</u> | <u>Place of incorporation</u> | <u>Proportion of ownership interest % 31 Dec 2012</u> | <u>Proportion of ownership interest % 31 Dec 2011</u> |
|--|-----------------------------------|---|---|
| Directly consolidated companies | | | |
| Xanthus Spec 1 Limited | Malta | 100.0% | 100.0% |
| Xanthus Special Investment 1 Limited | Cayman Islands | 100.0% | 100.0% |
| North Wall Entertainment Holdings Limited | Cayman Islands | liquidated | 100.0% |
| North Wall Productions Limited | Cayman Islands | 100.0% | indirectly consolidated |

During the first financial year from 21 March to 31 December 2011 additional companies were acquired and resold, see in detail notes 5 and 6.

As of 31 December 2012, Xanthus Spec 1 Limited, Malta, held 100% of the shares in North Wall Productions Limited, Cayman Islands. On 27 July 2012 North Wall Entertainment Holdings Limited; previously a 100% subsidiary of Xanthus Spec 1 Limited, Malta, and 100% parent company to North Wall Productions Limited; entered into voluntary liquidation, and as of 27 December 2012 the company was fully dissolved. As a result of this liquidation Xanthus Holdings p.l.c. now holds a direct interest of 100% in North Wall Productions Limited, Cayman Islands. In the previous year this had been an indirect interest in the amount of 100% via its 100% holding in North Wall Entertainment Holdings Limited, Cayman Islands.

In accordance with IFRS 5, this disposal/abandonment is not classified as a discontinued operation, and as such does not need to be disclosed separately under discontinued operations in the Consolidated Statement of Comprehensive Income. Although the entity’s business model includes conducting operations through strategic investment, which can result in the classification of a ‘*component of an entity*’, North Wall Entertainment Holdings Limited cannot be classified as a component of an entity in accordance with IFRS 5 due to the fact that the company was essentially a holding company with little operational activity, and in turn not generate sufficient cash flows that could be clearly distinguished for financial reporting purposes. The cash flows generated, are done so in North Wall Productions Limited, and since this entity has not been abandoned/disposed of no separate major line of business has in fact been discontinued.

5 Business Combinations

On 21 March 2011 Xanthus Holdings p.l.c., Malta, founded Xanthus Spec 1 Limited, Malta, with a subscribed share capital of kEUR 1. Xanthus Spec 1 Limited, Malta, acquired in three legal steps several businesses accounted for as business combinations in accordance with IFRS 3 as well as several assets.

On 6 April 2011 Xanthus Holdings p.l.c., Malta, for a consideration other than cash, issued a total of 11,074,710 ordinary shares with a nominal value of EUR/share 1 to DYVA Holding AG, Zug, a company incorporated under the laws of Switzerland. The consideration for the allotment to the shareholders was the capitalisation of the debt due by Xanthus Holdings p.l.c., Malta, to DYVA Holding AG, Zug, Switzerland. The above said debt arose as a result of the assignment of a debt which was originally due by Xanthus Spec 1 Limited, Malta, the 100% subsidiary of Xanthus Holdings p.l.c., Malta, to DYVA Holding AG, Zug, Switzerland, in which several assets and a business combination (MERLINCOUNTRY GmbH, Berlin, Germany) were acquired. Through the acquisition of MERLINCOUNTRY GmbH, Berlin, Germany, Xanthus Holdings p.l.c., Malta, indirectly acquired its 100% subsidiary, Duesseldorf Rheinblick GmbH, Berlin, Germany. This company holds land for the purpose of development and capital appreciation. In addition, Jade GmbH, Berlin, Germany (formerly known as Rheinblick Lage 1 GmbH, Berlin, Germany), as an 100% subsidiary of Duesseldorf Rheinblick GmbH, Berlin, Germany, was also acquired.

The acquisition of MERLINCOUNTRY GmbH and its subsidiaries was a business combination in accordance with IFRS 3 *Business Combinations*. The assets acquired and liabilities recognised at the date of acquisition of MERLINCOUNTRY GmbH, Berlin, Germany, and its subsidiaries were as follows:

| MERLINCOUNTRY GmbH, Berlin, Germany (including its subsidiaries) | Fair Value |
|--|---------------|
| | kEUR |
| Cash and cash equivalents | 1,242 |
| Receivables and remaining current assets | 13 |
| Investment property | 17,853 |
| Total Assets | 19,108 |
| Current liabilities | 9,532 |
| Provisions | 4 |
| Total Liabilities | 9,536 |
| Net Assets | 9,572 |
| Consideration transferred | 9,572 |

The consideration transferred consisted of 9,571,820 ordinary shares of Xanthus Holdings p.l.c., Malta, no cash was given to the seller. No goodwill resulted from this business combination.

Included in the loss for the period 6 April to 15 June 2011 (date of sale of this company including its subsidiaries, see note 6) were kEUR 31 attributable to MERLINCOUNTRY GmbH, Berlin, Germany, and its subsidiaries. Revenue for the period 6 April to 15 June 2011 included kEUR 1 in respect of MERLINCOUNTRY GmbH, Berlin, Germany, and its subsidiaries. Had the acquisition of MERLINCOUNTRY GmbH and its subsidiaries been effected at the beginning of the reporting period (e.g. 21 March 2011 as the foundation date of the parent company Xanthus Holdings p.l.c., Malta), the revenue and the profit of the Group for the period 21 March to 15 June 2011 would have been unchanged to the reported numbers.

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The receivables acquired (which principally comprised other receivables) with a fair value of kEUR 13 had gross contractual amounts of kEUR 13. The best estimate at acquisition date of the contractual cash flows not expected to be collected is kEUR 0.

Additionally on 2 May 2011 Xanthus Holdings p.l.c., again for a consideration other than cash, issued a total of 8,633,052 ordinary shares with a nominal value of EUR 1 to Xanthus European Fund Limited, an exempt company incorporated under the laws of the Cayman Islands, and Xanthus Germany Fund Limited, also an exempt company incorporated under the laws of the Cayman Islands, 4,762,584 and 3,870,468 ordinary shares respectively. The consideration for the allotment to the shareholders was the capitalisation of the debt due by Xanthus Holdings p.l.c., Malta, to Xanthus European Fund Limited, Cayman Islands, and Xanthus Germany Fund Limited, Cayman Islands. The above said debt arose as a result of the assignment of a debt which was originally due by Xanthus Spec 1 Limited, Malta, to Xanthus European Fund Limited, Cayman Islands, and Xanthus Germany Fund Limited, Cayman Islands. The assigned debt arose as a result of the transfer of certain assets and businesses. In addition to the transfer of assets from Xanthus European Fund Limited, Cayman Islands, and Xanthus Germany Fund Limited, Cayman Islands, Xanthus Spec 1 Limited, Malta, also acquired the 100% of the shares in Xanthus Special Investments 1 Limited, Cayman Islands, and 100% of the shares in North Wall Entertainment Holdings Limited, Cayman Islands.

In addition, via the afore mentioned contracts, dated 6 April 2011 and 2 May 2011, Xanthus Spec 1 Limited, Malta, through the acquisition of North Wall Entertainment Holdings Limited acquired indirect control of North Wall Productions Limited, Cayman Islands; an 100% subsidiary of North Wall Entertainment Holdings Limited. The purpose of this company is the investment in film and movie rights.

The acquisition of Xanthus Special Investment 1 Limited, Cayman Islands, was also a business combination in accordance with IFRS 3 *Business Combinations*. The fair values of the assets acquired and liabilities assumed at the date of the acquisitions are presented in the following table:

| Xanthus Special Investment 1 Limited, Cayman Islands | Fair Value |
|--|------------------|
| | kEUR |
| Cash and cash equivalents | 162 |
| Receivables and remaining current assets | 23 |
| Investments in financial assets | 6,178 |
| Total Assets | 6,363 |
| Current liabilities | 412 |
| Total Liabilities | 412 |
| Net Assets | 5,951 |
| Consideration transferred | 5,797 |
| Gain from bargain purchase | 154 |

The consideration transferred consisted of 5,797,253 ordinary shares of Xanthus Holdings p.l.c., Malta; no cash was given to the seller.

As result of that business combination a gain from a bargain purchase agreement in the amount of kEUR 154 was recognised and disclosed in the Consolidated Income Statement as a separate line item within the section "Investment revenues". This gain from the bargain purchase resulted from the

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increase in the transferred asset values from the originally agreed valuation as of 31 March 2011 and the actual closing of the business combination on 2 May 2011.

Included in the loss for the period 2 May to 31 December 2011 was a loss of kEUR 319 attributable to Xanthus Special Investment 1 Limited, Cayman Islands. Revenue for the period 2 May to 31 December 2011 includes kEUR 239 in respect of Xanthus Special Investment 1 Limited, Cayman Islands. Had the acquisition of Xanthus Special Investment 1 Limited, Cayman Islands been effected at the beginning of the reporting period (e.g. 21 March 2011 as the foundation date of the parent company Xanthus Holdings p.l.c., Malta), the revenues and the loss of the Group for the period 21 March to 31 December 2011 would have been kEUR 49 and kEUR 138, respectively, higher than the reported revenues and loss.

The receivables acquired (which principally comprised other receivables) with a fair value of kEUR 23 had gross contractual amounts of kEUR 23. The best estimate at acquisition date of the contractual cash flows not expected to be collected is kEUR 0.

Prior to the acquisition of Xanthus Special Investment 1 Limited, Cayman Islands, a dividend of kEUR 383 was declared by the old shareholders of Xanthus Special Investment 1 Limited, Cayman Islands. Due to the fact that the dividend was not paid at the time of the acquisition, the Group therefore acquired a liability in amount of kEUR 383, and restricted assets (cash and investments) in the same amount (kEUR 383).

The acquisition of North Wall Entertainment Holdings Limited, Cayman Islands, and its 100% subsidiary North Wall Productions Limited, Cayman Islands, was again a business combination in accordance with IFRS 3 *Business Combinations*. Regarding this acquisition, a 25.0% stake had previously been acquired from DYVA Holding AG, Zug, Switzerland, on 6 April 2011, the remaining holdings were acquired on 2 May 2011; a 40.275% and 34.725% stake from Xanthus European Fund Limited, Cayman Islands, and Xanthus Germany Fund Limited, Cayman Islands, respectively.

The fair values of the assets acquired and liabilities assumed at the date of the acquisitions are presented in the following table:

| North Wall Entertainment Holdings Limited, Cayman Islands (including its subsidiary) | Fair Value |
|---|------------------|
| | kEUR |
| Cash and cash equivalents | 9 |
| Receivables and remaining current assets | 1 |
| Intangible assets | 1,260 |
| Total Assets | 1,270 |
| Liabilities | 0 |
| Total Liabilities | 0 |
| Net Assets | 1,270 |
| Consideration transferred | 1,270 |

The consideration transferred consisted of 1,269,865 ordinary shares of Xanthus Holdings p.l.c., Malta, no cash was given to the seller. No goodwill resulted from this business combination.

Included in the loss for the period 2 May to 31 December 2011 is a loss of kEUR 1 attributable to North Wall Entertainment Holdings Limited, Cayman Islands, including its subsidiary. No revenues were made in the period 2 May to 31 December 2011 by North Wall Entertainment Holdings Limited, Cayman Islands, including its subsidiary. Had the acquisition of North Wall Entertainment Holdings

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Limited, Cayman Islands, including its subsidiary been effected at the beginning of the reporting period (e.g. 21 March 2011 as the foundation date of the parent company Xanthus Holdings p.l.c., Malta), the revenue and the loss of the Group for the period 21 March to 31 December 2011 would have been unchanged to reported numbers.

The receivables acquired (which principally comprised other receivables) with a fair value of kEUR 1 had gross contractual amounts of kEUR 1. The best estimate at acquisition date of the contractual cash flows not expected to be collected is kEUR 0.

Please note that the stand-alone interim financial statements of North Wall Entertainment Holdings Limited, Cayman Islands, and its subsidiary are denominated in US Dollars. For purposes of acquisition these stand-alone interim financial statements have been translated to Euro at the equivalent exchange rate USD/EUR.

For all of these three business combinations described above estimated acquisition-related costs amounting to kEUR 175 have been excluded from the consideration transferred and have been recognised as an expense in the period 21 March to 31 December 2011, within the ‘other business related fees’ line item in the Consolidated Income Statement.

The purpose of all business combinations described above was to form a new integrated Private Equity Group with a public listing within the European Union.

During the financial year ended 31 December 2012 the Group did not acquire any businesses accounted for as business combinations in accordance with IFRS 3.

6 Sale of Companies

As of 15 June 2011 Xanthus Spec 1 Limited, Malta, sold a 94% share in MERLINCOUNTRY GmbH, Berlin, Germany, as well as the subsidiary (subsequently referred to as “Merlin-Group”) for a purchase price of kEUR 10,000. The remaining shares in MERLINCOUNTRY GmbH, Berlin, Germany, totalling 6%, continues to remain with Xanthus Spec 1 Limited, Malta.

The total net assets in the Merlin-Group as of date of sale are illustrated in the table below and are based on the accounting figures of 31 May 2011.

| | 31 May 2011 kEUR |
|--------------------------------------|---------------------|
| <u>Net Asset Value</u> | |
| Cash and Cash equivalents | 1,218 |
| Other Financial Assets | 17,853 |
| Intangible Assets | 3 |
| Other Assets | 10 |
| Income Tax Receivable | 3 |
| | <u>19,087</u> |
| <u>Liabilities</u> | |
| Trade Receivables and Trade Payables | 12 |
| Other Liabilities | 9,485 |
| Provisions | 10 |
| | <u>9,507</u> |
| Net Asset Value of Merlin-Group | <u><u>9,580</u></u> |

Results of Sale:

| | |
|-------------------------------------|--------|
| Net Asset Value of the Merlin-Group | 9,580 |
| Selling Price | 10,000 |
| Realisation of Gain on Sale | 420 |

The profit was included in the Consolidated Income Statements for the financial period ended 31 December 2011 under 'Profit from discontinued operations' (see in detail also note 21).

The purchase price was initially payable by 31 December 2012. As of 31 December 2012 the payment of the purchase price is still outstanding. The respective negotiation with the debtor had to be terminated by the Company without any result in February 2013. Since then, the Company is consistently evaluating its legal options and initiated first steps to secure its rights and protect its assets. Therefore as of 31 December 2012 the Group has not recognised an allowance for doubtful debts because the amount is still considered recoverable. Due to the long-term character, the receivable, plus interests is carried at amortised costs using the effective interest method in accordance with IAS 39. As of 31 December 2012 the purchase price receivable amounted to kEUR 9,458 which bear interests at 6% and is probably repayable by 30 June 2014. According to this receivable a loss for the period has been recognised in the Consolidated Income Statement for the period 1 January to 31 December 2012 in the amount of kEUR 842, regarding the downwards revaluation of the total investment to amortised costs which is included in the line item 'Interest expenses'.

7 Segment Information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Board of Directors (chief operating decision maker) in order to allocate resources to the segments, and to assess their performance.

The investment operations of the Group are conducted on a global basis, i.e. without differentiating between segments, such as geographical regions, or investment activities. Thus there is only one reportable segment to the Group's business. The Group has determined this on the following basis:

The purpose of the Group is one of investment. The Group has two major sources of revenue, the first deriving from its ability to acquire and hold, buy and/or sell shares, stocks, bonds or securities of or in any other company and any movable or immovable property, and to invest the funds and assets of the Group in such a manner as the Board of Directors may deem fit. The second stream consists of interest obtained from the granting/advancing money and/or credit given to companies or partnerships, on such terms that the Group deems appropriate.

For the purposes of internal and external segmental reporting it would be impractical to distinguish between the two streams of revenue, since the granting/advancing of money and/or credit is only given to companies in which the Company invests in. This, therefore, does not constitute a separable segment. Thus, additional detailed segment information is not necessary.

Due to the purpose of Xanthus Holdings p.l.c., Malta, which is one of investment, the Group does not have any reliance on major customers.

All additionally required information by *IFRS 8 Operating Segments* regarding the one segment in which the Group operates can directly be derived from the Consolidated Statement of Financial Position and the Consolidated Income Statement.

8 Intangible assets

The Consolidated Statement of Financial Position as of 31 December 2012 discloses an intangible asset balance of kEUR 121 regarding film rights/royalties, previous year kEUR 469.

The Xanthus Group bridged the finance gap of a third party U.S. film/movie production and has the right to receive certain revenue streams from the outcome of that film/movie production. During the period ending 31 December 2012 the Group recognised revenue streams relating to the intangible assets in the amount of kEUR 349, previous period kEUR 0.

According to the International Financial Reporting Standards; rights for such items are included within the scope of *IAS 38 Intangible Assets*. Due to that standard an active market cannot exist for film rights due to the uniqueness of such assets/individual contracts. Therefore the original costs of kUSD 1,683 (kEUR 1,260) were used to evaluate the film rights at the time of their acquisition.

Until 31 December 2012, these film rights were amortised using the “individual film forecast method”. In addition, an impairment test was carried out at year-end 2012. During the financial year 2011 information was received that the underlying movie was not as successful as originally planned and therefore the income stream was and is expected to be much lower. Based on these expected future short term revenue streams (value in use of the intangible asset) a total amortisation and impairment charge of kEUR 349 was recognised in the Consolidated Income Statement for the period 1 January to 31 December 2012 (previous period kEUR 771). The calculation for determining the value in use of the intangible asset as of 31 December 2012 was based on the fact that the future revenue stream will flow into the Group within that year, therefore no discounting was applied.

The movement of the intangible asset during the financial year 2012 and 2011 can be analysed as follows:

| | 2012 | 2011 |
|---|------|-------|
| | kEUR | kEUR |
| Carrying amount at the beginning of the financial year | 469 | 1,260 |
| Less: amortisation and impairment | -349 | -771 |
| Less: exchange differences on the translation of the financial statements of the Group entity which the intangible asset owns | 1 | -20 |
| Carrying amount at 31 December | 121 | 469 |

9 Loans

The Group granted several interest-bearing loans to selected entities on a short- and mid-term basis. In most cases, the loans are given to entities in which the Group was or is invested. The loans are carried at amortised costs using the effective interest method in accordance with *IAS 39*. As of 31 December 2012 they amounted to kEUR 3,118 in total (previous year kEUR 2,941). Whereof kEUR 552 are repayable by March 2014 and bear interest at 12.5% resulting in a classification of non-current assets in the Consolidated Statement of Financial Position as of 31 December 2012. Due to the estimated and probable repayment by December 2013 the remaining amount of kEUR 2,566 due from Duesseldorf Rheinblick GmbH was reclassified as current asset in the Consolidated Statement of Financial Position as of 31 December 2012 and bears an interest rate of 8.0%.

10 Other investments

As of 31 December 2012, Xanthus Holdings p.l.c., Malta, held equity shares in several other companies some of which are listed at the German Stock Exchange:

Xanthus Holding p.l.c., Malta
Notes to the Consolidated Financial Statements as of 31 December 2012

| | 31 Dec 2012 kEUR | 31 Dec 2011 kEUR |
|-----------------------------|---------------------|---------------------|
| Listed equity investments | 1,614 | 4,298 |
| Unlisted equity investments | 1,359 | 1,359 |
| Total | <u>2,973</u> | <u>5,657</u> |

Listed equity investments are categorised as financial assets at fair value through profit or loss. At 31 December 2012 their fair value was derived from the quoted market price at the stock exchange and amounts of kEUR 1,614, previous year kEUR 4,298.

As of 31 December 2012 the Group held a total of 971,433 shares, previous year 1,786,740, in InCity Immobilien AG, Germany, and a total of 683,999, previous year 683,999 shares, in Worldlink Group p.l.c., Great Britain.

Regarding the listed equity investments a total loss for the period has been recognised in the Consolidated Income Statement in the amount of kEUR 1,164, previous period kEUR 1,234. Of which kEUR 200, previous period kEUR 42, is a realised loss resulting from the sale (disposal) of shares; and a loss booked in the amount of kEUR 882, previous period kEUR 1,192 in accordance with IAS 39 regarding the downwards revaluation of the total investment to fair value. The remaining loss in the amount of kEUR 82 is due to an impairment loss according to IAS 39 and relates to the shares held in Worldlink Group.

Regarding the unlisted equity instruments, they were categorised as financial assets available-for sale measured at cost because they do not have an active market and whose fair value cannot be reliably measured.

The remaining shares in MERLINCOUNTRY GmbH, Germany, (see note 6), totalling 6% are part of the investments of Xanthus Special 1 Limited, Malta. As of 31 December 2012 the Group accounted for this investment in accordance with IAS 39 at acquisition cost of kEUR 611, previous year kEUR 611, less any identified impairment loss at the end of the reporting period, because this unlisted investment cannot be reliably determined. After a review of the recoverable amount of this investment no impairment loss was recognised during the reporting period.

As of 31 December the Group holds shares in UDG United Digital Group GmbH, Germany, formerly known as Riese Media GmbH, Germany, in the amount of kEUR 748, previous year kEUR 748. In accordance with IAS 39, the carrying amount of these shares was booked in the amount of kEUR 748 as of 31 December 2012, previous year kEUR 748. No impairment assessment was performed in the reporting period as there was no indication of impairment.

11 Other financial assets

The other financial assets of kEUR 9,458 constitute the purchase price receivable from the sale of shares in MERLINCOUNTRY GmbH, Berlin, Germany and its subsidiaries (see note 6). This purchase price was due for payment by 31 December 2012; however it is still outstanding. Due to the estimated and probable repayment by 30 June 2014 a discounting in the amount of kEUR 842 to the amortised cost was necessary. The purchase price receivable is secured on the shares sold in MERLINCOUNTRY GmbH.

12 Cash and cash equivalents

As of 31 December 2012 Cash and cash equivalents comprising cash at bank totalled kEUR 17, previous year kEUR 12.

13 Shareholders' equity

As of 31 December 2012, Xanthus Holdings p.l.c., Malta, has an authorised capital of 80,000,000, previous year 80,000,000, ordinary shares of par value of EUR 1.00, which do not entitle the subscriber to a fixed profit. As of 31 December 2012 and 31 December 2011, respectively 19,757,762 and 50,000 ordinary shares were issued and fully paid in.

| | Number of shares | | Share capital | | Additional paid-in capital | |
|--|------------------|--------|---------------|--------|----------------------------|--------|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | '000 | '000 | kEUR | kEUR | kEUR | kEUR |
| Issued and fully paid capital: ordinary shares of par value EUR 1.00 | 19,758 | 19,758 | 19,758 | 19,758 | 0 | 0 |

The movement in issued and paid-up ordinary shares of Xanthus Holdings p.l.c., Malta, during the period was as follows:

| | 1 January – 31 December 2012 thousand shares | 21 March – 31 December 2011 thousand shares |
|---|---|--|
| Balance as of beginning of the financial year | 19,758 | 50 |
| Issue of shares as of 6 April 2011 | 0 | 11,075 |
| Issue of shares as of 2 May 2011 | 0 | 8,633 |
| Balance as of 31 December | 19,758 | 19,758 |

During the financial years 2011 and 2012, Xanthus Holdings p.l.c., Malta, did not grant any share-based payments.

The currency translation adjustment of kEUR -130 as of 31 December 2012, previous year kEUR -19, arose from USD/EUR exchange differences relating to the translation of the results and net assets of the Group's foreign operations (Northwall Productions Limited, Cayman Islands) from their functional currencies (USD) to the Group's presentation currency (EUR). These exchange differences are recognised directly in the Other Comprehensive Income and accumulated in the foreign currency translation reserve. Due to the liquidation of North Wall Entertainment Holdings Limited, Cayman Islands in the financial period ending 31 December 2012 an amount of kEUR 120 was reclassified in accordance with *IAS 21* from the Other Comprehensive Income into the Consolidated Income Statement (other business related income).

14 Financial liabilities due to banks (short-term)

As of 31 December 2012 the Group discloses short-term borrowings to banks (bank overdrafts) in the amount of kEUR 480, previous year kEUR 1,011. The interest rate is EONIA plus 2.5%. Additional information is given in note 27 to these Consolidated Financial Statements.

15 Trade payables

Trade payables amount to a total of kEUR 12 for the year ended 31 December 2012, previous year kEUR 247. They consist primarily of unpaid expenses for services rendered.

16 Liabilities due to shareholders

Liabilities due to shareholders amount to a total of kEUR 81 as of 31 December 2011 from several payments for third-party services advanced by DYVA Holding AG, Zug, Switzerland. As of 31 December 2012 there were no outstanding liabilities due to shareholders.

17 Accrued expenses

As of 31 December 2012, the Group discloses accruals of kEUR 69, previous year 191. They primarily consist of estimated costs and outstanding invoices from lawyers, consultants and other third parties. As of 31 December 2012 all reported provisions and accruals are short term by their nature.

18 Interest income

For the period ending 31 December 2012 the Group earned interest income in the amount of kEUR 477, previous period kEUR 160, from the loans granted to third parties. This income stems from the interest on granted loans to Riese Beteiligungsgesellschaft GmbH, Germany, kEUR 57 and interests on a granted loan due to Duesseldorf Rheinblick GmbH in the amount of kEUR 120 (see note 9). The remaining amount stems from interests on the outstanding purchase price receivable from the sale of the shares in MERLINCOUNTRY GmbH, Germany, kEUR 300 (see note 6).

19 Other business related income

During the period from 1 January to 31 December 2012 the Group realized other business related income in the amount of kEUR 469, previous period kEUR 113. Of which kEUR 349 were recognised as revenues stream from the outcome of the film production (see note 8) and kEUR 120 were recognised as revenue from exchange differences.

20 Loss from valuation of assets and liabilities at fair value

During the period 1 January to 31 December 2012 the Group realised a loss from the fair value valuation of their financial assets and liabilities of kEUR 882, previous period kEUR 1,192. They were mainly recognised from the lowly quoted market price of listed equity investments as at 31 December 2012.

21 Profit from discontinued Operations

Due to the reasons explained in note 4 no profit or loss from discontinued operations was realised in the financial year ended 31 December 2012 and as such does not need to be disclosed separately under discontinued operations in the Consolidated Income Statement.

The profit from discontinued operations for the financial period ended 31 December 2011 at an amount of kEUR 448 is composed of as follows:

Merlin-Group

21 March - 15 June 2011

kEUR

| | |
|---|------------|
| Revenue from Investments | |
| Interest Income | 1 |
| Expenses from Investments | |
| Interest Expense | -7 |
| Net Investment Income | -6 |
| Administration and Other expenses | -8 |
| Wages and Salaries | -5 |
| Loss before taxes | -19 |
| Taxes on operations | 0 |
| Loss after taxes | -19 |
| Gain recognised on the measurement to fair value | 47 |
| Gain on sale from discontinued operations (note 6) | 420 |
| Taxes on profit of disposal | 0 |
| Profit from discontinued operations | 448 |
| The whole profit from discontinued operations was attributable to the shareholders of the parent company. | |

22 Income Taxes

The Board of Directors of Xanthus Holdings p.l.c., Malta, plans to generate revenues via dividend income from its Maltese subsidiary Xanthus Spec 1 Limited, Malta. From a taxation point of view Xanthus Spec 1 Limited, Malta, is expected to make profit from two sources of income streams:

- Dividend income/capital gains which would be exempted from income taxes in Malta through the application of the participation exemption under the Maltese tax law. Therefore no deferred tax assets would be recognised;
- Other income (such as interest and dividends/capital gains which do not benefit from the participation exemption referred to above) which would be liable to income taxes in Malta. As a result of the operation of the imputation system of taxation, the tax suffered at the level of Xanthus Spec 1 Limited, Malta, would be in part or fully refunded to Xanthus Holdings p.l.c., Malta, upon the distribution of a dividend by Xanthus Spec 1 Limited, Malta, out of those profits on which the income taxes were suffered.

Regarding the taxable income for the period 1 January to 31 December 2012 the Group allocates all income to the first income stream described above; therefore no deferred taxes were recognised for this period.

Foreign income tax is basically calculated at the tax rate prevailing in the relevant countries, which is 0% on the Cayman Islands.

There was no taxable income during the financial periods ended 31 December 2012, and 31 December 2011, respectively.

Under the tax laws prevailing in Malta tax losses carried forwards may be carried forward and offset against future profit without any time restrictions. Companies forming part of a group may benefit from group relief provisions in respect of allowable losses which are surrendered. However, group relief only applies to companies' resident in Malta, and such companies that are deemed to form part of a group if one or more companies are owned, directly or indirectly, as to at least fifty-one per cent.

The Group assumes to realise deferred tax assets in accordance with IAS 12 to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. However, tax loss carried forwards can only be used in the future if they do not belong to non-taxable income.

23 Comprehensive Income

The Consolidated Statement of Comprehensive Income contains reconciliation from the loss for the period 1 January to 31 December 2012 of kEUR 2,312, previous year kEUR 2,190, to a total comprehensive loss of kEUR 2,423, previous year kEUR 2,209. This difference can be attributed to an exchange difference which occurred upon conversion of the individual financial statements of subsidiaries with a different functional currency to that of the parent company (Xanthus Holdings p.l.c., Malta).

24 Earnings per share

Information is given for earnings per share are in accordance with IAS 33.

| | 1 January – 31 December 2012 EUR/Share | 21 March – 31 December 2011 EUR/Share |
|---------------------------------|--|---|
| Total Earnings per share | | |
| Basic Earnings per share | -0.12 | -0.12 |
| Diluted Earnings per share | -0.12 | -0.12 |

The earnings per share allocated for the continuing operations and the discontinued operations can be seen directly in the Consolidated Income Statement. The calculation of the basic earnings per share is based on the following data:

The weighted average number of shares for basic earnings per share for the period of 1 January to 31 December 2012 (2011) amounts to 19,757,762 (previous financial year 17,840,221) shares.

No diluted effects were comprised in the calculation of the diluted earnings per share, neither regarding the profit/loss for the period 1 January to 31 December 2012 nor for the comparative period, nor concerning the number of shares because such instruments were not used by the Group (thus, the Group has no potential dilutive ordinary shares). Therefore, for the period to 31 December 2012, as well as for the comparative period, there were no dilutive effects on the Earnings per share.

The whole loss is attributable to the parent company Xanthus Holdings p.l.c., Malta.

25 Litigations

As at 31 December 2012 and as of the date of authorisation of these Consolidated Financial Statements, the Group was not involved in any legal claims.

26 Information about financial instruments and fair values

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another. All financial instruments for the Group as at 31 December 2012 can be classified as non-derivative instruments.

IAS 39 requires the classification of financial instruments into separate categories for which the accounting requirement is different. The Group has classified its financial instruments as follows.

- Loans extended to third parties, funds held with banks or other financial institutions and trade receivables (if any) are classified in accordance with IAS 39 as Loans and Receivables.
- Quoted market price investments are classified as Financial assets at fair value through profit and loss.
- Unquoted investments are classified as Financial assets available-for-sale.
- Trade payables, the short-term borrowings due to banks and the short-term and long-term loans are classified as Other financial liabilities.
- The Group does not have any financial assets classified within the Held-to-maturity category.

The following table shows fair values and book values in accordance with IFRS 7 *Financial Instruments: Disclosure*.

| Measurement Category | Fair Value through profit and Loss | | | |
|---------------------------|------------------------------------|------------|-----------------|------------|
| | 31 December 2012 | | Fair Value | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | kEUR | kEUR | kEUR | kEUR |
| Loans | | | | |
| Other investments | 1,614 | 1,614 | 4,298 | 4,298 |
| Other financial assets | | | | |
| Cash and cash equivalents | | | | |

| Measurement Category | Available-for-sale | | | |
|---------------------------|--------------------|------------|------------------|--------------------|
| | Fair Value | | | |
| | 31 December 2012 | | 31 December 2011 | |
| Assets | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | kEUR | kEUR | kEUR | kEUR |
| Loans | | | | |
| Other investments | 1,359 | 1,359 | 1,359 | 1,359 ¹ |
| Other financial assets | | | | |
| Cash and cash equivalents | | | | |

| Measurement Category | Loans and receivables | | | |
|---------------------------|-----------------------|------------|------------------|------------|
| | Amortised Cost | | | |
| | 31 December 2012 | | 31 December 2011 | |
| Assets | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | kEUR | kEUR | kEUR | kEUR |
| Loans | 3,118 | 3,118 | 2,941 | 2,941 |
| Other investments | | | | |
| Other financial assets | 9,458 | 9,458 | 10,000 | 10,000 |
| Cash and cash equivalents | 17 | 17 | 12 | 12 |

| Measurement Category | Other Financial Liabilities | | | |
|------------------------------------|-----------------------------|------------|------------------|------------|
| | Amortised Cost | | | |
| | 31 December 2012 | | 31 December 2011 | |
| Liabilities | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | kEUR | kEUR | kEUR | kEUR |
| Financial liabilities due to banks | 480 | 480 | 1,011 | 1,011 |
| Trade payables | 12 | 12 | 247 | 247 |
| Liabilities due to shareholders | 0 | 0 | 81 | 81 |
| Accrued expenses | 69 | 69 | 191 | 191 |

The above financial instrument tables contain financial assets and liabilities only to the extent that a contractual right to receive/or to release cash and cash equivalents at a future date is included.

Cash and cash equivalents, Other financial assets, Other investments, Loans, Financial liabilities due to banks and Trade payables have a short maturity. Therefore their carrying amounts as of 31 December 2012 are approximately equal to their fair value.

¹ Financial assets available-for-sale are unlisted investments (equity instruments), whose fair value cannot be reliably determined in accordance with IAS 39, and therefore were valued as of acquisition cost (amounting to kEUR 1,359 as of 31 December 2011).

Information about income and expenses items on financial assets:

The following table shows the net result of Financial assets and liabilities in compliance with evaluation categories in the period 1 January to 31 December 2012:

| | | Investment revenues | |
|-------------------|--|----------------------------------|---------------------------------|
| | | Interest income | |
| | | 1 January to 31 December 2012 | 21 March to 31 December 2011 |
| | | kEUR | kEUR |
| Loans | | 177 | 160 |
| Other investments | | 300 | 0 |

| | | Investment costs | |
|---------------------------------------|-----|-------------------------------------|------------------------------------|
| | | Interest expenses | |
| | | 1 January to 31 December 2012 | 21 March to 31 December 2011 |
| | | kEUR | kEUR |
| Other Investments | 0 | 0 | 882 |
| Other financial assets | 842 | 0 | 0 |
| Financial liabilities due to banks | 21 | 22 | 0 |

| | | Investment costs | |
|---------------------------------------|-----|--|------------------------------------|
| | | Loss from valuation of assets and liabilities at fair value | |
| | | 1 January to 31 December 2012 | 21 March to 31 December 2011 |
| | | kEUR | kEUR |
| Other Investments | 0 | 0 | 882 |
| Other financial assets | 842 | 0 | 0 |
| Financial liabilities due to banks | 21 | 22 | 0 |

The loss from valuation of assets and liabilities at fair value is attributable to the Financial assets at fair value through profit and loss only. No losses were caused by the Financial assets held as available-for-sale.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of the financial assets and liabilities have been determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Fair values for unquoted equity instruments, where accessed in accordance with three valuation theories, The Market approach, Income approach and Asset-based approach. When no reliable valuation could be determined and the probability of the various estimates could not be reasonably assessed the assets were valued at acquisition cost in accordance with IAS 39.
- Loans extended to third parties are measured at amortised cost. The financial asset is measured at initial recognition, minus principle repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Specifically, significant assumptions used in determining the fair values/amortised costs of the following financial assets are set out below:

Other investments with unquoted market price

As of 31 December 2012 the unlisted shares held by the Company amounting to kEUR 1,359, previous year kEUR 1,359. Such investments have been valued at acquisition cost on the assumption that no reliable fair value for these unlisted companies can be determined. This is due to special circumstances that relate to the respective companies. For example, the Company is a newly active company with no real historical figures, in addition management have not been able to reliably determine the future cash flows of the entity in which can be used to calculate a fair value using the discounted cash flow method.

Other financial assets

As disclosed in note 6 and 11, the amount receivable of kEUR 10,000 as of 31 December 2011, was due as of 31 December 2012. Due to the still outstanding repayment date the Company has changed the short-term maturity of the other financial assets into a long time maturity at year-end 2012. Thus, a discounting with an effective interest rate of 3.8% was recognised in 2012. As of 31 December 2012 the carrying amount of kEUR 9,458 represents the Company's maximum exposure to credit risk.

Loans

As disclosed in note 9, the loan due from Duesseldorf Rheinblick GmbH amounting of kEUR 2,445 as of 31 December 2011, was due as of 31 December 2012. Due to the still outstanding repayment date the Company has changed the long-term maturity of the Duesseldorf Rheinblick loan into a short time maturity at year-end 2012. Based on the assessment of the Board of Directors the Group expects the final repayment by the end of the financial year 2013. Thus, a discounting with an effective interest rate of 8.7% was recognised in 2012. As of 31 December 2012 the carrying amount of kEUR 2,566 represents the Company's maximum exposure to credit risk.

Fair value measurements recognised in the Consolidated Statement of Financial Position

The following paragraphs provide information on financial instruments that are measured subsequent to initial recognition at fair value in the Consolidated Statement of Financial Position as of 31 December 2012, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities: Other investments at an amount of kEUR 1,614, previous year kEUR 4,298.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices): None held.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs): None held.

There were no transfers between these levels during the period 1 January to 31 December 2012.

27 Financial risks and the Company's management of those risks

The Group's Board of Directors ensures financial risk management both in domestic and international financial markets. Xanthus Holdings p.l.c., Malta, monitors and manages the financial risks relating to the operations of the Group's internal risk reports, which produce analysis regarding both the quantitative and qualitative exposure of the Group to certain risks. These risks include, but are not limited to, market risk, currency risk, credit risk and liquidity risk.

The Xanthus Holdings p.l.c., Malta, seeks to minimise the effects of these risks through ongoing operating and financial-orientated activities. Since the development and compliance of the risk management system is part of the total responsibility of the Board of Directors, the Group's policy is to ensure ongoing risk management through approval of the Board of Directors regarding certain transactions.

Credit Risk

Credit risk is the risk that one party of the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. If the counterparty were to fail to repay a loan to the Group this may result in partial or complete loss for the Group. Therefore, the Board of Directors ensures that credit/loan investments are only extended to companies in which the Group invests, furthermore exposures are measured in relation to the nature, market value and maturity of each contract; this is in accordance with the accounting policies of the Group. The maximum risk in loss would be determined by the book value of the loan in the Consolidated Statement of Financial Position.

The loans and receivables disclosed in the Consolidated Statement of Financial Positions include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The following table shows an age analysis of the remaining loans and receivables as of 31 December 2012 that are past due but not impaired:

| 31 December 2012 | Book values | Not more than three months | more than three months and not more than six months | more than six months and not more than one year | more than one year |
|---------------------------|----------------|----------------------------------|---|---|-----------------------|
| Loans | 3,118 | 2,566 | | | |
| Other financial assets | 9,458 | 9,458 | | | |
| Total | 12,576 | 12,024 | | | |

Collateral held as security:

Short-term borrowings due to banks amount to kEUR 480 at 31 December 2012, previous year kEUR 1,011. The bank overdraft is secured by the shares held by the subsidiary Xanthus Special Investment 1 Limited, Cayman Islands, in Worldlink Group p.l.c., Great Britain, and by the shares held by the subsidiary Xanthus Spec 1, Malta, in InCity Immobilien AG, Germany.

Liquidity Risk

Ultimate responsibility for the liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding. The Group manages liquidity risk by continuously monitoring forecasts, actual cash flows and by matching the maturity profiles of financial assets and liabilities. In addition, cash flow forecasts are stress tested for various scenarios and reviewed regularly by the Board of Directors to ensure sufficient headroom exists for a 12 month period.

The following table shows an analysis of the remaining time of maturity for all contractual agreed liabilities as of 31 December 2012:

| 31 December 2012 | Book values | Up to 30 days | 31 up to 90 days | 91 days up to 1 year | 1 to 5 years | More than 5 years |
|------------------------------------|-------------|---------------|------------------|----------------------|--------------|-------------------|
| Financial liabilities due to banks | 480 | | | 480 | | |
| Trade payables | 12 | | 12 | | | |
| Accrued expenses | 69 | | | 69 | | |
| Total financing liabilities | 561 | | 12 | 549 | | |

Market Risk

Currently the Group has some exposure to foreign currency exchange risks, however at the present time these risks are not substantial enough to warrant hedging through the use of derivative financial instruments. The costs involved in this process would at this stage in the Group's business cycle far outweigh the benefits. Instead, where possible, management uses techniques such as offsetting (recipes due in one currency, offset against payments due in the same currency) as a way of managing risk. The changes in foreign currencies (USD/EUR) do not have a material impact on the consolidated financial statements.

Due to the contractual fixed interest rates on the loans and other financial assets a change in the interest rates will not have a major impact on the Consolidated Financial Statement. Therefore no sensitivity analyses are made for such risks. There is no link with the currency risk because the loans are nominated in EUR.

Some of the capitalised other investments are listed shares. Their fair value as of 31 December 2012 was kEUR 1,614, previous year kEUR 4,298. If the general conditions on the German Stock Exchange will heavily deteriorate, the fair value of these listed shares may decrease. For instance, if the listed share price was to decrease (or increase) by 10%, the fair value would also decrease (increase) by 10%.

Other parameters of the capital market (like changes in interest rates etc.) do not have a major impact on the Consolidated Financial Statements therefore no sensitivity analyses are made for such risks.

28 Capital Management

The objectives of the Group's capital management arise from the strategic guidelines of the Board of Directors. Thereby, it is focused on long-term increase in Company's value on behalf of its investors. The Company was provided with sufficient equity which is deemed the major capital source and core capital. Regarding the short- and middle term planning, the Board of Directors expects substantial cash income from the assets disclosed in the Consolidated Statement of Financial Position at 31 December 2012.

29 Rental and lease obligations

The Group entered into commitments arising from rental agreements concluded for office space and services in Malta. Thereby, it concerns standard contracts without specific articles.

As of 31 December 2012, future obligations arising from operating rental and lease agreements of the continuing operations amounted to:

| | Short-term | 1-5 years | more than 5 years |
|-----------------|------------|-----------|-------------------|
| | kEUR | kEUR | kEUR |
| Rental payments | <u>2</u> | <u>2</u> | <u>0</u> |

In the period from 1 January to 31 December 2012 kEUR 2, previous period kEUR 2, from rental payments are comprised in Other business related fees. No lease agreements were concluded during the financial period ending 31 December 2012.

30 Governing board and compensations

For the year ending 31 December 2012, the Board of Directors of the Company comprised the following persons:

- Joerg Lemberg
- René Mueller
- Emanuel Kunz.

In February 2013, Emanuel Kunz resigned from his position as Director, Claudio Morandi and Dr. Stefan Feuerstein were appointed as directors and Dr. Stefan Feuerstein was appointed as Chairman of the Board of Directors, replacing Joerg Lemberg, who now is a regular Director of the Board.

Thomas Jacobsen is Secretary of the Company.

The Board of Directors did not receive any remuneration for the period.

31 Related party disclosures

According to IAS 24 “Related Party Disclosures” an entity is required to identify all relationships and transactions with related parties and individual persons, since the relationships can have an impact on net worth, financial and profit situation of the Group.

As of 31 December 2012, DYVA Holding AG, Zug, Switzerland, held 55.37% of the voting shares (31 December 2011 55.37%), Xanthus Advisory AG, Zug, Switzerland, 0.10% (31 December 2011 0.10%) and other shareholders, 44.53% (31 December 2011 44.53%).

All members of the governing body of the Group (the Board of Directors) and their immediate family members are deemed to be related parties from the point of view of Xanthus Holdings p.l.c., Malta, in accordance with *IAS 24 Related Party Disclosures*.

The parent company of Xanthus Holdings p.l.c., Malta, **DYVA Holding AG**, Zug, Switzerland, granted the Group a non-interest bearing loan during the financial period 2011 amounting to kEUR 91 which was repaid before year-end 2011. At 31 December 2011, the outstanding balance has been settled. In addition, DYVA Holding AG, Zug, Switzerland, invoiced the Company for advanced third-party legal and consulting fees in the period 21 March to 31 December 2011 at an amount of kEUR 81. At 31 December 2011, the same amount was disclosed in the Consolidated Statement of Financial Position as Liabilities due to shareholder. As of 31 December 2012, there were no outstanding balances from these transactions and no further related party transactions have been occurred during the reporting period (note 16).

Xanthus Advisory AG, Zug, Switzerland, performed comprehensive financial, legal, tax and business services to the Group. Therefore, a service level agreement was closed on 3 May 2011. In accordance with that agreement, Xanthus Spec 1 Limited, Malta, compensated Xanthus Advisory AG, Zug, Switzerland, for its services during the period ending 31 December 2012 by kEUR 715, previous period kEUR 525. As of 31 December 2011 a balance in the amount of kEUR 243 was due to Xanthus Advisory AG, Zug, Switzerland and is disclosed as major part of the Trade payables in the Consolidated Statement of Financial Position. As of 31 December 2012 a balance of kEUR 9 is due to Xanthus Advisory AG, Zug, Switzerland.

Joerg Lemberg, a member of the Board of Directors of Xanthus Holdings p.l.c., Malta, and Xanthus Spec 1 Limited, Malta, holds 75% of the shares in **Merlin Holding GmbH**, Berlin, Germany, which bought 94% of the shares in MERLINCOUNTRY GmbH, Berlin, Germany, on 15 June 2011 from Xanthus Spec 1 Limited, Malta. The total nominal purchase price of kEUR 10,000 was due for payment by 31 December 2012. The respective negotiation with the debtor had to be terminated by the Company without any result in February 2013. Since then, the Company is consistently evaluating its legal options and initiated first steps to secure its rights and protect its assets. For these negotiations incurred expenses in the amount of kEUR 13, these were recognised during the financial year 2012. The nominal purchase price amount of kEUR 10,000 bears a 6% interest rate since 1 July 2012, of which the Group recognised kEUR 300 during the financial year 2012. The receivable due from Merlin Holding GmbH is disclosed in the balance sheet as of 31 December 2012 as other financial asset (see also note 6).

Furthermore, Joerg Lemberg, acquired in the period 21 March to 31 December 2011, from Xanthus Spec 1 Limited, Malta, 176,000 free-tradable listed shares in InCity Immobilien AG, Cologne, Germany, valued at 2.696 EUR per share. In addition Joerg Lemberg also sold 220,000 restricted listed shares in InCity Immobilien AG, Cologne, Germany, to Xanthus Spec 1 Limited, Malta, for 2.163 EUR per share. During the financial year 2012 no further related party transactions with Joerg Lemberg occurred.

As of 31 December 2011 Xanthus Special Investment 1 Limited, Cayman Islands, discloses an outstanding loan issued to **Duesseldorf Rheinblick GmbH**, Berlin, Germany, a subsidiary of MERLINCOUNTRY GmbH, Berlin, Germany, at a nominal amount of kEUR 2,000 with an 8% interest rate. This loan was due for repayment by 31 December 2012. The respective negotiation with the debtor had to be terminated by the Company without any result in February 2013. Since then, the Company is consistently evaluating its legal options and initiated first steps to secure its rights and protect its assets. Nevertheless the Group expects the final repayment by the end of the financial year 2013. The amortised costs as per 31 December 2012 amount to kEUR 2,566, previous year 2,445.

Other related party transactions during the year are described in note 5 to these Consolidated Financial Statements.

32 Additional information to the Consolidated Cash Flow Statement

The preparation of the Consolidated Cash Flow Statement has been prepared in accordance with IAS 7.

The closing balance of cash and cash equivalents as of 31 December 2012 in the Consolidated Cash Flow Statement comprises the following items from the Consolidated Statement of Financial Position:

| | Year ended 31 December 2012 | Year ended 31 December 2011 |
|---|--------------------------------|--------------------------------|
| | kEUR | kEUR |
| Cash and cash equivalents | 17 | 12 |
| Financial liabilities due to banks (short-term) | -480 | -1,011 |
| | <u>-463</u> | <u>-999</u> |

The cash flows included in financing activities are calculated on an as-paid basis. The cash flows included in operating activities are calculated by using the indirect method.

Both interests paid and received and taxes paid are basically included in the operating activities. A breakdown can be seen in the following table:

| | Year ended 31 December 2012 | Year ended 31 December 2011 |
|-------------------|--------------------------------|--------------------------------|
| | kEUR | kEUR |
| Interest received | 0 | 1 |
| Interest paid | 21 | 22 |
| Taxes received | 0 | 0 |
| Taxes paid | 0 | 0 |

Non-cash transactions

The Group entered into the following non-cash investing and financing activities which are not reflected in the Consolidated Cash Flow Statement.

As described in detail in note 5, the Group acquired during the financial period ended 31 December 2011 in several legal steps several assets and shares (Business combinations) in consideration for the issuance of 19,707,762 shares of the Company. No cash was paid for these businesses and assets.

During the financial period ending 31 December 2012 no further non-cash investing and financing activities were recognised which are not reflected in the Consolidated Cash Flow Statement.

33 Additional information about employees

During the period January to December 2012 no employees were employed by the Group, previous period one.

34 Events after the balance sheet date

There were no reportable subsequent events that occurred after the balance sheet date of 31 December 2012.

35 Authorisation for issue

The Board of Directors of Xanthus Holdings p.l.c., Malta, has discussed and approved the Consolidated Financial Statements for issue in accordance with IFRS on 26 June 2013.

36 Guarantee of the Board of Directors

In all conscience we assure, as representative for the Board of Directors of Xanthus Holdings p.l.c., Malta, that the Consolidated Financial Statements for the period 1 January to 31 December 2012 are in compliance with IFRSs, as adopted by the EU, and give a true and fair view of the Group's Net Assets, Financial Position and Results of Operations.

Malta, 26 June 2013

Dr. Stefan Feuerstein

Claudio Morandi

Independent Auditors' Report

To Xanthus Holdings p.l.c., Malta

We have audited the accompanying consolidated financial statements of Xanthus Holdings p.l.c., Malta, and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management 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 about 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 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 management, 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 of the Xanthus Holdings p.l.c., Malta, give a true and fair view of the financial position of Xanthus Holdings p.l.c., Malta, and its subsidiaries as at 31 December 2012, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Leipzig, 27 June 2013

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

(Hoppe)

Wirtschaftsprüferin

[German Public Auditor]

(Sauer)

Wirtschaftsprüfer

[German Public Auditor]