IRF European Finance Investments Ltd
Financial Statements

for the year ended
31 December 2011

In accordance with the International Financial Reporting Standards

The accompanying consolidated financial statements of IRF European Finance Investments Ltd (the “Company” or “IRF”) and its subsidiaries (together the “Group”), for the year ended 31 December 2011 were approved by the Company’s Board of Directors on 27 April 2012.

IRF European Finance Investments Ltd

Financial Statements for year ended 31 December 2011

Contents

BOARD OF DIRECTORS

Name	Position
Angeliki Frangou	Chairman, Non – Executive Director
Sheldon Goldman	Deputy Chairman, Non – Executive Director
Loukas Valetopoulos	Chief Executive Officer, Director
Alexander Meraclis	Secretary of the Company and Non – Executive Director

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

Financial highlights

IRF Group			
Amounts in €000	*31 December 2011*	*31 December 2010*	*%*
Statement of comprehensive income items			
Interest and similar income	4,315	2,609	65.38%
Dividend income	1,453	11,205	(87.03%)
Interest and similar charges	(10,529)	(9,511)	10.70%
Impairment losses on available-for-sale portfolio	(64,874)	(119,371)	(45.65%)
(Loss)/Profit for the period	(77,870)	(107,426)	(27.51%)
Total comprehensive income for the period	(60,076)	(112,392)	(46.55%)
Basic earnings per share (in euro/share)	(0.57)	(0.86)	(34.06%)
Statement of financial position items	**31 December 2011**	**31 December 2010**	
Cash and cash equivalent	4,600	653	604.47%
Trading portfolio	22,694	74,517	(69.54%)
Investment portfolio	53,665	84,563	(36.54%)
Total assets	141,558	168,310	(15.89%)
Loans	177,669	160,154	10.94%
Total liabilities	178,098	160,623	10.88%
Total Equity	(36,540)	7,687	(575.35%)
Ratios			
Current assets / current liabilities	0.20	177.81	(99.89%)
Total assets / total liabilities	0.79	1.05	(24.30%)
Net loss after tax / total assets	(0.55)	0.64	(185.95%)

Financial Statements for year ended 31 December 2011

2011 Review

Market conditions

In 2011, the European sovereign debt crisis created significant volatility in the global equity and debt markets. Most other asset classes were affected as well. The Athens Stock Exchange, in particular, suffered a pronounced decline given the lengthy period required to resolve the sovereign debt crises of the Hellenic Republic. The Athens Exchange General Index lost about 52% and the index FTSE/ASE 20 lost about 60%. This created substantial deterioration in the value of the Company's investments.

The Hellenic Republic, with assistance from EU member states and the IMF, concluded restructuring its sovereign debt in Q1 of 2012, by writing down a substantial portion of the debt held by the private sector. To qualify for assistance from various European and other entities, the Hellenic Republic was required to adopt a host of austerity measures. There is continuing uncertainty from the austerity measures adopted in combating the crises. Growth has been negative for five consecutive years and a recessionary environment continues. The economic and business outlook remains uncertain.

These adverse conditions resulted in the significant decline in the value of the Company's investments. The Company had negative equity of € 36.5 million on December 31, 2011. Due to this deterioration of value, the Company did not satisfy its Total Assets to Total Liabilities ratio covenant under its loan agreement. In addition, the Company did not make timely payment of the last two installments of interest.

Investment strategy and objectives

The Company's current investment strategy focuses primary in South Eastern Europe. The investment opportunities it explores may include controlling or non-controlling positions in both public and private entities. The Company intends to reinvest capital gains and income from its investments with the aim of achieving capital growth. In addition, the Company intends, at the discretion of the Directors, to distribute capital and income on a periodic basis.

Key risk factors

IRF is exposed to various risks as set forth herein and described in more detail in the notes to the financial statements. A significant risk to the Company is liquidity, and management is taking the necessary and proper action to have sufficient liquidity to satisfy operating costs (including interest on its loan) and to remain a going concern.

Performance and position of the Company

In general, under relevant accounting standards (IAS 39), any decline in the fair value of an "available for sale" financial asset is recognized in other comprehensive income and due to the existence of objective evidence that the asset is impaired the cumulative loss that had been recognized in other comprehensive income has been reclassified to profit or loss even though the financial asset has not been derecognised. The amount of such profit or loss is determined based on the difference between the new fair value and the previous evaluation of fair value. During 2011, the Company recognized an impairment loss o €64,874,442, reflecting the deterioration in value of investments in securities available for sale (primarily shares in MIG) since 2010.

On 31 December 2011, IRF held investments in equity and debt securities valued at approximately €128 million, including €102.6 million overall investment in MIG.
On 14th of July 2011 the Board resolved to issue 49,833.858 preference shares of the Company in exchange for 31,074,302 shares in Marfin Investment Group owned by shareholders of the Company. All MIG shares transferred were valued based on the closing price of such shares on the Athens Stock Exchange as of 14 July 2011.

Recently, the Company finished liquidating its investment in the shares of a financial institution trading on the Athens Stock Exchange. As a result of this divestment, the Company realized a loss totaling €6.1 million.

Events after the reporting period

In April 2012, the Company agreed with its lending bank to restructure its existing loan agreement and obtained an appropriate waiver regarding the non-compliance with the financial covenant. Based on this amended loan agreement the Company is generally not required to pay interest on the loan until 31 March 2013. Accrued interest amount will be capitalized, at an interest margin increase by 3% per annum during the capitalization period.

During Q1 of 2012, the Company repaid accrued interest in respect of 2011 that was past due.

CORPORATE GOVERNANCE

There is no corporate governance regime applicable to the Company in Bermuda. In addition, companies listed on the SFM are not required to comply with the Combined Code. Nevertheless, the Directors recognise the importance of sound corporate governance and intend to continue to develop policies and procedures which, taking into account the size and nature of the Company, will create an effective corporate governance regime.

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE ANNUAL ACCOUNTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law and in accordance with appropriate regulations of the listing authority, the directors have elected to prepare financial statements in accordance International Financial Reporting Standards as adopted by the European Union.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;

• state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and

• prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors, to the best of their knowledge, state that:

• the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

• the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1981 of Bermuda. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

• there is no relevant audit information of which the Company's auditors are unaware; and

• the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Angeliki Frangou

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Chairman, Non – Executive Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "**IRF European Finance Investments Ltd**"

Report on the Financial Statements

We have audited the accompanying financial statements of IRF European Finance Investments Ltd (the "Company") and its subsidiaries (which, together with the Company form the "Group"), which comprise the consolidated Statement of Financial Position as at December 31, 2011, and the consolidated Statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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 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 and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company'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 present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the disclosures made in note 4d to the consolidated financial statements, which refer to the impact of the impairment losses resulting from the investment portfolio on the Company's equity and the existing uncertainties that could adversely affect the going concern assumption.

Athens, 27 April 2012

The Chartered Accountant

Panagiotis Christopoulos
SOEL Reg. No 28481

Grant Thornton
An instinct for growth

Chartered Accountants Management Consultants
56, Zefirou str., 175 64 Palaio Faliro, Greece
Registry Number SOEL 127

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts presented in € '000	Note	1/1 - 31/12/11	1/1 - 31/12/10
Income			
Interest and similar income	**7**	4,315	2,609
Dividend and other income	**8**	1,453	11,205
Exchange differences		1,034	7,709
Realised losses from disposal of available for sale financial assets	**10**	(6,113)	-
Realised gain from disposal of financial assets held for trading	**11**	-	206
Unrealised gain/losses from valuation of financial assets held for trading	**12**	(2,583)	449
Unrealized gain from valuation of derivative financial instruments	**9**	256	-
Share of profits / (losses) of associates	**18**	(271)	185
Total operating income		**(1,909)**	**22,362**
Expenses			
Interest and similar expenses	**7**	(10,529)	(9,511)
Fee and commission expense	**13**	(7)	(127)
Realised loss from derivative financial instruments	**14**	-	(4)
Impairment losses on available-for-sale financial assets	**15**	(64,874)	(119,371)
Staff costs	**16**	(100)	(100)
Other operating expenses	**17**	(575)	(601)
Total operating expenses		**(76,086)**	**(129,714)**
Loss for the period		**(77,995)**	**(107,353)**
Less: Income tax	**18**	125	(74)
Loss after tax		**(77,870)**	**(107,426)**
Other comprehensive income			
Current year gains/(losses) from revaluation of available for sale portfolio		17,798	(4,975)
Exchange differences on translating foreign operations		(3)	9
Other comprehensive income for the period net of tax		**17,794**	**(4,966)**
Total comprehensive income for the period after tax		**(60,076)**	**(112,392)**
Profit after tax attributable to:			
Owners of the parent Company		(77,870)	(107,426)
Total comprehensive income attributable to:			
Owners of the parent Company		(60,076)	(112,392)
Earnings per share attributable to parent company's shareholders (€ /share)			
- Basic and diluted	**30**	**(0.57)**	**(0.86)**

The accompanying notes constitute an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts presented in € '000	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Investments in associates	19	152	429
Derivative financial instrument	20	2,411	-
Debt securities	20	49,312	-
Investment portfolio	21	53,665	84,563
Total non-current assets		**105,540**	**84,992**
Current assets			
Trading portfolio and other financial assets at fair value through profit & loss	22	22,694	74,517
Loans and receivables		8,585	8,010
Other assets	23	138	138
Cash and cash equivalents	24	4,600	653
Total current assets		**36,018**	**83,318**
TOTAL ASSETS		**141,558**	**168,310**
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	27	162	162
Share premium	27	378,927	363,079
Revaluation reserve		17,798	-
Other reserves	28	8	12
Retained (losses) /earnings		(433,435)	(355,565)
Total equity attributable to shareholders' of the parent Company		**(36,540)**	**7,687**
TOTAL EQUITY		**(36,540)**	**7,687**
LIABILITIES			
Non-current			
Long term loans	25	-	160,154
Deferred tax liability	18	46	175
Total non-current liabilities		**46**	**160,330**
Current liabilities			
Short term loans	25	177,669	-
Other liabilities	26	383	293
Total current liabilities		**178,052**	**293**
TOTAL LIABILITIES		**178,098**	**160,623**
TOTAL LIABILITIES AND EQUITY		**141,558**	**168,310**

The accompanying notes constitute an integral part of the financial statements

Athens, 27 April 2012

Angeliki Frangou	Loukas Valetopoulos
Chairman, Non – Executive Director	Chief Executive Officer, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to shareholders of the Parent Company					
		Share Capital	Share Premium	Revaluation Reserve	Other Reserves	Retained Earnings / (losses)	Total
Consolidated Statement of Changes in Equity	**Note**						
Amounts presented in € '000							
Opening balance as at 1st January 2011	**27**	**162**	**363,079**	**-**	**12**	**(355,565)**	**7,687**
Preference shares issue	**27**	-	15,848				**15,848**
Transactions with owners		**-**	**15,848**	**-**	**-**	**-**	**15,848**
Net result for the period 01/01-31/12/2011		**-**	**-**	**-**	**-**	**(77,870)**	**(77,870)**
Other comprehensive income:							
- Gains/ losses directly recognized in equity		-	-	17,798	-	-	17,798
Exchange differences on translating foreign operations		-	-	-	(3)	-	(3)
Total comprehensive income / (loss) recognised for the period		**-**	**-**	**17,798**	**(3)**	**(77,870)**	**(60,076)**
Balance as at 31 December 2011		**162**	**378,927**	**17,798**	**8**	**(433,435)**	**(36,540)**

The accompanying notes constitute an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to shareholders of the Parent Company					
		Share Capital	Share Premium	Revaluation Reserve	Other Reserves	Retained Earnings / (losses)	Total
Consolidated Statement of Changes in Equity	**Note**						
Amounts presented in € '000							
Opening balance as at 1st January 2010		**147**	**382,491**	**4,975**	**3**	**(248,139)**	**139,478**
Common shares issue		14	9,038		-	-	9,053
Share premium reduction & return to shareholders			(28,451)		-	-	(28,451)
Transactions with owners		**14**	**(19,412)**	**-**	**-**	**-**	**(19,398)**
Loss for the period 01/01-31/12/2010		**-**	**-**	**-**	**-**	**(107,426)**	**(107,426)**
Other comprehensive income:							
- Gains/ losses directly recognized in other comprehensive income		-	-	(4,975)	-	-	(4,975)
Exchange differences on translating foreign operations		-	-	-	9	-	9
Total comprehensive income / (loss) recognised for the period		**-**	**-**	**(4,975)**	**9**	**(107,426)**	**(112,392)**
Balance as at 31 December 2010		**162**	**363,079**	**-**	**12**	**(355,565)**	**7,687**

The accompanying notes constitute an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts presented in € '000	**Note**	**31 December 2011**	**31 December 2010**
Cash flows from operating activities			
(Loss)/Profit before tax of continuing operations		**(77,870)**	**(107,426)**
Adjustments for:			
Add: Impairment losses on financial assets		64,874	119,371
(Profit) /loss from revaluation of financial assets at fair value through Profit & Loss		2,583	(449)
(Profit)/loss from sale of Available for sale financial assets		6,113	-
(Profit) /loss from revaluation of derivative financial instruments		(256)	-
Share of (profit)/loss from associates		271	(185)
Interest and other non-cash expenses		6,558	7,029
Dividends received		(1,453)	(11,205)
Exchange differences		(1,034)	(46)
Cash Flows from operating activities before changes in working capital		***(213)***	***7,090***
Changes in working capital:			
Net (increase)/decrease in trading securities		-	(56,520)
Net (increase)/decrease in other assets		1	831
Net increase/(decrease) in other liabilities		(37)	(756)
Cash flows from operating activities before payment of income tax		*(250)*	*(49,355)*
Tax paid		-	(4)
Net cash flows from operating activities		**(250)**	**(49,359)**
Cash flows from investing activities			
Acquisition of available for sale financial asset		(6,551)	(4,448)
Proceeds from a.f.s. portfolio		1,560	-
Interest received		2,206	2,609
Loans and receivables		-	(8,572)
Dividend received from investment activities		-	9,504
Dividends received from financial assets at fair value through P&L		-	180
Net cash flow from investing activities		**(2,785)**	**(728)**
Cash flows from financing activities			
Share premium return		-	(28,451)
Repayments of borrowings		-	(40,000)
Interest paid		(4,946)	(7,587)
Proceeds from borrowings		11,932	-
Net cash flow from financing activities		**6,987**	**(76,038)**
Net increase/(decrease) in cash and cash equivalents		**3,952**	**(126,125)**
Cash and cash equivalents at the beginning of the period		653	126,842
Effect of exchange rate fluctuations on cash and cash equivalents		(4)	(64)
Cash and cash equivalents at the end of the financial year	**24**	**4,600**	**653**

The accompanying notes constitute an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Country of incorporation

IRF European Financial Investments Ltd ("IRF") was incorporated on 8 September 2005 under the Bermuda Companies Act 1981. The Company was initially listed on AIM on 14 November 2005 and on 19 January 2009 transferred to the Specialist Fund Market (the "SFM"), a regulated market operated by the London Stock Exchange plc. The Company's registered office is at Canon's Court 22 Victoria Street, Hamilton HM12, Bermuda.

Principal Activities

IRF was formed as an investing company to serve as a vehicle for the acquisition of controlling or non-controlling positions in both public and private entities.

IRF holds approximately 17.91% of the issued shares in Marfin Investment Group ('MIG') which, as at 31 December 2011, is the most significant investment in the Company's portfolio. MIG invests in private equity, privatisations and infrastructure projects and principally operates in Greece, Cyprus and South East Europe. All Greek equity holdings are publicly listed in stock exchanges.

2. BASIS OF FINANCIAL STATEMENT PREPARATION

2.1 Statement of Compliance

The financial statements of the Group for the year ended 31 December 2011 have been prepared according to the International Financial Reporting standards (IFRS), which were published by the International Accounting Standards Board (IASB) and in compliance with their interpretations, which have been published by the International Financial Reporting Interpretations Committee (IFRIC) and have been adopted by the European Union.

The Group has adopted all International Accounting Standards, IFRS and their interpretations which apply to the Group's activities.

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following items which are measured at fair value:

- Financial assets and liabilities at fair value through Profit & Loss (including derivatives),
- Financial assets available for sale

Going concern is an appropriate basis for the preparation of the financial statements. Relative information is provided in note 4d below.

2.3 Functional and Presentation Currency

The current financial statements are presented in Euro, which is the functional currency of the parent company. The functional currency is the currency of the primary economic environment in which an entity operates and is normally the one in which it primarily generates and expends cash. Management used its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

All amounts are presented in thousand Euros unless mentioned otherwise. Due to rounding, percentages and numbers presented throughout the consolidated financial statements may not match the counterparts in the financial statements. All amount expressed in dollars, are US dollars.

2.4 Use of Estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses.

Assumptions and estimates are reviewed on an ongoing basis and are revised based on experience and other factors. Revisions of accounting estimates are recognised in the period in which estimates are revised and in any future periods affected. Assumptions and estimates include expectations on future events and outcomes that are considered as reasonable given the current conditions. Actual results may differ from these estimates.

Significant areas of estimation uncertainty and items that are significantly affected by judgements in applying accounting policies are presented in note 4.

2.5 New standards, amendments and interpretations with effective date as of 1 January 2011

In 2010, the IASB issued the annual improvements to IFRS for the year 2010 – a series of adjustments to 7 Standards, as a part of the annual improvement program. The IASB annual improvement program aims to make necessary though not urgent adjustments to IFRSs and will not be a part of bigger revision program. Most Improvements are effective for annual periods starting on or after 01/01/2011. The group has adopted all the new Standards and Interpretations whose implementation is mandatory for the years starting as at January 1, 2011. Paragraph 2.5 presents the Standards adopted as from January 1, 2011. Paragraph 2.6 presents the Standards, Amendments to the Standards and Interpretations that are either not effective yet or have not been adopted by the E.U.

a) IAS 24: "Related Party Disclosures" (revision): The current amendment clarifies the definition of related parties and reduces disclosures regarding related parties of the State. In particular, it rescinds the obligation of State entities to disclose details of all transactions with other State parties, it clarifies and simplifies the definition of a related party and endorses the disclosure not only of transactions and balances between related parties, but also undertakings, both in separate and consolidated statements. The amendment does not have significant impact on the financial statements.

b) IAS 32 "Financial Instruments: Presentation" - Classification of Rights as Equity : The amendment revises the definition of financial liabilities as provided in IAS 32, with respect to classification of rights issues (rights, options or warrants) as equity. The amendments had no effect on the Group financial statements. The amendment applies to annual accounting periods starting on or after 01/02/2010, while earlier application is permitted. The application of the amendment is not expected to have an effect on the Company Financial Statements. The current Amendment has been approved by the European Union.

c) IFRIC 14 (Amendment) "Minimum Funding Requirements Payments" : The amendment has been issued to raise the limitations that an entity had on the recognition of an asset deriving from voluntary prepaid contributions for minimum funding requirements. The amendment had no effect on the Group operations.

d) Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Limited Exemption from Comparative Disclosures under IFRS 7 for IFRS First-time Adopters : The current amendment provides limited exemptions to IFRS first time adopters from provision of comparative information pertaining to disclosures required by IFRS 7 «Financial Instruments: Disclosures». The amendment had no effect on the Group operations.

e) IFRIC 19: «Extinguishing Financial Liabilities with Equity Instruments»:IFRIC19 considers the accounting treatment when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. Such transactions are sometimes referred to as «debit - equity instruments» transactions or shares transactions, whose frequency increases during the financial crises. The amendment is not applicable to the Group.

2.6 Standards, amendments, and interpretations to existing standards that are either not effective yet or have not been adopted by the E.U.

Furthermore, the IASB has proceeded to the issue of the following new IFRSs, amendments and interpretations which are not mandatory for these financial statements and as at the date of issue of these financial statements have not been adopted by the E.U.

a) IFRS 9: «Financial Instruments»: The IASB is planning to fully replace IAS 39 «Financial Instruments: Recognition and Measurement» and put it in force for annual financial periods starting at 1 January 2015. IFRS 9 constitutes the first stage of the ongoing project for the replacement of IAS 39. The main stages of the project are as follows:

1st stage: Recognition and Measurement

2nd stage: Impairment method

3rd stage: Hedge accounting

Furthermore, an additional stage concerns issues related with derecognition.

IFRS 9 aims to reduce complexity in the accounting treatment of financial instruments by offering fewer categories of financial assets and a principle based on the approach for their classification. According to the new Standard, the entity classifies financial assets either at amortised cost or at fair value based on:

a) the entity's business model for managing financial assets,

b) the characteristics of the contractual terms of the financial asset give rise on specified dates to cash flows (if it has decided not to appoint the financial asset at fair value through profit and loss).

The division of all financial assets into two categories – amortised cost and fair value – means that only one impairment model will be required in the context of the new standard, thus reducing complexity.

The effect from the application of IFRS 9 is evaluated by the company as it is estimated that the business model that will be selected by the company for managing its financial assets will have an impact on its Equity and P&L.

The Standard is effective for annual periods starting on or after 1 January 2015 and has not been approved by the EU yet.

b) Amendment to IFRS 1 «First-time Adoption of International Financial Reporting Standards» - Removal of Fixed Dates for First-time Adopters: The Amendment removes the fixed IFRS transition date (01 January 2004) and replaces it with actual IFRS transition date. At the same time, it removes derecognition requirement regarding the transactions that took place before the fixed transition date. The amendment is effective for annual periods beginning on or after 1 July 2011 and earlier application is permitted. The application of the Amendment will not affect the consolidated Financial Statements of the Group. The current Amendment is not applicable to the Group.

c) IAS 12 - (Amendment) «Income Taxes»: IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. In cases related to investment property and when an asset is measured at fair value, it can be difficult and subjective to assess whether recovery will be through use or through sale. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will be through future sale of the asset. The amendment is effective for annual periods beginning on or after 1 January 2012 and it will not have any impact on the Group consolidated Financial Statements. This amendment has not been approved by the European Union.

d) Amendment to IFRS 1 «First-time Adoption of International Financial Reporting Standards» - Severe Hyperinflation: The amendment proposes guidance on how an entity should resume presenting financial statements in accordance with International Financial Reporting Standards (IFRSs) after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011 and earlier application is permitted. The implementation of the amendment will not affect the Group consolidated Financial Statements. This amendment has not been approved by the European Union.

e) IFRS 7 «Financial Instruments: Disclosures» - Amendments concerning additional disclosures for transfer of financial assets»: The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment is effective for annual periods beginning on or after 1 July 2011 and earlier application is permitted. This amendment was approved by the European Union in November 2011.

f) IFRS 10 «Consolidated financial statements» :
The current Standard supersedes IAS 27 «Consolidated and Separate Financial Statements» and SIC 12 «Consolidation — Special Purpose Entities». The new standard changes the definition of control for the purposes of determining which entities shall be consolidated in the consolidated financial statements of the parent. The standard provides additional guidance to assist under defining the control in cases, when it is difficult to estimate. Furthermore, the Group shall make several disclosures regarding the entities consolidated as subsidiaries as well as non-consolidated entities with which there is share based relation. The standard is expected to lead to changes in the structure of conventional groups and in some cases, the effects may be significant.

The amendment is effective for annual periods beginning on or after 1 July 2013 and earlier application is permitted. The implementation of the amendment will not affect the Group consolidated Financial Statements. This amendment has not been approved by the European Union.

g) IFRS 11 «Joint Arrangements»: The new standard IFRS 11 supersedes IAS 31 «Interests in Joint Ventures». Under the new principles, these arrangements are treated more according to the rights and obligations arising from such kind of arrangements rather than based on their legal form. The new standard removes the proportional consolidation for joint ventures as well as the terminology of IAS 31 for 'jointly controlled operations' or' jointly controlled assets ". Most ventures will involve "joint operations".

The amendment is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The implementation of the amendment will not affect the Group consolidated Financial Statements. This amendment has not been approved by the European Union.

h) IFRS 12 «Disclosure of Interests in Other Entities»: The standard unites, improves and supersedes disclosure requirements for all forms of interests in subsidiaries, associates and non-consolidated entities within a uniform disclosures standard. It also provides better transparency and will assist the investors to estimate the extent to which a reporting entity has participated in creation of special structures and risks to which it is exposed.

The amendment is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The implementation of the amendment is not expected to affect significant the Group Financial Statements. This amendment has not been approved by the European Union.

i) IFRS 13 «Fair Value Measurement»: The new standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Neither does it change the requirements of other IFRSs regarding the items measured at fair value and makes no reference to the way the changes in fair value are presented in the Financial Statements.

The amendment is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. This amendment has not been approved by the European Union.

j) IAS 19 (Amendment) «Employee Benefits»: The amendment to the standard removes the option of recognition of profit and loss under «corridor» method. Moreover, changes from revaluation of assets and liabilities arising from a defined benefit plan will be presented in the statement of other comprehensive income. There will be also provided additional disclosures on defined benefit plans regarding the defined benefit plans characteristics and the risks to which the providers are exposed under their participation in the aforementioned plans.
The amendment is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The implementation of the amendment is not expected to affect the Group Financial Statements. This amendment has not been approved by the European Union.

k) IAS 1 (Amendment) «Presentation of Financial Statements» The amendments to IAS 1 require that the entities, preparing financial statements in compliance with IFRS, shall present the items in the statement of other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently to facilitate harmonization with US GAAP.
The amendment is effective for annual periods beginning on or after 1 July 2012 and earlier application is permitted. The implementation of the amendment is not expected to affect the Group Financial Statements. This amendment has not been approved by the European Union.

l) IFRIC 20 «Stripping Costs in the Production Phase of a Surface Mine» In October 2011, IASB issued IFRIC 20. The Interpretation clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.
The interpretation is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The interpretation is not applicable to the Group operations. This interpretation has not been approved by the European Union.

m) Amendment to IAS – IAS 32 «Financial Instruments: Presentation» – Offsetting financial assets and financial liabilities. In December 2011, IASB issued amendment to IAS 32 "Financial Instruments: Presentation", which provides clarification on some requirements for offsetting financial assets and liabilities in the statement of financial position.
The amendment is effective for annual periods beginning on or after 1 January 2014 and earlier application is permitted. The Group will examine whether the application of this amendment will have an impact on its Financial Statements. This amendment has not been approved by the European Union.

n) Amendments to IFRS 7: « Disclosures - Offsetting Financial Asserts and Financial Liabilities» In December 2011, IASB published new requirements for disclosures that enable users of Financial Statements to make better comparison between IFRS and US GAAP based financial statements.
The amendment is effective for annual periods beginning on or after 1 January 2013. The Group will examine whether the application of this amendment will have an impact on its Financial Statements. This amendment has not been approved by the European Union.

o) Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7: Mandatory Effective Date of IFRS 9 and Transition Disclosures.
In December 2011, IASB transferred the mandatory effective date of transition to IFRS 9 to 01/01/2015.
The amendments also provide an exemption from restating comparative information and require additional disclosures (in IFRS 7) to enable users of financial statements to understand the effects of the introduction of the requirements of IFRS 9. The Group will examine the effect of the above on its financial statements. This amendment has not been adopted by the European Union.

3. SUMMARY OF IMPORTANT ACCOUNTING POLICIES

3.1 Consolidation

Subsidiaries: Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist if the Company has ownership, directly or indirectly, over more than half of the voting rights. The Group has developed several criteria in order to determine whether it has the "de facto" control over the entity, including the actual representation of the Company on the Board of Directors and the management of the subsidiary and the fact that there is no realistic possibility that all the other shareholders of the subsidiary will be organised and take control over the entity.
Subsidiaries are fully consolidated using the purchase method from the date on which control commences until the date that control ceases. The acquisition cost of a subsidiary is measured at the fair value of the assets given, the shares issued and the liabilities undertaken on the date of the exchange. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair values on the acquisition date. The excess between the cost of acquisition and the fair value of the net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. All Group subsidiaries follow the same accounting policies as those adopted by the Group.

Associates: Associates are entities over which the Group has significant influence but not control. Significant influence is presumed to exist if the Group holds between 20% and 50% of the voting rights of another company. Investments in associates are initially recognised at acquisition cost and subsequently are accounted under the equity method. At each financial statement date, the investments carrying amount is increased by the Group's proportion of the associate's changes in equity and decreases by the amount of dividends received from the associate.

The Group's share in the associate's profits or losses, after the acquisition date, is recognised in profit or loss whereas, the Group's share of other comprehensive income is recognised directly in other comprehensive income.

In instances when the Group's participation in the associate's losses is equal or exceeds its cost of participation, inclusive of any doubtful debts, the Group does not account for any further losses, except if it has incurred liabilities or has made payments on behalf of the associate as well as those arising in the context of the shareholding.

3.2 Operating segments

IFRS 8 "Operating Segments" (issued in 2006 and applied by companies for periods starting on or after 01/01/2009), requires a "management approach" to the Group's presentation of financial information under segment reporting. Information disclosed is basically information that the management uses for internal reporting so as to assess the productivity of segments, as well as the manner in which resources are allocated. Such reporting might differ from information used during the preparation of the statement of financial position and the statement of comprehensive income.

The directors determined that IRF's continuing business, as an investment company, would be managed by the directors as a whole and no segmental information would be reported to the CEO. Therefore, IRF does not present segmental financial information**.** The revenues of IRF for the periods ending 31 December 2011 and 31 December 2010 derive from the following geographical areas:

As of 31 December 2011

Amounts presented in € '000	**Europe**	**USA**	**Total**
Income / expenses			
Interest and similar income	4,024	291	4,315
Dividend Income	1,453	-	1,453
Net trading income	(6,345)	(1,061)	(7,405)
Share of profits of associates	-	(271)	(271)
Total operating income	**(868)**	**(1,041)**	**(1,909)**

As of 31 December 2010

Amounts presented in € '000	**Europe**	**USA**	**Total**
Income / expenses			
Interest and similar income	2,303	306	2,609
Dividend Income	11,205	-	11,205
Net trading income	5,729	2,635	8,364
Share of profits of associates	-	185	185
Total operating income	**19,237**	**3,126**	**22,362**

3.3 Foreign Currency

The consolidated financial statements are presented in Euro, which is also the functional currency of the parent company.

(a) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments due to business combinations, are translated into Euro at exchange rates applicable on the financial statement date. The income and expenses are translated into Euro at the exchange rate on the dates of transactions or, if it is a reasonable approximation, based on the average exchange rates during the reporting period. Any differences arising from the translation of the assets, liabilities, income and expenses are recognized in other comprehensive income into "Other reserves".

(b) Foreign Currency Transactions

Foreign currency transactions are translated into the respective functional currency of the Group entities at the exchange rates on the dates of transactions. Monetary asset and liability denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate on that date. The non-monetary assets denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date that the fair value was determined. Foreign currency differences arising on the execution of foreign currency transactions and on the retranslation of monetary assets and liabilities are recognized in profit or loss.

3.4 Interest income and expense

Interest income and expense are recognised on an accrual basis in profit or loss for all interest bearing assets and liabilities, based on the effective interest method. Interest income and expense include the amortization of any discount or premium, transaction costs or other differences between the initial cost of an interest bearing financial asset and the amount to be received or paid at maturity using the effective interest rate method.

The effective interest rate is the rate that exactly discounts any estimated future payment or receipt through the expected life of a financial instrument (or until the next date of interest reset), to the carrying amount of the financial instrument, including any fees or transaction costs incurred.

3.5 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the relevant services have been provided. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party is recognised on completion of the underlying transaction. Portfolio management fees and other advisory and service fees are recognized in profit or loss according the applicable service contract, usually on a time-apportionate basis.

3.6 Dividend Income

Dividend income is recognized in profit or loss when the right to receive payment is established.

3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.7.1 Initial Recognition

Financial assets and liabilities are recognized at the trade date which is the date when the Group becomes a party to the contractual provision of the instruments. The financial assets and liabilities are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

3.7.2 Classification and Measurement of Financial Assets

Management determines the classification of its investments at initial recognition. Financial assets are classified into the following categories:

(a) Financial Assets and Liabilities at Fair Value through Profit & Loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in the "held for trading" category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Moreover financial asset is classified in this category if it includes an embedded derivative which differentiates the cash flows of the primary contract and the Group decides to classify the synthetic financial instrument in this category.

Derivative financial instruments are also categorised as "held for trading" unless they are designated as accounting hedges in which case hedge accounting is applied. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about these financial assets is provided internally on a fair value basis to key management personnel. Financial assets and liabilities designated as at fair value through profit or loss, are subsequently measured at fair value and any change in the fair value is recorded in profit or loss.

(b) Loans and Receivables

These include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Group does not intend to sell in the short-term. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are measured at amortized cost using the effective interest method.

(c) Held to maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. When the Group sells other than an insignificant amount of held-to-maturity assets, then the entire category is tainted and reclassified as available-for-sale. Held-to-maturity financial assets are measured at amortised cost, using the effective interest method *(d) Available for sale investment – (AFS)*

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity, and available-for-sale are recognized at trade date – the date on which the Group commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value and any change in fair value is recognized directly in other comprehensive income.

3.7.3 Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expenses are offset only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3.7.4 Fair value measurement

For the measurement of assets and liabilities at fair value, the Group uses current market prices for every financial instrument. For those assets and liabilities whose current market price was not available, the values were derived by applying appropriate valuation methods.

3.7.5 Impairment of financial assets

Assets carried at fair value

The Group assesses at each financial statement date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

3.7.6 Derivative financial instruments and hedge accounting

Derivative financial instruments include forward exchange contracts, currency and interest rate swaps, stock, currency and index futures, equity and currency options and other derivative financial instruments. These are initially recognised in the statement of financial position at fair value, and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and other appropriate pricing models. All derivatives are shown as financial assets at fair value through profit or loss when fair value is positive and as financial liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

The Group has designated all derivatives as trading and has not applied hedging accounting.

3.8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity and include cash and non restricted balances with Central Bank, government bonds and treasury bills and amounts due from other banks and short-term government securities.

3.9 Financial liabilities

The Group classifies its financial liabilities into the following categories:

1) Financial liabilities are treated as held for trading if:

(a) Acquired principally for the purpose of selling or repurchasing them in the near term;

(b) A derivative financial instrument.

Financial liabilities are initially recognised at fair value. Subsequently any changes in their fair value are recognised in the income statement.

2) Financial liabilities at amortised cost:

Borrowings are initially measured at fair value, i.e. at the amount of the cash received (net of transaction fees) or other financial assets. They are then measured at amortised cost under the effective interest rate method and are recognised in statement of financial position under "Long term loans".

3.10 Share capital

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares are deducted from equity.

(b) Dividends on ordinary shares

The dividend distribution to ordinary shareholders is recognized in the period in which the dividend is approved by the Company's shareholders.

(c) Treasury Shares

Where the Company or other members of the Group purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

3.12 Income Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the financial statement date.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax liabilities are recognised for all taxable temporary differences.

However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised in conjunction with the initial recognition of goodwill.

No deferred taxes are recognised on temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

No deferred taxes are recognised on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the financial statement date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly in other comprehensive income, are charged or credited directly in other comprehensive income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Impairment of available for sale financial assets

The Group follows the guidance in IAS 39 to determine if an investment has been impaired. This decision requires critical judgement. Available for sale equity investments are impaired when there has been a significant or prolonged decline in fair value below its cost.

When the declines in fair value are considered significant or prolonged, the fair value reserve is transferred to profit or loss. Additional information for the current year losses is presented in note 15.

b) Financial Instruments Classification

The Group's accounting policies require financial assets and liabilities to be classified into different categories at their inception:

- Financial instruments for trading purposes include Investments and derivatives held to achieve short-term profit.

c) Financial assets not quoted in active markets

By nature, valuations based on estimates include risk and uncertainties relating to their occurrence in the future. Consequently actual future results may differ from these estimates and have a significant impact on the financial statements. The use of estimates primary concerns the valuation of financial assets that currently do not trade in active market .The valuation estimates currently apply to the financial asset presented in note 6.6 and specifically the asset classified in level 3 of hierarchy. The sensitivity analysis for those estimates is presented in the aforementioned note.

d) Liquidity

The European sovereign debt crisis has resulted in significant volatility in the equity and debt markets as well as most other asset classes. The decline in the Greek stock market has been more pronounced given the lengthy period required to resolve the Greek sovereign debt crises. This created substantial deterioration in the value of the Company's investments.

The Company has a strategic investment in Marfin Investment Group ("MIG"), which constitutes 73% of total assets. MIG has accumulated a significant group of assets in Greece, many of which are defensive in nature. However, MIG is listed on the Athens Stock Exchange, and its stock price has declined by 87% since 2009. The depressed value of our investment in MIG has resulted in negative book value of equity for the Company as at December 31, 2011.

Two factors have adversely effected the MIG investment.

First, there is great uncertainty relating to the on-going effects on business within Greece from the austerity measures adopted by the Greek government in combating the sovereign crises.

Second, the auditor's opinion to the MIG annual report contained the following matter of emphasis:

"We would like draw your attention …. to the fact that due to non-compliance with established debt covenants for existing long term borrowing liabilities amounting to approximately € 706 mil. and due to contractual expiration of short term borrowing liabilities amounting to approximately € 234 mil., which become mature within the next 12 months, the Group is in the process of negotiating with financial institutions the restructuring of their terms. In the context of the aforementioned, it is noted that contingent liabilities which may arise for the Group from the restructuring of credit terms are uncertain.

Moreover, …… the….Group's current liabilities exceeded its current assets by approximately € 720 mil., a fact that may indicate the existence of uncertainty regarding Group's ability to continue as a going concern, which is dependent on existing borrowings restructuring…..Management has planned appropriate actions in order to enhance Group's financial position and going concern assumption. Our Opinion paragraph does not express any qualification regarding this issue."

As a result of the substantial deterioration in value of the Company's investments in MIG and certain other investments, the Company did not satisfy the Total Assets to Total Liabilities loan covenant on December 31, 2011. In addition, the Company did not make two interest payments due in 2011 on a timely basis.

The Company borrowed $ 3.8 million from certain shareholders under loans agreements dated December 2011 and used the loan proceeds to pay the two 2011 interest instalments. In addition, the Company obtained waivers from its lender for compliance with Total Assets to Total Liabilities ratio through March 31, 2013. All interest payments due through that date will be capitalized and added to the loan balance as well.

As a result of this restructuring, the Company will be in compliance with all its obligations for the twelve-month period from the date of these financial statements.

The Company is considering all necessary initiatives to shore up its liquidity.

5. STRUCTURE OF THE GROUP

The structure of the IRF group (the "Group") as at 31 December 2011 and 31 December 2010:

Name	Country	Direct and indirect holding	Relation that dictated the consolidation	Note
IRF EUROPEAN FINANCE INVESTMENTS LIMITED	**BERMUDA**	**Parent**		
MIMOSA TRADING SA	MARSHALL ISLANDS	100%	Percentage Ownership	Direct Stake
MYRTLE TRADING COMPANY	MARSHALL ISLANDS	100%	Percentage Ownership	Direct Stake
IRF US	USA	100%	Percentage Ownership	Direct Stake
ASSOCIATES				
S.GOLDMAN ASSET MANAGEMENT LLC	USA	49%		Indirect stake through "IRF US"

Information on consolidation

MIMOSA TRADING SA: This company is duly incorporated and filed articles of incorporation under the provisions of the Marshall Islands Business Corporation Act on 6 July 2007. IRF is the owner of five hundred (500) fully paid and non-assessable shares of the capital stock of the corporation. The aggregate number of shares of stock that this company is authorized to issue is five hundred (500) registered and/or bearer shares without par value.

MYRTLE TRADING COMPANY: This company is duly incorporated and filed articles of incorporation under the provisions of the Marshall Islands Business Corporation Act on 6 July 2007. IRF is the owner of five hundred (500) fully paid and non-assessable shares of the capital stock of the corporation. The aggregate number of shares of stock that this company is authorized to issue is five hundred (500) registered and/or bearer shares without par value.

IRF US INVESTMENTS INC: IRF US Investments Inc. **(IRF US)** was organized as a wholly owned subsidiary under the laws of the State of Delaware. IRF US's only activity is to hold the 49% interest in S. Goldman Asset Management LLC **(SGAM)**. IRF US is fully consolidated in IRF's Group financial statements.

S. Goldman Asset Management LLC (SGAM) is a limited liability company formed under the law of the State of Delaware. IRF US holds a 49% interest in SGAM. SGAM is an investment manager on a "managed account" and fund basis. SGAM is classified as an associate company and it is consolidated under the equity method.

One of IRF's non – executive directors controls the aforementioned company, which provides investment advisory services to the Aurora Fund and receives a management fee under an investment advisory agreement.

6. RISK MANAGEMENT

The Group is exposed to various risks in relation to financial instruments. IRF intends to minimise its exposure to credit, liquidity and interest rate risk, while it is exposed to market risks due to its investments in listed equity shares.

6.1 Credit Risk

The Group is exposed to credit risk, which is the risk that the counterparty of a financial instrument will cause losses to the Group by failing to discharge its obligations.

6.1.1 Maximum credit risk exposure

The below table presents the maximum credit risk exposure as at 31 December 2011 and 31 December 2010 respectively, without taking into account any collaterals or other credit enhancements pledged.

For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in Statement of Financial Position.

Amounts presented in € '000

Total exposure to credit risk

Exposure to credit risk of the Statement of Financial Position items:	**31.12.2011**	**31.12.2010**
Derivative financial instrument	2,411	-
Debt securities	49,312	-
Loans and receivables	8,585	8,010
Trading portfolio and other financial assets at fair value through Profit & Loss	-	50,000
Other assets	138	138
Cash and other equivalents	4,600	653
Total	**65,047**	**58,804**

6.1.2 Concentration of risks of financial assets with credit risk exposure: analysis per industry

The table below breaks down the Group's main credit exposure at their carrying amounts, as categorized by the industry sectors of our counterparties.

Amounts presented in € '000	**Financial institutions**	**Holdings**	**Other industries**	**Total**
Cash and other equivalents	4,600	-	-	**4,600**
Derivative financial instrument	-	2,411	-	**2,411**
Debt securities	-	49,312	-	**49,312**
Loans and receivables	-		8,585	**8,585**
Other assets	-	90	48	**138**
Total maximum credit risk as at 31 December 2011	**4,600**	**51,813**	**8,633**	**65,047**
Total maximum credit risk as at 31 December 2010	**653**	**50,090**	**8,058**	**58,804**

6.2 Market Risk

The Group takes on exposure to market risks. Market risk is the risk of occurring possible losses caused by the fluctuation and volatility of market prices, such as share prices, interest rate and foreign exchange rate fluctuations.

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes.

The table below presents the results in the carrying value of the assets of the Group by implementing a stress test scenario on the factors concerning the aforementioned market risks.

As of 31 December 2011

Amounts presented in € '000

Market Prices	Price Volatility	Impact on Equity and Profit and Loss
Foreign-exchange rate	-3% / +3%	(874) / 874
Prices of securities	-40% /+40%	(31,508) / 31,508
Interest Rates	+1,00% / -1%	(1,645) / 1,645

As of 31 December 2010

Amounts presented in € '000

Market Prices	Price Volatility	Impact on Equity and Profit and Loss
Foreign-exchange rate	-10% / +10%	(3,205) / 3,205
Prices of securities	-40% /+40%	(63,631) / 63,631
Interest Rates	+1,00% / -1%	(1,576) / 1,576

Foreign-exchange rate

The tables above illustrate the sensitivity of profit and equity in relation to the Group's financial assets and financial liabilities and mainly the USD/EURO exchange rates "all other things being equal".

Prices of listed securities

For listed securities a price volatile of +/-40% (actual volatility 2011:-36%) has been considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in the market risk that were reasonably possible at the market date. From the favourable impact of €31.5 million, €21.4 million would be recognized directly to equity as gains of AFS investments, and the rest will recognized in profit and loss accounts in the period.

Interest Rates

The changes in the tables above are considered to be reasonably possible based on observations of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

6.3 Currency Risk

The Group is exposed to currency risk arising from the exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The following tables summarize the

Group's exposure to currency risk. The Group's assets and liabilities at carrying amounts, categorized by currency are included in the table.

As of 31 December 2011

Amounts presented in € '000

ASSETS	EUR	USD	GBP	TOTAL
Investments in associates	--	152	-	152
Derivative financial instruments	2,411	-	-	2,411
Debt securities	49,312	-	-	49,312
Investment portfolio	53,665	-	-	53,665
Trading portfolio and other financial assets at fair value through Profit & Loss	349	22,346	-	22,694
Loans and receivables	-	8,585	-	8,585
Other assets	114	24	-	138
Cash and other equivalents	4,569	32	-	4,600
Total assets	**110,420**	**31,139**	**-**	**141,558**

LIABILITIES	EUR	USD	GBP	TOTAL
Deferred tax liability	-	46	-	46
Short term loans	175,737	1,932	-	177,669
Other liabilities	362	15	5	383
Total liabilities	**176,099**	**1,994**	**5**	**178,098**
Total exposure	**(65,680)**	**29,145**	**(5)**	**(36,540)**

As of 31 December 2010

Amounts presented in € '000

ASSETS	EUR	USD	GBP	TOTAL
Total assets	136,014	32,296	-	168,310
Total liabilities	160,366	242	15	160,623
Total exposure	**(24,351)**	**32,054**	**(15)**	**7,687**

6.4 Interest Rate Risk

Interest rate risk is the risk of a negative impact on the Group's financial condition due to its exposure to interest rates.

The following tables summarise the Group's exposure to interest rate risks. Included in the tables are the Group's assets and liabilities at carrying amounts categorized by contractual repricing date for floating rate items and maturity day for fixed rate items.

Amounts presented in € '000

As at 31 December 2011 **ASSETS**	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Uncategorized**	**Total**
Investments in associates		-	-	-	-	152	152
Derivative financial instruments						2,411	2,411
Debt securities				49,312			49,312
Investment portfolio						53,665	53,665
Trading portfolio and other financial assets at fair value through Profit & Loss						22,694	22,694
Loans and receivables	-	8,585					8,585
Other assets	-	-				138	138
Cash and other equivalents	4,600	-					4,600
Total assets	**4,600**	**8,585**	**-**	**49,312**	**-**	**79,060**	**141,558**
As at 31 December 2011							
LIABILITIES							
Deferred tax liability	-	-	-	-	-	46	46
Short term loans	177,669	-	-	-	-		177,669
Other Liabilities	-	-	-	-	-	383	383
Total Liabilities	**177,669**	**-**	**-**	**-**	**-**	**429**	**178,098**
Net interest gap	**(173,069)**	**8,585**	**-**	**49,312**	**-**	**78,631**	**(36,540)**

Amounts presented in € '000

As at 31 December 2010	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Uncategorized**	**Total**
Total assets	**653**	**-**	**8,010**	**50,000**	**-**	**109,218**	**167,881**
Total Liabilities	**-**	**160,154**	**-**	**-**	**-**	**469**	**160,623**
Net interest gap	**653**	**(160,154)**	**8,010**	**50,000**	**-**	**108,749**	**7,258**

6.5 Liquidity Risk

Liquidity risk arises from the Group's financing process and management of the open positions in the market. Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with financing liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors, to fulfil commitments to lend, and to liquidate its financial assets at fair value.

6.5.1 Non derivative contractual cash flows

The table below presents the cash flows payable by the Group under non-derivative financial liabilities showing the remaining contractual maturities at the financial statement date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Amounts presented in € '000

As at 31 December 2011

LIABILITIES	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Short term loans	177,669	-	-	-	-	177,669
Other liabilities	-	383	-	-	-	383
Total liabilities	**177,669**	**383**	**-**	**-**	**-**	**178,052**

As at 31 December 2010

LIABILITIES	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**over 5 years**	**Total**
Long term loans	-	2,245	6,860	186,321	-	195,427
Other liabilities	-	293	-	-	-	293
Total liabilities	**-**	**2,538**	**6,860**	**186,321**	**-**	**195,720**

6.6 Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

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

As at 31 December 2011

Amounts presented in € '000	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
Assets			
Listed securities and debentures	54,014	22,346	
Unlisted derivatives			2,411
Total	**54,014**	**22,346**	**2,411**
Liabilities			
Listed debentures	-	-	-
Listed derivatives	-	-	-
Total	**-**	**-**	**-**
Net fair value	**54,014**	**22,346**	**2,411**

As at 31 December 2010

Amounts presented in € '000	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
Assets			
Listed securities and debentures	85,399	23,680	50,000
Listed derivatives	-	-	-
Total	**85,399**	**23,680**	**50,000**
Liabilities			
Listed debentures	-	-	-
Listed derivatives	-	-	-
Total	**-**	**-**	**-**
Net fair value	**85,399**	**23,680**	**50,000**

There have been no transfers between levels 1, 2 and 3 in the reporting period.

Level 3 instrument refers to MIG's embedded derivative (note 20). As observable prices are not available on 31 December 2011 the Company used a valuation technique to derive the fair value. The Company used the following model in order to evaluate the derivative:

Black – Scholes option valuation model: The key parameters employed were a) the share price volatility of MIG's shares and b) the discount rate (the Euro Swap Rate as well as a risk premium whose computation took into account the spreads of bonds of the Hellenic Republic).

The following table presents the movement in level 3 instruments for the year ended 31 December 2011.

Amounts presented in € '000	**Bonds**
Opening balance	50,000
Purchases	-
Sales	-
Transfers into level 3	-
Reclassification (note 20)	(47,845)
Gains and losses recognized in profit and loss	256
Closing balance	2,411
Total gains or losses for the year included in the statement of comprehensive income for assets held at the end of the year.	256

Sensitivity analysis test were performed in order to be testing the sensitivity of the base model results to volatility changes. If the Volatility of MIG's share used in the valuation model was decreased by approximately 10%, this would have resulted in a decrease in value of €0.52 million.

6.7 CAPITAL MANAGEMENT

The main objective of capital management is to ensure that the Group has the necessary liquidity in order to be able to continue as going concern. All efforts of the Company's management are aimed at this direction.

Detailed description of management's action and measures taken in order to ensure that the Group has the ability to repay all the operating expenses and continue as a going concern is presented in note 4d.

7. INTEREST INCOME & INTEREST EXPENSE

Amounts presented in € '000	31/12/2011	31/12/2010
Interest and similar income		
From deposits in financial institutions	18	295
From securities	4,002	2,164
From loans and receivables	295	151
Total	**4,315**	**2,609**
Interest and similar expenses		
Due to financial institutions	(10,527)	(9,478)
Other interest related expenses	(2)	(33)
Total	**(10,529)**	**(9,511)**

8. DIVIDEND INCOME

Amounts presented in € '000	31/12/2011	31/12/2010
Dividends from available-for-sale securities	1,453	11,025
Dividends from trading securities	-	180
Total	**1,453**	**11,205**

9. GAINS FROM DERIVATIVE FINANCIAL INSTRUMENTS

Valuation Gains

Amounts presented in € '000	31/12/2011	31/12/2010
Unlisted derivatives	256	-
Total	**256**	**-**

10. REALISED LOSSES FROM DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

Amounts presented in € '000	31/12/2011	31/12/2010
Listed shares	6,113	-
Total	**6,113**	**-**

11. REALISED GAIN FROM DISPOSAL OF FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING

Amounts presented in € '000	31/12/2011	31/12/2010
Listed shares	-	8
Listed bonds	-	198
Total	**-**	**206**

12. UNREALISED GAIN /LOSSES FROM VALUATION OF FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING

Amounts presented in € '000	**31/12/2011**	**31/12/2010**
Listed shares	(488)	(1,275)
Listed bonds	-	-
Investment fund units	(2,095)	1,724
Total	**(2,583)**	**449**

13. FEE AND COMMISSION INCOME & EXPENSE

Amounts presented in € '000	**31/12/2011**	**31/12/2010**
Fee and commission expense from:		
Securities brokerage & safekeeping	(7)	-
Loans fees and commissions	-	(127)
Total	**(7)**	**(127)**

14. REALIZED LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS

Realised / settlement gains

Amounts presented in € '000	**31/12/2011**	**31/12/2010**
Listed derivatives	-	(4)
Total	**-**	**(4)**

15. IMPAIRMENT LOSSES

Amounts presented in € '000	**31/12/2011**	**31/12/2010**
Listed stocks	(64,874)	(119,371)
Total	**(64,874)**	**(119,371)**

As of 31 December 2011 and 31 December 2010, the total of €64,874,442 and €119,371,034, respectively, was generated from the difference between the acquisition cost and fair value of the investments classified as available-for-sale. The management of IRF, taking into consideration the following factors:

a) the large decline in the fair value of the investments;

b) the budget crises in the Hellenic Republic;

c) the prolonged negative trend on the Athens Stock Exchange; and

d) the combined effect of the above on international economic and market conditions,

concluded that there is an objective evidence of impairment of the available-for-sale investments.
Following the stipulations of IAS 39 paragraphs 59 and 67, when a decline in the fair value of an available-for-sale financial asset was recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that was recognised directly in other comprehensive income must be removed from other comprehensive income and recognised in profit or loss, even though the financial asset has not been derecognised.

16. STAFF COSTS

Amounts presented in € '000	31/12/2011	31/12/2010
Wages and salaries	(100)	(100)
Total	**(100)**	**(100)**

	31/12/2011	31/12/2010
Number of employees	1	1

The CEO is the sole employee of the Company.

17. OTHER OPERATING EXPENSES

Amounts presented in € '000	31/12/2011	31/12/2010
Consulting and other third party fees	(222)	(172)
Legal fees	(97)	(149)
Other operating expenses	(257)	(280)
Total	**(575)**	**(601)**

18. DEFERRED TAX – INCOME TAX EXPENSE

Deferred tax has been calculated based on the nominal tax rate applicable for the financial years in which a temporary taxable and deductible difference reversal is expected. Deferred income tax assets and liabilities are attributable to the investment in associate company:

Amounts presented in € '000	31/12/2011		31/12/2010	
	Deferred Tax		Deferred Tax	
	Asset	Liability	Asset	Liability
Investment in associates		46	-	175
Total		*46*	*-*	*175*
Amount set-off		-	-	-
Balance at 31 December		**46**	**-**	**175**

The Group operates in a number of different jurisdictions. Profits recorded in the jurisdictions of Bermuda and Marshall Islands are tax free. Income generated by entities established under United States Law is subject to income tax according to United States Tax Law. The companies operating in the United States remain subject to examination for three previous periods by local tax authorities.

The tax income for the year is analyzed below:

	31/12/2011	
	Amount	**Rate**
Federal	80	33.9%
State	21	8.0%
Local	25	8.9%
Total	**125**	

	31/12/2011
	Amount
Loss before tax	**(77,995)**
Less: loss generated in other jurisdictions (tax free)	(77,714)
Taxable in US	***(271)***
Federal Tax	**80**
State Tax	**21**
Local Tax	**25**
Total tax income	**125**

The tax charge for the year 2010 is analyzed below:

	31/12/2010	
	Amount	**Rate**
Federal	45	30.5%
State	13	8.0%
Local	26	8.9%
Total	**74**	

	31/12/2010
	Amount
Loss before tax	**(107,353)**
Less: loss generated in other jurisdictions (tax free)	(107,529)
Taxable in US	***176***
Federal Tax	**(45)**
State Tax	**(13)**
Local Tax	**(16)**
Total tax expense	**(74)**

19. INVESTMENTS IN ASSOCIATES

Amounts presented in € '000	**31/12/2011**	**31/12/2010**
Investments in associates	152	429
Total	**152**	**429**

In 2009, IRF invested a nominal sum in exchange for a 49% interest in "S. Goldman Asset Management LLC". Shares of "S. Goldman Asset Management LLC" are not publicly listed on a stock exchange and price quotes are thus unavailable.

Some brief financial information as at 31 December 2011 on the associate is given below:

Amounts presented in € '000	**Domicile**	**Assets**	**Liabilities**	**Profits /(losses)**	**Participation %**
S.GOLDMAN ASSET MANAGEMENT LLC	USA	301	12	(553)	49%

Investments in associates are accounted under the equity method.

20. DEBT SECURITIES

Amounts presented in € '000

Debt securities	**31/12/2011**	**31/12/2010**
Corporate entities bonds	49,312	-
Total	**49,312**	**-**

As of 1 January 2011 the company reclassified the convertible bond from "Held for trading" category to "Debt securities". The Company has no intention to trade or sell it in the foreseeable future.

The reclassification was carried out at 1st January 2011, in compliance with the requirements of IAS 39, at the fair value of the investments at that date. The bond contained an embedded derivative, which was separated from the host contract. The embedded derivative was classified in Non-Current Assets as "Derivative financial instrument". Any change in its fair value will be recognized in profit and loss accounts.

As at the reclassification date, the effective interest rates of the convertible bond was 8.16% and their recoverable amount came to € 65,770 thousand.

As at 31 December 2011 and 31 December 2010 the bond was unrated based on Moody's (or other equivalent) rating system.

21. INVESTMENT PORTFOLIO

The Group's investment portfolio comprises financial instruments available for sale.

Amounts presented in € '000	31/12/2011	31/12/2010
Available for sale portfolio (at fair value)		
Equity securities	53,665	84,563
Total Investment portfolio	**53,665**	**84,563**

The movement in the investment portfolio for the year ended 31 December 2011 is summarized as follows:

Amounts presented in € '000	Financial assets available for sale 2011
Balance as at 1 January 2011	84,563
Additions	23,852
Disposals	(7,673)
Gains / (losses) from changes in fair value through equity	17,798
Impairment losses	(64,874)
Balance as at 31 December 2011	**53,665**

Investment in Marfin Investment Group (MIG) constitutes the major investment in IRF's portfolio as at 31 December 2011.

22. TRADING PORTFOLIO AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS

Amounts presented in € '000		
Trading Portfolio	**31/12/2011**	**31/12/2010**
Corporate entities bonds	-	50,000
Investment fund units	22,346	23,680
Equity securities	349	837
	22,694	**74,517**

As of 1st January 2011 the company reclassified the convertible bond from "Held for trading" category to "Debt securities". Further details are provided in note 20.

23. OTHER ASSETS

The Group's other assets accounts are analysed as follows:

Amounts presented in € '000	31/12/2011	31/12/2010
Other Assets		
Prepayments to third parties	48	48
Sundry debtors and other receivables	90	90
Total	**138**	**138**

24. CASH AND OTHER EQUIVALENTS

Amounts presented in € '000	31/12/2011	31/12/2010
Petty cash	1	1
Deposits placed in other financial institutions	4,599	652
Total	**4,600**	**653**

25. SHORT TERM LOANS

Amounts presented in € '000

	31/12/2011	31/12/2010
Due to financial institutions	170,171	-
Due to shareholders	1,932	-
Accrued interest	5,566	-
Total	**177,669**	**-**

The balance "Due to financial institutions" relates to the long term loan facility of IRF. On 20 July 2010 the Company signed an agreement to refinance the loan for a 5-year period. The first reduction instalment will have to be paid in March 2013. The loan bears a total interest of 5.99% as at 31 December 2011.

As at December 31, 2011, the Company was not in compliance with the financial covenants relating to Total Assets to Total Liabilities ratio for the existing loan, and the last two instalments of accrued interest were past due. During 2012 the Company repaid the accrued interests that were past due.

Based on IAS 1 "Presentation of Financial Statements" requirements, the Company proceeded with a loan reclassification regarding the aforementioned amount, from the line item "Long-term Loans" of the Statement of Financial Position to the line item "Short-term Loans".

In April, 2012, the Company agreed with the lending banks to restructure its existing loan agreement and obtained an appropriate waiver regarding the non-compliance with the financial covenant. Under this agreement, the Company will not pay any interest amount through March 31, 2013, and such accrued, but unpaid interest will be capitalized. The interest margin will be increased by 3% per annum, throughout the capitalization period, and the maturity date remains unchanged.

The shareholders who had provided the short term loans to the Company in December 2011 agreed to extend repayment of such loans until March, 2015.

26. OTHER LIABILITIES

Amounts presented in € '000	31/12/2011	31/12/2010
Contribution to subsidiaries	8	7
Salaries payable	50	58
Brokerage services securities and derivatives	123	-
Suppliers and other third party liabilities	202	227
Total	**383**	**293**

27. SHARE CAPITAL & SHARE PREMIUM

Amounts in €' 000	Number of shares	Nominal value $	Share capital in $	Share capital	Share premium	Total
Opening balance at 1 January 2011	**137,315,633**	**0.0015**	**206**	**162**	**363,079**	**363,240**
Preference shares issue	49,834	0.0001	-	-	15,847	15,847
Closing balance at 31 December 2011			**206**	**162**	**378,926**	**379,087**

On 14th of July 2011 the Board resolved to issue 49,833.858 preference shares of the Company in exchange for 31,074,302 shares in Marfin Investment Group owned by shareholders of the Company. The MIG shares transferred were valued based on the closing price of such shares on the Athens Stock Exchange as of 14 July 2011.This transaction increased the Company's equity by €15,847,894.The deemed issue price of the IRF Shares was US$0.45 per share, representing a discount of approximately 10% to IRF's bid price. Each preference share could be convertible to 1,000 common shares and rank pari passu.

Authorized share capital

	Preference Shares of $0.0001 each		Common Shares of $0.0015 each	
	Number	Amount in $	Number	Amount in $
Authorized at 31 December 2010	**2,500,000**	**250**	**300,000,000**	**450,000**

28. OTHER RESERVES

Amounts presented in € '000	31/12/2011	31/12/2010
Translation of exchange differences	8	12
Total	**8**	**12**

29. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the year.

Basic earnings per share are analysed below:

Amounts presented in €		
Basic Earnings per share	**1/1 - 31/12/11**	**1/1 - 31/12/10**
Net profit from continuing operations attributable to the Parent Company's Shareholders	(77,869,810.10)	(107,426,244.12)
Weighted average number of shares in issue	137,315,634	125,242,803
Basic earnings per Share (€/Share)	**(0.57)**	**(0.86)**

30. RELATED PARTIES TRANSACTIONS

30.1 Transactions between companies included in Consolidation

Transactions of the parent company with Subsidiaries		
Amounts presented in € '000	**31/12/2011**	**31/12/2010**
Asset accounts		
Other assets	21	8
Total	**21**	**8**
Liability accounts		
Other liabilities	2,187	2,187
Total	**2,187**	**2,187**

The aforementioned balances of the Company have been eliminated from the consolidated financial statements.

30.2 Transactions with Associates

Amounts presented in € '000	**31/12/2011**	**31/12/2010**
Liability accounts		
Capital contribution	7	7
Total	**7**	**7**
Income /Expenses		
Other expenses (fees)	-	49
Total	**-**	**49**

30.3 Transactions with Management and Members of the Board of Directors

No salaries or loans were paid to the Directors of the Company for the period, apart from salaries paid to the CEO of the Company.

Transactions with Management and Members of the Board of Directors		
Amounts presented in € '000	**31/12/2011**	**31/12/2010**
Liability accounts		
Other Liabilities	50	58
Total	**50**	**58**
Expenses		
Remuneration	100	100
Interest and similar expenses		-
Other fees & expenses	59	-
Total	**159**	**100**

Information concerning shareholder loans provided to the Company is included in note 25 of the financial statements

31. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

31.1 Contingent legal liabilities

As at 31 December 2011 there was no litigation pending against the Group in connection with its activities.

31.2 Assets given as collateral

All investment portfolio and cash accounts of IRF, is assigned as collateral to IRF's short term loan.

32. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

For the periods ending 31 December 2011 and 31 December 2010, all financial assets and liabilities are carried at their fair value, except from loans and receivables, debt securities and short term loans which are carried at amortized cost.

Assets

Balance at 31 December 2011
Amounts presented in € '000

Assets	Fair value through profit or loss	Available for sale	Loans & receivables	Total
Trading portfolio and other financial assets at fair value through Profit & Loss	22,694	-	-	**22,694**
Loans and receivables	-	-	8,585	**8,585**
Debt securities	-	-	49,312	**49,312**
Investment portfolio	-	53,665	-	**53,665**
Derivative financial instruments	2,411	-	-	**2,411**
Total	**25,105**	**53,665**	**57,898**	**136,668**

Balance at 31 December 2010
Amounts presented in € '000

Assets	Fair value through profit or loss	Available for sale	Loans & receivables	Total
Trading portfolio and other financial assets at fair value through Profit & Loss	74,517	-	-	**74,517**
Loans and receivables	-	-	8,010	**8,010**
Investment portfolio	-	84,563	-	**84,563**
Derivative financial instruments	-	-	-	**-**
Total	**74,517**	**84,563**	**8,010**	**167,090**

Liabilities

Balance at 31 December 2011
Amounts presented in € '000

LIABILITIES	At amortized cost	At fair value through profit or loss	Total
Short term loans	177,669	**-**	**177,669**
Total liabilities	**177,669**	**-**	**177,669**

Balance at 31 December 2010
Amounts presented in € '000

LIABILITIES	At amortized cost	At fair value through profit or loss	Total
Long term loans	160,154	-	**160,154**
Total liabilities	**160,154**	-	**160,154**

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences might arise between the carrying amount and the fair value of financial assets and liabilities.
The following table presents the book and fair values for the financial instruments (assets and liabilities) that are not measured in fair value:

Amounts presented in € '000	Book value		Fair value	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**
Financial assets				
Debt securities	49,312	50,000	38,334	50,000
Loans and receivables	8,585	8,010	8,585	8,010
Financial liabilities				
Short term loans	177,669	160,154	177,669	160,154

34. POST REPORTING DATE EVENTS

The Company during April, 2012, agreed with the lending banks to restructure its existing loan agreement and obtained an appropriate waiver regarding the non-compliance with the financial covenant. More details are provided in note 25 above.

In January 2012, a shareholder funded the short-term loan of $1.3 million committed to in December of 2011. The loan's maturity date was subsequently extended to March, 2015.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of IRF European Finance Investments Limited ("the Company") as well as the consolidated financial statements of the Company and its subsidiaries ("the Group"), for the year ended 31 December 2011 were approved by the Company's Board of Directors on 27 April 2012 and are subject to the final approval of the General Meeting of the Shareholders according to the Company's Bye-laws,

Independent Auditors Report on pages 8 to 9.

Athens, 27 April 2012

Angeliki Frangou	Loukas Valetopoulos
Chairman, Non – Executive Director	Chief Executive Officer, Director