

Corinthia Palace Hotel Company  
Limited

Report and Financial Statements

31 December 2015

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## **Directors' report**

The directors present their report together with the audited financial statements of Corinthia Palace Hotel Company Limited (the 'Company' or 'CPHCL') and the consolidated financial statements of the Group of which it is the parent, for the year ended 31 December 2015.

### **Principal activities**

The Group's main business is connected with the ownership, development and operation of hotels, leisure facilities, and other activities related to the tourism industry and commercial centres. The Group is also actively engaged in the provision of residential accommodation, project management services and industrial catering.

### **Results**

During the year under review the Group registered a loss after tax of €31.1 million (2014: loss of €48.9 million). After adding other comprehensive income of €35.6 million (2014: €13.4 million), the total comprehensive income for the year amounted to €4.5 million against an expense of €35.4 million registered in 2014.

Details of the results for the year are set out in the consolidated income statement and the statement of comprehensive income on pages 9 and 10 and in the related notes to the audited financial statements.

The Directors recommend the declaration of a final net dividend of €1.0 million.

### **Review of performance**

2015 was generally a good year for the Group despite the setbacks brought about by the difficult economic and political situations in Libya, Russia, and Tunisia. Revenues continued to increase and profitability improved in most of the Group's operations.

On 10 August 2015 IHI acquired the Malta based Island Hotels Group (IHGH). Through this acquisition, IHI intends to enhance development opportunities on the adjoining sites in St Julian's Malta once the necessary planning approvals and funding are in place, while it started maximising synergies of its operations in Malta through the merging of the acquired operations into its own structures. The consolidated results of IHGH are included in the consolidated financial statements of the Corinthia Group as from 1st July 2015 resulting in an additional profit after tax of €2.5 million, excluding the results from associated companies.

During 2015 the Group's revenue amounted to €178.4 million reflecting an increase of €19.2 million on the turnover registered in 2014 (€159.2 million). These consolidated figures do not include the turnover of the Corinthia Hotel in London, the Palm City Residences in Libya, and the Golden Sands Resorts (acquired through IHGH). In each of these operations, the Group holds a 50% shareholding. The Group's 50% share of the net profit or loss of these three important investments are reflected in the line item 'Share of results of associate companies' and will be explained further on in this review.

At the operating level (EBITDA), the Group improved its performance from €28.6 million in 2014 to €33.0 million in 2015, in line with the improvement in revenues and the synergies brought about by the rationalisation of its operations especially in Malta.

## **Directors' report - continued**

The current year's results were again characterised by significant fluctuations, both positive and negative, in the fair value of the Group's properties. These are reflected in the Income and the Comprehensive Income Statements. In the Income Statement, the Group recognised a net impairment on properties of €4.3 million (2014: impairment of €21.6 million) mainly due to the Corinthia Hotel St Petersburg.

The depreciation charge for 2015 increased from €24.1 million in 2014 to €27.0 million in 2015 mainly in consequence of the inclusion of the IHGH's results in the Group's consolidated results.

In 2015 Finance Costs increased by €7.5 million (from €21.4 million in 2014 to €28.9 million in 2015) mainly in consequence of an exchange loss of €8.5 million suffered on the devaluation of the Rouble. This negative effect was partly mitigated by reduced EURIBOR rates, a further reduction of the Group's indebtedness due to continued repayments of bank loans, and lower bond interest costs on the refinancing of such bonds. This reduction has to be also seen in the light of the incorporation of the IHGH borrowing costs for the second semester of the year under review, which amounted to €1.9 million.

In 2015, the Group registered a loss of €3.9 million (2014: loss of €29.1 million) on its share of results of associate companies. The results of the Corinthia Hotel London and Residences represent an improvement in 2015 over 2014 (50% share of the 2015 loss of €8.1 million compared to a loss of €29.1 million in 2014). MIH through its principal subsidiary company Palm City Ltd also showed positive improvements in 2015 over 2014 (50% share of the loss of €0.4 million in 2015 compared to a loss of €28.1 million in 2014). For the first time, the results of the 50% share in Golden Sands Resorts during the last six months of the year are also being reported in 2015 and these represent a profit amounting to €2.0 million.

Despite posting a net loss after interest and depreciation, the performance of the Corinthia Hotel London, in which IHI holds a 50% stake, improved significantly in 2015 with record occupancies, rates and EBITDA earnings being achieved as this property moves further towards its maturity. The hotel's EBITDA, limited to IHI's 50% share, amounted to €8.2 million compared to €4.5 million in 2014. Following the sale of the 11 residential apartments adjoining the hotel in 2014, the residential penthouse at 10 Whitehall Place has been leased for a term of two years starting early in 2016.

In 2015, the continued reduction of foreign personnel in Libya had a significant impact on the occupancy levels and financial performance of Palm City Residences, ultimately owned by MIH. Notwithstanding these setbacks, management's efforts in aggressively pursuing all possible leasing opportunities supported by the strict control of operational costs, yielded enough revenue to register a profit from operations of €6.5 million and a marginal loss after tax.

MIH recognizes that in order to maintain the existing revenue streams, as well as in preparation for returning tenants in future, it is imperative that Palm City Residences continues to operate uninterrupted despite the huge challenges being faced. In order to safeguard the well-being of its personnel as well as that of its tenants, Palm City continues to implement a number of security and contingency plans which include, but are not limited to, infrastructural improvements and security breach counter-measures.

The overall situation in Libya has led to a considerable reduction in turnover and EBITDA earnings from the Group's hotel operation. On the other hand, the Commercial Centre, adjoining the hotel and leased to blue chip companies, remained operational in 2015, generating substantial rental income.

## **Directors' report - continued**

In consequence of the foregoing, in 2015 the Group registered a loss after tax of €31.1 million compared to a loss of €48.9 million in 2014.

The other comprehensive income of €35.6 million (2014: €13.4 million) mainly reflects the net effect of the Group's share of property revaluation uplifts of €42.3 million net of tax (2014: net uplifts of €0.3 million), a favourable translation adjustment of €5.9 million on the investment in the Corinthia Hotel London and Residences, and €15.3 million in adverse currency effects caused by the change of functional currency of the Russian operation. The property revaluation uplifts resulted from improved performances combined with positive outlooks registered in the Group's hotels located in Malta, Hungary, London and the Czech Republic.

As a result of the positive effects described above, the Group's total comprehensive income for the year amounted to €4.5 million, against a total comprehensive expense of €35.4 million registered in 2014.

### **State of affairs**

Following the armed attack on the Corinthia Hotel Tripoli in January 2015, the hotel's management carried out all the necessary repairs and enhancements within the pre-set budget of €1.5 million and the hotel eventually limitedly re-opened its doors for business. On the other hand the commercial centre remained in full operation generating revenues from its tenancy agreements.

In May 2015, IHI issued a €45 million 5.75% bond maturing in 2025, which was heavily oversubscribed. The proceeds of the issue were used for the early redemption of the €35 million 6.25% bond issue 2015-2019, with the balance allocated to the partial financing of the IHGH acquisition.

During the year, IHI also raised a €12 million loan through HSBC on the Corinthia Hotel St George's Bay repayable over a 10 year term which funds were also utilised to part-fund the first tranche payable on the acquisition of IHGH.

IHI announced that it intends to re-develop the site over which its three hotels – the Corinthia Hotel St George's Bay, Radisson Bay Point Hotel and the Marina Hotel – are located, in St Julian's. These development plans will be initiated once the necessary planning approvals and funding are in place.

In June 2015 MIH raised a new €20 million bond to replace a maturing bond. In view of the prevailing situation in Libya and MIH's entire exposure in that country, Corinthia provided a corporate guarantee to support this bond which enabled MIH to reduce the coupon on the new bond to 5.5% against the 7.5% interest payable on the maturing bond. MIH also issued an unlisted, unsecured bond for €11 million at 6% interest per annum. The funds raised through this bond were utilised to fully repay BAWAG's share of the bank loan with the remaining €2.6 million paid back to the remaining lenders, in consideration for increasing the term of the loan from 2.5 years to 6 years.

## **Directors' report - continued**

The Group's working capital as at the end of December 2015 shows a deficiency of €55.6 million (2014: €19.8 million). It is important to note that included with current liabilities is an amount of €22 million being the remaining consideration payable for the acquisition of the IHGH Group. Out of this amount, €17 million is payable in cash whilst the balance of €5 million is to be settled through the issue of new shares in IHI. The Group's working capital deficiency is being addressed through various financing activities that are currently being pursued, some of which are already at an advanced stage of finalisation. The total cash generation from these financing activities is expected to amount to €42 million. Additionally, these financing initiatives are also being supported and supplemented by the excess cash flow generated in 2016 from operations after deducting interest costs, capital expenditure and taxation and from the disposal of non-core assets. In the meantime, the gearing ratio remained at a prudent level of 40% (2014: 37%).

Despite the setbacks that the Group had to deal with in recent years particularly in Libya and in Russia, the Group remained resilient through its robust asset base (€1.4 billion at the end of 2015), its diversified portfolio, its prudent gearing ratio, and the unbending commitment of its two shareholding blocks, its employees and executives.

### **Outlook**

The Corinthia Group's business as a developer and operator of hotels and real estate has evolved and diversified with the result that its dependence on any single hotel or business entity is now marginal. The profit outlook for 2016 remains better than that of 2015.

The Group is currently pursuing opportunities for the development and management of new luxury Corinthia hotels in cities such as Dubai, Rome, Brussels and Abuja, where in some cases negotiations have advanced significantly and binding agreements are expected to be signed in the first half of 2016. The Group is committed to ensure that these properties are among the very best in the hotel industry, befitting the Corinthia brand.

### **Directors**

The following have served as directors of CPHCL during the year under review:

Mr Alfred Pisani – Chairman  
Mr Abuagila Almahdi – Vice Chairman  
Mr Yousef A. Abdelmaula (resigned 1 February 2015)  
Mr Mustafa T. Mohamed Khattabi  
Mr Joseph Pisani  
Mr Victor Pisani  
Mr Mofteh Ali Suliaman Abdullah (appointed 1 February 2015)

The company's Articles of Association do not require any directors to retire.

## **Directors' report - continued**

### **Statement of directors' responsibilities for the Financial Statements**

The directors are required by the Maltese Companies Act, 1995 to prepare Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

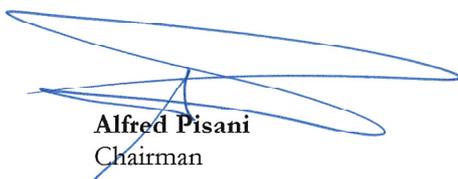
- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. 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.

### **Auditors**

PricewaterhouseCoopers have indicated their willingness to continue in the office and a resolution for their re-appointment will be proposed at the Annual General meeting.

On behalf of the board



**Alfred Pisani**  
Chairman

22, Europa Centre  
Floriana FRN 1400  
Malta

30 April 2016



**Abuagila Almahdi**  
Vice-Chairman



## Independent auditor's report

To the Shareholders of Corinthia Palace Hotel Company Limited

### Report on the Financial Statements for the year ended 31 December 2015

We have audited the consolidated and stand-alone financial statements of Corinthia Palace Hotel Company Limited (together the "financial statements") on pages 9 to 115, which comprise the consolidated and stand-alone statements of financial position as at 31 December 2015, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Directors' Responsibility for the Financial Statements*

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 6, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion the financial statements

- give a true and fair view of the financial position of the Group and the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



## Independent auditor's report - continued

To the Shareholders of Corinthia Palace Hotel Company Limited

### Report on the Financial Statements for the year ended 31 December 2015 - continued

#### *Emphasis of matter*

Without qualifying our opinion, we draw attention to Note 5 to the financial statements, which highlights the significant political and economic uncertainties prevailing in Libya and their impact on the Group's results for 2015. The note also explains the significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya that have also a bearing on the projected cash flows from the relative operations, and which are in turn influenced by the timing of a recovery in the country. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant matter. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya, which at 31 December 2015 were carried at €336.7 million.

### Report on Other Legal and Regulatory Requirements for the year ended 31 December 2015

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the Directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

### PricewaterhouseCoopers

78, Mill Street  
Qormi  
Malta

Simon Flynn  
Partner

30 April 2016

## Income statements

|  | Notes | The Group        |                               | The Company     |                               |
|--|-------|------------------|-------------------------------|-----------------|-------------------------------|
|  |       | 2015<br>€000     | 2014<br>€000<br>(as restated) | 2015<br>€000    | 2014<br>€000<br>(as restated) |
| Revenue  |       | <b>178,373</b>   | 159,238                       | <b>7,223</b>    | 6,452                         |
| Net operating expenses   |       | <b>(146,603)</b> | (131,185)                     | <b>(13,394)</b> | (13,477)                      |
| Depreciation, amortisation and impairment  |       | <b>(26,906)</b>  | (24,129)                      | <b>(1,005)</b>  | (1,029)                       |
| Other income   |       | <b>2,087</b>     | 1,295                         | <b>1,290</b>    | 1,113                         |
| Other expenses   |       | <b>(1,103)</b>   | (788)                         | <b>(874)</b>    | 220                           |
| Net changes in fair value of investment property   | 12    | <b>193</b>       | (14,629)                      | -               | -                             |
| Net impairment losses attributable to hotel properties                                   |       | <b>(4,454)</b>   | (6,953)                       | -               | -                             |
| Net changes in fair value of indemnification liabilities                                 |       | -                | -                             | <b>(551)</b>    | 879                           |
| <b>Results from operating activities</b>   |       | <b>1,587</b>     | (17,151)                      | <b>(7,311)</b>  | (5,842)                       |
| Finance income   | 8     | <b>758</b>       | 3,835                         | <b>753</b>      | 15,884                        |
| Finance costs  | 8     |                  |                               |                 |                               |
| - interest expense and similar charges   |       | <b>(20,378)</b>  | (20,953)                      | <b>(6,182)</b>  | (6,668)                       |
| - exchange differences on borrowings   |       | <b>(8,572)</b>   | (455)                         | -               | -                             |
| Share of net loss of associates and joint ventures accounted for using the equity method | 15.1  | <b>(3,893)</b>   | (29,075)                      | -               | -                             |
| Impairment loss on fixed assets other than hotel property                                |       | -                | (15)                          | -               | (15)                          |
| Gain on sale of investment in associate  |       | -                | 938                           | -               | -                             |
| Impairment loss on investments   |       | -                | -                             | <b>(148)</b>    | (624)                         |
| <b>(Loss)/Profit before tax</b>  |       | <b>(30,498)</b>  | (62,876)                      | <b>(12,888)</b> | 2,735                         |
| Income tax (expense)/income  | 9     | <b>(579)</b>     | 13,990                        | <b>165</b>      | (5,065)                       |
| <b>Loss for the year</b>   |       | <b>(31,077)</b>  | (48,886)                      | <b>(12,723)</b> | (2,330)                       |
| <b>Loss for the year attributable to:</b>  |       |                  |                               |                 |                               |
| - Owners of CPHCL  |       | <b>(24,763)</b>  | (38,223)                      | <b>(12,723)</b> | (2,330)                       |
| - Non-controlling interests  |       | <b>(6,314)</b>   | (10,663)                      | -               | -                             |
|  |       | <b>(31,077)</b>  | (48,886)                      | <b>(12,723)</b> | (2,330)                       |

## Statements of total comprehensive income

|  | Notes | The Group       |                               | The Company     |              |
|--|-------|-----------------|-------------------------------|-----------------|--------------|
|  |       | 2015<br>€000    | 2014<br>€000<br>(as restated) | 2015<br>€000    | 2014<br>€000 |
| <b>Loss for the year</b>   |       | <b>(31,077)</b> | (48,886)                      | <b>(12,723)</b> | (2,330)      |
| <b>Other comprehensive income</b>  |       |                 |                               |                 |              |
| <i>Items that will not be subsequently reclassified to profit or loss</i>                                  |       |                 |                               |                 |              |
| Surplus arising on revaluation and impairment of hotel properties  | 13    | 44,233          | (15,391)                      | -               | -            |
| Share of other comprehensive income of joint ventures and associates accounted for using the equity method |       |                 |                               |                 |              |
| - Surplus arising on revaluation of hotel and other property   |       | 9,676           | 17,933                        | -               | -            |
| - Surplus arising on revaluation of land   |       | -               | 1,264                         | -               | -            |
| Income tax relating to components of other comprehensive income  |       | (11,650)        | -                             | -               | 62           |
| <i>Items that may be subsequently reclassified to profit or loss</i>                                       |       |                 |                               |                 |              |
| Net changes in fair value of available-for-sale financial assets   |       | 544             | 780                           | -               | -            |
| Currency translation differences   |       | (6,196)         | 6,407                         | -               | 32           |
| Share of other comprehensive income of joint ventures and associates accounted for using the equity method |       |                 |                               |                 |              |
| - Cash flow hedges   |       | -               | 447                           | -               | -            |
| - Currency transaction differences   |       | 416             | -                             | -               | -            |
| Income tax relating to components of other comprehensive income  |       | (1,255)         | 2,002                         | -               | 62           |
| Other  |       | (153)           | -                             | -               | -            |
| <b>Other comprehensive income for the year, net of tax</b>   |       | <b>35,615</b>   | 13,442                        | -               | 94           |
| <b>Total comprehensive income for the year</b>   |       | <b>4,538</b>    | (35,444)                      | <b>(12,723)</b> | (2,236)      |
| <b>Total comprehensive income attributable to:</b>   |       |                 |                               |                 |              |
| - Owners of CPHCL  |       | (608)           | (29,216)                      | (12,723)        | (2,236)      |
| - Non-controlling interests  |       | 5,146           | (6,228)                       | -               | -            |
|  |       | <b>4,538</b>    | (35,444)                      | <b>(12,723)</b> | (2,236)      |

## Statements of financial position

|  | Notes | The Group         |           | The Company    |         | At            |
|--|-------|-------------------|-----------|----------------|---------|---------------|
|  |       | As at 31 December |           |                |         | 1 January     |
|  |       | 2015              | 2014      | 2015           | 2014    | 2014          |
|  |       | €000              | €000      | €000           | €000    | €000          |
|  |       | (as restated)     |           | (as restated)  |         | (as restated) |
| <b>Assets</b>                                |       |                   |           |                |         |               |
| <b>Non-current</b>                           |       |                   |           |                |         |               |
| Intangible assets                            | 11    | <b>18,343</b>     | 5,336     | -              | -       | -             |
| Investment property                          | 12    | <b>200,287</b>    | 210,799   | <b>5,932</b>   | 5,932   | 5,932         |
| Property, plant and equipment                | 13    | <b>700,981</b>    | 621,287   | <b>21,359</b>  | 21,946  | 22,782        |
| Investments in subsidiaries                  | 14    | -                 | -         | <b>384,905</b> | 384,160 | 395,519       |
| Investments in associates and joint ventures | 15    | <b>340,309</b>    | 284,277   | <b>25,856</b>  | 25,856  | 25,856        |
| Deferred tax assets                          | 26    | <b>4,836</b>      | 4,814     | <b>2,863</b>   | 2,795   | 3,883         |
| Assets placed under trust arrangement        | 23.2  | <b>6,482</b>      | 10,411    | -              | -       | -             |
|  |       | <b>1,271,238</b>  | 1,136,924 | <b>440,915</b> | 440,689 | 453,972       |
| <b>Current</b>                               |       |                   |           |                |         |               |
| Inventories                                  | 16    | <b>8,477</b>      | 7,379     | <b>294</b>     | 266     | 271           |
| Trade and other receivables                  | 17    | <b>47,068</b>     | 35,096    | <b>15,867</b>  | 15,885  | 14,380        |
| Current tax assets                           |       | <b>3,542</b>      | 2,642     | <b>632</b>     | -       | -             |
| Cash and cash equivalents                    | 18    | <b>27,544</b>     | 26,404    | <b>83</b>      | 154     | 368           |
|  |       | <b>86,631</b>     | 71,521    | <b>16,876</b>  | 16,305  | 15,019        |
| <b>Total assets</b>                          |       | <b>1,357,869</b>  | 1,208,445 | <b>457,791</b> | 456,994 | 468,991       |

## Statements of Financial Position – continued

|   | Notes | The Group              |                  |                | The Company     |                |
|---|-------|------------------------|------------------|----------------|-----------------|----------------|
|   |       | As at 31 December 2015 |                  |                | As at 1 January |                |
|   |       | 2015                   | 2014             | 2015           | 2014            | 2014           |
|   |       | €000                   | €000             | €000           | €000            | €000           |
|   |       | (as restated)          |                  | (as restated)  | (as restated)   | (as restated)  |
| <b>Equity and liabilities</b>                         |       |                        |                  |                |                 |                |
| <b>Equity</b>   |       |                        |                  |                |                 |                |
| Capital and reserves attributable to owners of CPHCL: |       |                        |                  |                |                 |                |
| Issued capital  | 19    | 20,000                 | 20,000           | 20,000         | 20,000          | 20,000         |
| Other reserves  | 23    | 241,926                | 217,449          | 19,158         | 19,158          | 20,217         |
| Retained earnings                                     |       | 125,506                | 149,296          | 214,893        | 227,616         | 231,043        |
|   |       | <u>387,432</u>         | <u>386,745</u>   | <u>254,051</u> | <u>266,774</u>  | <u>271,260</u> |
| Non-controlling interests                             |       | 253,599                | 246,961          | -              | -               | -              |
| <b>Total equity</b>                                   |       | <u>641,031</u>         | <u>633,706</u>   | <u>254,051</u> | <u>266,774</u>  | <u>271,260</u> |
| <b>Liabilities</b>                                    |       |                        |                  |                |                 |                |
| <b>Non-current</b>                                    |       |                        |                  |                |                 |                |
| Bank borrowings                                       | 22    | 227,484                | 224,768          | 3,515          | 4,841           | 3,721          |
| Bonds   | 23    | 194,209                | 136,340          | -              | -               | -              |
| Other borrowings                                      | 24    | 24,193                 | 19,954           | 128,305        | 127,161         | 127,930        |
| Deferred tax liabilities                              | 26    | 122,176                | 97,425           | 3,072          | 3,072           | 3,134          |
| Indemnification liabilities                           | 25    | -                      | -                | 22,238         | 21,687          | 22,566         |
| Trade and other payables                              | 27    | 6,350                  | 4,721            | -              | -               | -              |
| Provisions  |       | 220                    | 206              | -              | -               | -              |
|   |       | <u>574,632</u>         | <u>483,414</u>   | <u>157,130</u> | <u>156,761</u>  | <u>157,351</u> |
| <b>Current</b>  |       |                        |                  |                |                 |                |
| Bank borrowings                                       | 22    | 38,616                 | 39,179           | 10,832         | 11,745          | 22,277         |
| Other borrowings                                      | 24    | 3,582                  | 611              | 11,635         | 6,870           | 4,314          |
| Current tax liabilities                               |       | 2,654                  | 1,877            | 1,693          | 1,069           | 1,121          |
| Trade and other payables                              | 27    | 97,354                 | 49,658           | 22,450         | 13,775          | 12,668         |
|   |       | <u>142,206</u>         | <u>91,325</u>    | <u>46,610</u>  | <u>33,459</u>   | <u>40,380</u>  |
| <b>Total liabilities</b>                              |       | <u>716,838</u>         | <u>574,739</u>   | <u>203,740</u> | <u>190,220</u>  | <u>197,731</u> |
| <b>Total equity and liabilities</b>                   |       | <u>1,357,869</u>       | <u>1,208,445</u> | <u>457,791</u> | <u>456,994</u>  | <u>468,991</u> |

The financial statements on pages 9 to 115 were approved by the board of directors, authorised for issue on 30 April 2016 and signed on its behalf by:



Alfred Pisani  
Chairman



Abuagila Almahdi  
Vice-Chairman

## Statement of changes in equity – the Group

|  | Notes | Issued capital<br>€000 | Other reserves<br>€000 | Retained earnings<br>€000 | Total attributable to owner<br>€000 | Non-controlling interests<br>€000 | Total equity<br>€000 |
|--|-------|------------------------|------------------------|---------------------------|-------------------------------------|-----------------------------------|----------------------|
| Balance at 1 January 2014  |       | 20,000                 | 211,016                | 187,195                   | 418,211                             | 259,609                           | 677,820              |
| <b>Comprehensive income:</b>                                     |       |                        |                        |                           |                                     |                                   |                      |
| Loss for the year – as restated                                  |       | -                      | -                      | (38,223)                  | (38,223)                            | (10,663)                          | (48,886)             |
| Other comprehensive income                                       |       | -                      | 9,007                  | -                         | 9,007                               | 4,435                             | 13,442               |
| - as restated  |       | -                      | 9,007                  | -                         | 9,007                               | 4,435                             | 13,442               |
| Total comprehensive income                                       |       | -                      | 9,007                  | (38,223)                  | (29,216)                            | (6,228)                           | (35,444)             |
| <b>Transactions with owners:</b>                                 |       |                        |                        |                           |                                     |                                   |                      |
| Share capital contribution of non-controlling items              |       | -                      | -                      | -                         | -                                   | 661                               | 661                  |
| Transfer to retained earnings                                    | 21    | -                      | (2,574)                | 2,574                     | -                                   | -                                 | -                    |
| Dividends  | 10    | -                      | -                      | (2,250)                   | (2,250)                             | (7,081)                           | (9,331)              |
| Total transactions with owners, recognised directly in equity    |       | -                      | (2,574)                | 324                       | (2,250)                             | (6,420)                           | (8,670)              |
| Balance at 31 December 2014                                      |       | 20,000                 | 217,449                | 149,296                   | 386,745                             | 246,961                           | 633,706              |
| Balance at 1 January 2015  |       | 20,000                 | 217,449                | 149,296                   | 386,745                             | 246,961                           | 633,706              |
| <b>Comprehensive income:</b>                                     |       |                        |                        |                           |                                     |                                   |                      |
| Loss for the year  |       | -                      | -                      | (24,763)                  | (24,763)                            | (6,314)                           | (31,077)             |
| Other comprehensive income                                       | 21    | -                      | 24,353                 | (198)                     | 24,155                              | 11,460                            | 35,615               |
| Total comprehensive income                                       |       | -                      | 24,353                 | (24,961)                  | (608)                               | 5,146                             | 4,538                |
| <b>Transactions with owners:</b>                                 |       |                        |                        |                           |                                     |                                   |                      |
| Transfer to retained earnings                                    | 21    | -                      | (1,171)                | 1,171                     | -                                   | -                                 | -                    |
| Dividends  | 10    | -                      | -                      | -                         | -                                   | (228)                             | (228)                |
| Dilution of interest in IHI Group upon acquisition of IHGH Group | 32    | -                      | 605                    | -                         | 605                                 | 1,720                             | 2,325                |
| Others   |       | -                      | 690                    | -                         | 690                                 | -                                 | 690                  |
| Total transactions with owners, recognised directly in equity    |       | -                      | 124                    | 1,171                     | 1,295                               | 1,492                             | 2,787                |
| <b>At 31 December 2015</b>                                       |       | <b>20,000</b>          | <b>241,926</b>         | <b>125,506</b>            | <b>387,432</b>                      | <b>253,599</b>                    | <b>641,031</b>       |

## Statement of changes in equity – the Company

|  | Issued<br>capital<br>€000 | Other<br>reserves<br>€000 | Retained<br>earnings<br>€000 | Total<br>equity<br>€000 |
|--|---------------------------|---------------------------|------------------------------|-------------------------|
| Balance at 1 January 2014  |                           |                           |                              |                         |
| - as previously reported   | 20,000                    | 20,217                    | 240,532                      | 280,749                 |
| - effect of correction of prior period error                     | -                         | -                         | (9,489)                      | (9,489)                 |
| - as restated  | 20,000                    | 20,217                    | 231,043                      | 271,260                 |
| Loss for the year  | -                         | -                         | (2,330)                      | (2,330)                 |
| Other comprehensive income                                       | -                         | 94                        | -                            | 94                      |
| <b>Total comprehensive income</b>                                | -                         | 94                        | (2,330)                      | (2,236)                 |
| Transfers to retained earnings                                   | -                         | (1,153)                   | 1,153                        | -                       |
| <b>Transactions with owners:</b>                                 |                           |                           |                              |                         |
| Dividends  | -                         | -                         | (2,250)                      | (2,250)                 |
| Total transactions with owners, recognised<br>directly in equity | -                         | -                         | (2,250)                      | (2,250)                 |
| Balance at 31 December 2014                                      | 20,000                    | 19,158                    | 227,616                      | 266,774                 |
| Balance at 1 January 2015  | 20,000                    | 19,158                    | 227,616                      | 266,774                 |
| Loss for the year  | -                         | -                         | (12,723)                     | (12,723)                |
| <b>Balance at 31 December 2015</b>                               | <b>20,000</b>             | <b>19,158</b>             | <b>214,893</b>               | <b>254,051</b>          |

## Statements of cash flows

|   | Notes | The Group       |                               | The Company     |              |
|---|-------|-----------------|-------------------------------|-----------------|--------------|
|   |       | 2015<br>€000    | 2014<br>€000<br>(as restated) | 2015<br>€000    | 2014<br>€000 |
| <b>(Loss)/profit before tax</b>                               |       | <b>(30,498)</b> | (62,876)                      | <b>(12,888)</b> | 2,735        |
| Adjustments   | 28    | <b>63,438</b>   | 90,542                        | <b>7,196</b>    | (8,624)      |
| Working capital changes:                                      |       |                 |                               |                 |              |
| Inventories   |       | <b>544</b>      | 181                           | <b>(28)</b>     | 5            |
| Trade and other receivables                                   |       | <b>20,571</b>   | 8,124                         | <b>(45)</b>     | 1,964        |
| Trade and other payables                                      |       | <b>12,236</b>   | (3,728)                       | <b>8,675</b>    | 1,688        |
| <b>Cash generated from/(used in) operating activities</b>     |       | <b>66,291</b>   | 32,243                        | <b>2,910</b>    | (2,232)      |
| Interest paid   |       | <b>(28,950)</b> | (22,635)                      | <b>(6,182)</b>  | (7,029)      |
| Tax paid  |       | <b>(441)</b>    | (666)                         | -               | (4,891)      |
| Tax refund received   |       | -               | -                             | <b>89</b>       | -            |
| <b>Net cash generated from/(used in) operating activities</b> |       | <b>36,900</b>   | 8,942                         | <b>(3,183)</b>  | (14,152)     |
| <b>Investing activities</b>                                   |       |                 |                               |                 |              |
| Payments to acquire investment property                       |       | <b>(559)</b>    | (350)                         | -               | -            |
| Disposal of investment property                               |       | <b>53</b>       | -                             | -               | -            |
| Proceeds from sale of available-for-sale financial assets     |       | -               | 2,160                         | -               | -            |
| Payments to acquire intangible assets                         |       | <b>(692)</b>    | (139)                         | -               | -            |
| Proceeds from disposals of intangible assets                  |       | <b>463</b>      | -                             | -               | -            |
| Payments to acquire property, plant and equipment             |       | <b>(13,367)</b> | (6,588)                       | <b>(418)</b>    | (219)        |
| Proceeds from disposal of property, plant and equipment       |       | <b>758</b>      | 806                           | -               | 7            |
| Acquisition of subsidiaries, net of cash acquired             |       | <b>(16,685)</b> | -                             | -               | -            |
| Payments to acquire shares in associates                      |       | <b>(4,057)</b>  | -                             | <b>(893)</b>    | -            |
| Proceeds from trustee following repayment of bond             |       | <b>6,348</b>    | -                             | -               | -            |
| Transfer of cash to trustee placed under trust arrangement    |       | <b>(1,875)</b>  | -                             | -               | -            |
| Loans repaid by subsidiary companies                          |       | -               | -                             | -               | 10,734       |
| Loans repaid by associate companies                           |       | -               | 40,684                        | -               | -            |
| Dividends received  |       | -               | 71                            | -               | 12,200       |
| Interest received   |       | <b>758</b>      | 2,718                         | <b>753</b>      | 426          |
| <b>Net cash (used in)/generated from investing activities</b> |       | <b>(28,855)</b> | 39,362                        | <b>(558)</b>    | 23,148       |

## Statements of cash flows – continued

|   | Notes | The Group       |              | The Company    |              |
|---|-------|-----------------|--------------|----------------|--------------|
|   |       | 2015<br>€000    | 2014<br>€000 | 2015<br>€000   | 2014<br>€000 |
|   |       | (as restated)   |              |                |              |
| <b>Financing activities</b>                                       |       |                 |              |                |              |
| Repayments of bank borrowings                                     |       | <b>(36,211)</b> | (34,049)     | -              | (12,785)     |
| Proceeds from bank borrowings                                     |       | <b>12,000</b>   | 16,300       | <b>2,915</b>   | 5,000        |
| Deposits into redemption sinking fund                             |       | -               | (6,946)      | -              | -            |
| Proceeds from issue of bonds                                      |       | <b>10,000</b>   | -            | -              | -            |
| Bond issue costs  |       | <b>(783)</b>    | -            | -              | -            |
| Proceeds from shareholders' loans                                 |       | <b>7,900</b>    | -            | -              | -            |
| Share capital contribution by<br>non-controlling interest         |       | -               | 661          | -              | -            |
| Payments for redemption of bonds                                  |       | -               | (2,712)      | -              | -            |
| Movement on long term payables                                    |       | -               | 3,911        | -              | 2,452        |
| Dividends paid  |       | <b>(228)</b>    | (9,331)      | -              | (2,250)      |
| <b>Net cash (used in)/generated from<br/>financing activities</b> |       | <b>(7,322)</b>  | (32,166)     | <b>2,915</b>   | (7,583)      |
| <b>Net change in cash and cash<br/>equivalents</b>                |       | <b>723</b>      | 16,138       | <b>(826)</b>   | 1,413        |
| Cash and cash equivalents at<br>beginning of year                 |       | <b>16,091</b>   | (47)         | <b>(8,213)</b> | (9,626)      |
| <b>Cash and cash equivalents<br/>at end of year</b>               | 18    | <b>16,814</b>   | 16,091       | <b>(9,039)</b> | (8,213)      |

## Notes to the financial statements

### 1. General information

Corinthia Palace Hotel Company Limited, (the 'Company'), is a private limited liability company incorporated and domiciled in Malta. The address of the Company's registered office and principal place of business is 22, Europa Centre, Floriana FRN 1400, Malta. The Company is the ultimate parent company of the Group.

### 2. Nature of operations

Corinthia Palace Hotel Company Limited and subsidiaries' (the 'Group' or 'CPHCL') principal activities include the ownership, development and operation of hotels, leisure facilities, and other activities related to the tourism industry and commercial centres. The Group is also actively engaged in the provision of residential accommodation, project management services and industrial catering.

### 3. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 3.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss (including derivative instruments), the land and buildings class within property, plant and equipment and investment property – which are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 4 – Critical accounting estimates and judgements).

#### 3.2 Working capital position

At 31 December 2015, the Group's current liabilities exceeded its current assets by €55.6 million compared to €19.8 million reported as at 31 December 2014. The main reason for the increase of €35.8 million is that, included under current liabilities in 2015, is an amount of €22 million representing the second tranche of the consideration payable for the acquisition of the IHGH Group. Out of this amount, €17 million is payable in cash with the balance of €5 million being settled through the issue of new shares in IHI.

Over the past months the Group has undertaken a number of financing initiatives that are at an advanced stage of negotiation and which should be finalised shortly. These include bank financing and public borrowing and are expected to generate a net total of €42 million in fresh funds. These funds will be principally used for the above mentioned payment to the previous shareholders of the IHGH Group, financing other capital transactions and for general corporate funding purposes. The Group is also planning to dispose of certain properties that are surplus to its operational requirements. This is expected to generate additional liquidity.

**3. Summary of significant accounting policies - continued**

**3.2 Working capital position - continued**

Although the working capital position, excluding the IHGH commitment, is not projected to change significantly in 2016, the Group expects to generate sufficient excess cash flow from operations, after deducting interest costs, capital expenditure and tax payments, to sustain its ongoing operations and maintain the working capital within manageable levels.

**3.3 Restatement of comparatives**

**Group**

*Revaluation of property, plant and equipment*

During 2014, the Group experienced upward shifts in the fair values on some of its properties, mainly in respect of a local hotel and the Group's hotel in Hungary. The increase in value of these properties amounting to €12.1 million gross of tax, together with a related deferred tax charge of €2.0 million, were recognised as a result of these value increases. In 2014, the Group recognised this surplus within profit or loss in its financial results for the year ended 31 December 2014. The directors have identified that, in accordance with the requirements of IAS 16, the Group should have recognised the surplus as at 31 December 2014 through other comprehensive income, in the revaluation reserve.

Although the error has an impact on the reported loss for the year ended 31 December 2014, the Group's reported net assets as at that date are not impacted by the above. The error has been corrected by restating the prior year loss and other comprehensive income for the year, by reclassifying the above amount from loss for the year ended 31 December 2014 to other comprehensive income. The restated figures for the affected financial statement line items are presented, in the table below.

| Statement of financial position as at 31 December 2014 (extract) | As previously reported<br>€'000 | The Group            |                      |
|--|---------------------------------|----------------------|----------------------|
|  |                                 | Restatement<br>€'000 | As restated<br>€'000 |
| <b>Equity and liabilities</b>                                    |                                 |                      |                      |
| Other reserves   | 211,477                         | 5,972                | 217,449              |
| Retained earnings  | 155,268                         | (5,972)              | 149,296              |
|  |                                 | -                    |                      |

**3. Summary of significant accounting policies - continued**

**3.3 Restatement of comparatives - continued**

| Income statement for the year ended 31 December 2014 (extract)                   | The Group                       |                      |                      |
|--|---------------------------------|----------------------|----------------------|
|  | As previously reported<br>€'000 | Restatement<br>€'000 | As restated<br>€'000 |
| Net reversals of impairment/(impairment losses) attributable to hotel properties | 5,170                           | (12,123)             | <b>(6,953)</b>       |
| Loss before tax  | (50,753)                        | (12,123)             | <b>(62,876)</b>      |
| Tax income   | 12,028                          | 1,962                | <b>13,990</b>        |
| <b>Loss for the year</b>   | <b>(38,725)</b>                 | <b>(10,161)</b>      | <b>(48,886)</b>      |
| <b>Loss for the year attributable to:</b>  |                                 |                      |                      |
| - Owners of CPHCL  | (32,251)                        | (5,972)              | <b>(38,223)</b>      |
| - Non-controlling interests  | (6,474)                         | (4,189)              | <b>(10,663)</b>      |
|  | <b>(38,725)</b>                 | <b>(10,161)</b>      | <b>(48,886)</b>      |

**Statement of comprehensive income for the year ended 31 December 2014 (extract)**

**Other comprehensive income**

*Items that will not subsequently be reclassified to profit or loss*

|   |                 |          |                 |
|---|-----------------|----------|-----------------|
| Surplus arising on revaluation of hotel properties              | 17,199          | 12,123   | <b>29,322</b>   |
| Income tax relating to components of other comprehensive income | 3,964           | (1,962)  | <b>2,002</b>    |
| Other comprehensive income for the year, net of tax             | 3,281           | 10,161   | <b>13,442</b>   |
| <b>Total comprehensive income for the year</b>                  | <b>(35,444)</b> | <b>-</b> | <b>(35,444)</b> |
| <b>Total comprehensive income attributable to:</b>              |                 |          |                 |
| - Owners of CPHCL   | (29,216)        | -        | <b>(29,216)</b> |
| - Non-controlling interests                                     | (6,228)         | -        | <b>(6,228)</b>  |
|   | <b>(35,444)</b> | <b>-</b> | <b>(35,444)</b> |

**3. Summary of significant accounting policies - continued**

**3.3 Restatement of comparatives - continued**

**Company**

*Accounting by the Company for bonus issues*

During 2008, IHI p.l.c. issued 16.1 million bonus shares by capitalising reserves, entitling the Company to an additional 9.5 million shares in IHI p.l.c. The Company recognised its share of the bonus dividend as income of €9.5 million in profit or loss for the year ended 31 December 2008, with a corresponding increase in the carrying amount of its investment in IHI p.l.c.

Whilst the issue of bonus shares increases the total number of shares held by the Company, it does not change the cost of the investment to the Company, nor does it represent an increase in the value of IHI p.l.c. The directors have determined that in accordance with IAS 27 *Separate Financial Statements*, no gain should have been recognised and the carrying amount of the investment in subsidiary should not have been increased in the Company's separate financial statements.

The error has been corrected by reversing the amount previously recognised as a gain in the income statement against the carrying amount of the investment. The restated figures for the affected financial statement line items are presented, in the table below.

| Statement of financial position as at 1 January 2014 (extract) | The Company                     |                      |                      |
|--|---------------------------------|----------------------|----------------------|
|  | As previously reported<br>€'000 | Restatement<br>€'000 | As restated<br>€'000 |
| <b>Assets</b>  |                                 |                      |                      |
| Investment in subsidiaries                                     | 405,008                         | (9,489)              | 395,519              |
| <b>Equity and liabilities</b>                                  |                                 |                      |                      |
| Retained earnings  | 240,532                         | (9,489)              | 231,043              |

The above errors have been corrected in these financial statements and accordingly, the financial statements of the Group and Company for the year ended 31 December 2014 have been restated. The errors did not have any impact on the Group's statement of financial position at 1 January 2014 and accordingly, the presentation of a third statement of financial position as at that date, which would otherwise have been required under IAS 1, is not considered to be relevant for the Group.

### **3. Summary of significant accounting policies - continued**

#### **3.4 Changes in functional currency of significant foreign operation**

With effect from 1 January 2015, the functional currency of IHI Benelux B.V., which owns and manages hotel and other properties in St Petersburg, has changed from Euro to Russian Rouble in view of a change in the currency which mainly influenced the sales prices for goods and services provided by the entity. During the current financial year, the currency of the economic environment in which the entity primarily generated cash was determined to be the Russian Rouble with effect from the beginning of the year.

#### **3.5 Standards, interpretations and amendments to published standards effective in 2015**

In 2015, the Group adopted amendments to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2015, comprising:

- Annual improvements to IFRSs – 2010 - 2012 Cycle and 2011 – 2013 Cycle; and
- Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies impacting the Group's financial performance and position.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2015. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application, except for IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through Other Comprehensive Income ('OCI') and fair value through profit or loss. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to the endorsement process by the EU, the standard is effective for accounting periods beginning on or after 1 January 2018, although early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Group is assessing the impact of IFRS 15.

**3. Summary of significant accounting policies - continued**

**3.7 Principles of consolidation and equity accounting**

*(i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 31).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

*(ii) Associates*

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

*(iii) Joint arrangements*

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

*(iv) Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

**3. Summary of significant accounting policies - continued**

**3.7 Principles of consolidation and equity accounting- continued**

*(iv) Equity method - continued*

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 15.

*(v) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of CPHCL.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**3.8 Investments in subsidiaries, associates and joint ventures in the Company's stand-alone financial statements**

In the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries, associates and joint ventures are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

### **3. Summary of significant accounting policies - continued**

#### **3.9 Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

#### **3.10 Foreign currency translation**

##### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is CPHCL's functional and presentation currency.

### **3. Summary of significant accounting policies - continued**

#### **3.10 Foreign currency translation - continued**

##### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within administrative expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

##### *(iii) Group companies*

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### **3.11 Property, plant and equipment**

All property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value, based on periodic valuations by professional valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

### **3. Summary of significant accounting policies - continued**

#### **3.11 Property, plant and equipment - continued**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets to their residual values over their estimated useful lives, as follows:

|                       | <b>Years</b> |
|-----------------------|--------------|
| - Freehold buildings  | 33 - 100     |
| - Plant and equipment | 3 - 20       |
| - Motor vehicles      | 5 - 6        |

Freehold land is not depreciated as it is deemed to have an indefinite life. Assets in the course of construction and payments on account are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (refer to Note 13). An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

#### **3.12 Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by entities forming part of the Group is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made. Investment property principally comprises land and buildings.

### **3. Summary of significant accounting policies - continued**

#### **3.12 Investment property - continued**

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually.

These fair valuations are reviewed regularly by a professional valuer. The fair value of investment property generally reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation surplus under IAS 16.

#### **3.13 Intangible assets**

##### **(a) Goodwill**

Goodwill is measured as described in Note 11. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of joint ventures and associates is included within the carrying amount of the investments. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**3. Summary of significant accounting policies - continued**

**3.13 Intangible assets - continued**

**(a) Goodwill - continued**

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

**(b) Brands**

The brand comprises the 'Island Caterers' brand name which was separately identified as part of the assets acquired on the acquisition of Island Hotels Groups Holdings p.l.c.

The brand does not have a finite life and is measured at cost less accumulated impairment losses. The brand is regarded as having an indefinite life, since based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows.

**(c) Other intangible assets**

Separately acquired intangible assets, such as purchased computer software are shown at historical cost. Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. These intangible assets have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it related. All other expenditure including costs incurred in the ongoing maintenance of software, is recognised in profit or loss as incurred.

Intangible assets include intangibles with finite lives, which are amortised, on a straight line basis over their estimated useful lives. Estimated useful life is the lower of legal duration and expected useful life. The estimated useful lives are as follows:

|                                     | <b>Years</b> |
|-------------------------------------|--------------|
| - Brand design fee and other rights | 5 - 10       |
| - Concessions                       | 2 - 10       |
| - Operating contracts               | 20           |
| - Others                            | 3            |

### **3. Summary of significant accounting policies - continued**

#### **3.14 Impairment of non-financial assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **3.15 Financial assets**

##### **3.15.1 Classification**

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets

The classification depends on the purpose for which the assets were acquired. Management determines the classification of its assets at initial recognition.

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

Financial assets at fair value through profit or loss include financial assets held for trading, i.e. financial assets acquired principally for the purpose of selling in the short-term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

##### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position (refer to accounting policies 3.17, 3.18 and 3.20).

**3. Summary of significant accounting policies - continued**

**3.15 Financial assets - continued**

**3.15.1 Classification - continued**

***Held-to-maturity financial assets***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

- those that the Group upon initial recognition designates as at fair value through profit or loss;
- those the Group designates as available-for-sale; and
- those that meet the definition of loans and receivables.

These are initially recognised at fair value, including direct and incremental transactions costs, and measured subsequently at amortised cost using the effective interest method.

The Group did not hold any held-to-maturity investments as at the end of the reporting period.

***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments 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 are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

**3.15.2 Recognition and derecognition**

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

**3.15.3 Measurement**

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

### **3. Summary of significant accounting policies - continued**

#### **3.15 Financial assets - continued**

##### **3.15.3 Measurement - continued**

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. The effective interest rate is the rate that exactly discounts estimate future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial assets or financial liability.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

##### **3.15.4 Impairment**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

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 an indicator that the assets are impaired.

**3. Summary of significant accounting policies - continued**

**3.15 Financial assets - continued**

**3.15.4 Impairment - continued**

***Assets carried at amortised cost***

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in Note 34.

When an asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

***Assets classified as available-for-sale***

If there is objective evidence of impairment 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 recognised in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

**3.16 Derivatives and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

### **3. Summary of significant accounting policies - continued**

#### **3.16 Derivatives and hedging activities - continued**

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The Group's derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit or loss.

#### **3.17 Loans and advances**

Under the requirements of IAS 39, the Group's loans and advances, consisting mainly of advances to related parties, are classified as loans and receivables, unless the Group has the intention of trading the asset immediately or in the short-term, in which case the loans and advances are categorised as instruments held-for-trading.

All loans and advances are recognised when cash is advanced to the borrowers. Loans and advances are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost using the effective interest method. The Group assesses at the end of each reporting period whether there is objective evidence that loans and advances are impaired.

#### **3.18 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

#### **3.19 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. The cost of inventories comprises the invoice value of goods and, in general, includes transport and handling costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### **3. Summary of significant accounting policies - continued**

#### **3.20 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### **3.21 Financial liabilities**

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, other than derivative financial instruments, are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. Financial liabilities at fair value through profit or loss would be initially recognised at fair value through profit or loss with transaction costs expensed in profit or loss and would be subsequently measured at fair value. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

#### **3.22 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### **3.23 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**3. Summary of significant accounting policies - continued**

**3.24 Offsetting financial instruments**

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

**3.25 Income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**3. Summary of significant accounting policies - continued**

**3.26 Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**3.27 Contingent liabilities**

Contingent liabilities are possible obligations that arise from past event whose existence will be confirmed only by occurrence, or non-occurrence, of one or more uncertain future event not wholly within the control of the Group; or are present obligation that have arisen from past event but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statement but are disclosed unless the probability of settlement is remote.

**3.28 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

**(a) Sales of goods**

Sales of goods are recognised when the Group has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products.

**(b) Sales of services**

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

Operating lease rental income – refer to accounting policy 3.27 for 'Leases'.

Sales relating to long-term contracts – refer to accounting policy 3.26 for 'Long-term contracts'.

**3. Summary of significant accounting policies - continued**

**3.28 Revenue recognition - continued**

**(c) Interest income**

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues using the effective interest method.

**(d) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**(e) Rental income from investment property**

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

**3.29 Long-term contracts**

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs are recognised when incurred.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the 'percentage of completion method' to determine the appropriate amount of revenue and costs to recognise in a given period. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed up to the end of the reporting period in relation to the estimated total costs for the contract. Costs incurred during the year that relate to future activity on a contract are excluded from contract costs in determining the stage of completion and are shown as contract work in progress.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the end of the reporting period. The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings, within trade and other receivables. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses), within trade and other payables.

### **3. Summary of significant accounting policies - continued**

#### **3.30 Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

#### **3.31 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

Other borrowing costs are expensed in the period in which they are incurred.

#### **3.32 Employee benefits**

##### **(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

##### **(b) Bonus plans**

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**3. Summary of significant accounting policies - continued**

**3.32 Employee benefits - continued**

**(c) Contributions to defined contribution pension plans**

The Group contributes towards the State defined contribution pension plan in accordance with local legislation in exchange for services rendered by employees and to which it has no commitment beyond the payment of fixed contributions. Obligations for contributions are recognised as an employee benefit in profit or loss in the periods during which services are rendered by employees.

**3.33 Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**3.34 Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**4. Critical accounting estimates and judgements**

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

The fair value of property, plant and equipment and investment properties is determined by using valuation techniques. Further details of the judgements and assumptions made are disclosed in Note 13.

This note highlights information about the fair value estimation of land and buildings and investment property, together with a sensitivity analysis of the effects of shifts in unobservable inputs used in determining these fair values.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are, with the exception of the fair valuation of property, not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

## **5. The Group's operations in Libya**

The Group's activities in Libya principally comprise:

- The Corinthia Hotel Tripoli, a fully owned five star hotel in Tripoli with a carrying amount of €84.1 million;
- An adjoining Commercial Centre to the above-mentioned hotel, with a carrying amount of €68.2 million;
- The ownership of a site surrounding the hotel, with a carrying amount of €29.5 million;
- The Palm City development, a large-scale residential complex in Janzour, Libya, through an associate company, Mediterranean Investments Holding p.l.c. (MIH), in which the Group holds a 50% share. This investment has a carrying amount of €68 million and the Group's share of the company's total assets, which are predominantly situated in Libya, amounts to €141.9 million; and
- The development of the Medina Towers Project through an associate company in which the Group holds a 25% share, which investment has a carrying amount of €13.0 million.

The first three activities are managed through the Group's investment in Corinthia Towers Tripoli Limited, a company registered in Malta with a branch in Libya, which is ultimately owned by IHI p.l.c.

The political instability in Libya and the state of economic uncertainty prevailing during the financial year ended 31 December 2015 continued to have a negative effect on the Libyan hospitality and real estate sectors. This has impacted the Group's financial results in Libya.

Since 2014, Libya experienced severe political instability due to the collapse of the central government during the same year and the country has been going through difficult times ever since. A United Nations-brokered ceasefire deal was reached in December 2015 and the Libyan Political Agreement to form a Government of National Accord was signed. On 31 March 2016, the leaders of the new UN-supported unity government arrived in Tripoli.

The Group's hotel in Tripoli experienced a challenging start to the financial year, with civil strife dampening demand for hotel accommodation. On 27 January 2015, the Corinthia Hotel Tripoli was the scene of an armed attack. Since then the Hotel's management took all the necessary steps to bring back the Hotel to operational mode and a gradual reopening has taken place during 2015, providing partial services in the context of reduced demand throughout the rest of the year. Hotel management's objective is to minimise losses on the operation of the hotel, and to ensure that payroll and other operating costs are managed in the context of the reduced operating income levels.

On the other hand, the adjoining Commercial Centre remained operational throughout 2015. The Group generated steady income from the leasing of the commercial offices within the Centre during the current year.

The turnover registered during 2015 by Corinthia Towers Tripoli Limited amounts to €6.3 million (2014: €14.5 million), with a loss before tax of €2.9 million (2014: €4.6 million). Current year revenue includes €5.5 million generated from rental contracts attributable to the Commercial Centre while revenue from hotel activities was essentially restricted to that generated in January 2015. Accordingly, whilst the hotel sustained negative net financial results during 2015 particularly in view of the relatively fixed nature of certain expenses, the net contribution from the Commercial Centre was positive.

The Palm City development operated at lower levels of occupancy in the year under review compared to 2014, registering a reduction in EBITDA from €21.8 million to €6.5 million and a marginal overall loss of €844,000.

## **5. The Group's operations in Libya - continued**

The future performance of the hotel, the Commercial Centre and the Palm City Development and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside. The Group engaged a firm of independent third party valuers to assist it in establishing fair values of the Hotel and Commercial Centre at 31 December 2015. The estimated fair values, based on projected cash flows from operating the assets, are those highlighted above. In accordance with these valuations, no further impairment charges were deemed necessary in these financial statements after taking into account the impairment charges of €40.5 million recognised in 2014 but a depreciation charge of €2.6m was recognised on the Hotel in 2015. One of the key assumptions underlying these valuations is the Directors' assumption that the situation in Libya will begin to stabilise towards the latter part of FY 2017. The recovery is anticipated to be gradual, with both hotel occupancy and room rates remaining subdued until FY 2019. The projections assume achievement of revenue per room similar to that experienced in FY 2009 only in FY 2022, at which point the projected cash flows stabilise. The net operating cash inflows from the hotel throughout the initial 10 year period within the projections are lower by 5% in aggregate when compared to the amounts utilised for the prior year fair value assessment, with a substantially unchanged pre-tax discount rate.

The existence of long-term leases has mitigated the impact of the continued political instability and state of uncertainty on the Commercial Centre. Furthermore, certain clients with contracted leases, have nonetheless opted to renew their leases in FY 2015 (albeit, at temporary reduced rates) in order to retain presence in this prime location. The Commercial Centre experienced an occupancy in excess of 83% throughout 2015. These factors are taken into account in the fair valuation of the Commercial Centre. The rental inflows from this property throughout the initial 10-year period are lower by 5% in aggregate when compared to the amounts utilised for the prior year fair value assessment, principally throughout the first four years of the projections.

As intimated earlier, the Directors of the Company assume that the situation in Libya will begin to stabilise towards the latter part of FY 2017. However, the cash flow projections for the Commercial Centre, utilised as a base for the fair valuation estimate of the related property asset, allow for a gradual increase in occupancy of the Centre. The most notable impact of the assumptions around recovery is evident in 2019, when the temporary discounts on existing contracts are removed, and the Centre's utilisation rates are assumed to recover to historic levels of full utilisation.

The directors of MIH also carried out a valuation of the Palm City development. Their assessment assumes that the situation in Libya will start recovering in 2017 and their projections take account of the trends characterised in the post-revolution period between 2011 and 2013. This period reflected specific trends, which the directors assume will recur between 2017 and 2020. These trends include a rapid build-up in occupancy as the expats residing at the Property (oil and gas corporations in particular) would be among the first to return to Libya, a preference by tenants to initially contract on a short-term basis until the situation in the country stabilises and the possibility of attaining premium rates in the initial period. The directors' assessment supports the carrying value of the property, also after taking into account the impairment charge of €60.9 million recognised in 2014.

Further information on the key assumptions and judgements underlying the valuation of property assets is disclosed in Note 13, together with an analysis of sensitivity of the valuations to shifts or changes in the key parameters reflected.

**5. The Group's operations in Libya - continued**

The economic conditions in Libya create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2015, in addition to a current tax asset of €2.6 million, Corinthia Towers Tripoli Limited also had amounts due from Government related entities amounting to €3.6 million and other amounts receivable from embassies and corporate clients which are expected to return to Libya once the political situation improves. Provisions for impairment have been registered to reflect estimated net recoverable amounts in this respect.

The Group's investment property also includes a site surrounding the hotel, with no determined commercial use, having an unchanged carrying amount of €29.5m as at 31 December 2015. This fair valuation is based on an independent real estate value of the site taking into account limited available market information.

In view of the prevailing circumstances in Libya, The Medina Towers Project carried out through an associate has slowed down considerably. The key assets within this company comprise the project site carried at €30.0 million and amounts capitalised in respect of the project amounting to €14 million as at 31 December 2015.

The exposures emanating from the Group's activities in Libya are summarised in the table below:

|   | Carrying amount<br>31 December 2015 |
|---|-------------------------------------|
|   | €million                            |
| Corinthia Towers Tripoli Limited  |                                     |
| Property, plant and equipment   | 84.1                                |
| Investment property   | 97.7                                |
| Inventories   | 1.8                                 |
| Trade receivables   | 4.1                                 |
| Current tax receivable  | 2.6                                 |
| Mediterranean Investments Holding p.l.c.                                    |                                     |
| Share of total assets   | 141.9                               |
| Medina Towers J.S.C.  |                                     |
| Investment in associate accounted for using the equity method of accounting |                                     |

The significant economic and political uncertainty prevailing in Libya at present, renders fair valuation of property assets situated in Libya, by reference to projected cash flows from operating the assets or to market sales prices, extremely difficult and judgemental.

At this point in time, different scenarios in terms of the future political landscape in Libya are plausible, which scenarios, negative and positive, could significantly influence the timing and amount of projected cash flows and the availability of property market sales price information. The impact of these different plausible scenarios on the operating and financial performance of the hotel and Commercial Centre and on the fair valuation of the related property assets would accordingly vary in a significant manner.

It is somewhat difficult to predict when the political situation in the country will start stabilising and forecasting the timing of any economic recovery in Libya is judgemental. This also applies to the relative speed of recovery. Past experience has shown that, because of the keen interest by the international oil and gas industry to return to Libya, the Group's performance in respect of its operations in Libya is likely to recover quickly once the situation in the country improves in a meaningful manner.

**6. Expenses by nature**

|   | The Group     |        | The Company  |       |
|---|---------------|--------|--------------|-------|
|   | 2015          | 2014   | 2015         | 2014  |
|   | €000          | €000   | €000         | €000  |
| Directors' remuneration                       | <b>1,140</b>  | 1,141  | <b>822</b>   | 669   |
| Directors' fees                               | <b>66</b>     | 44     | -            | -     |
| Management fees                               | <b>547</b>    | 302    | <b>1,741</b> | 1,119 |
| Depreciation of property, plant and equipment | <b>31,825</b> | 23,502 | <b>1,005</b> | 1,029 |
| Amortisation of intangible assets             | <b>1,447</b>  | 627    | -            | -     |
| Operating lease costs                         | <b>422</b>    | 728    | <b>134</b>   | 272   |

During the year, fringe benefits valued at €22,000 (2014: €33,000) were provided to the Directors.

**6.1 Auditor's fees**

Fees charged by the auditor for services rendered during the financial years ended 31 December 2015 and 31 December 2014 are shown in the table below. The 2014 figures relate to fees charged by the predecessor auditors.

|                          | The Group  |      | The Company |      |
|--------------------------|------------|------|-------------|------|
|                          | 2015       | 2014 | 2015        | 2014 |
|                          | €000       | €000 | €000        | €000 |
| Annual statutory audit   | <b>511</b> | 550  | <b>56</b>   | 65   |
| Other non-audit services | <b>260</b> | -    | <b>1</b>    | -    |
|                          | <b>771</b> | 550  | <b>57</b>   | 65   |

**7. Personnel expenses**

|                               | The Group     |        | The Company  |       |
|-------------------------------|---------------|--------|--------------|-------|
|                               | 2015          | 2014   | 2015         | 2014  |
|                               | €000          | €000   | €000         | €000  |
| Wages and salaries            | <b>53,120</b> | 45,310 | <b>5,037</b> | 4,540 |
| Social security contributions | <b>5,438</b>  | 5,632  | <b>210</b>   | 204   |
| Other pension costs           | <b>32</b>     | -      | -            | -     |
| Other staff costs             | <b>4,545</b>  | 4,468  | <b>612</b>   | 422   |
|                               | <b>63,135</b> | 55,410 | <b>5,859</b> | 5,166 |

|                               | The Group    |       | The Company |      |
|-------------------------------|--------------|-------|-------------|------|
|                               | 2015         | 2014  | 2015        | 2014 |
|                               | No.          | No.   | No.         | No.  |
| Management and administrative | <b>611</b>   | 590   | <b>75</b>   | 78   |
| Operating                     | <b>2,253</b> | 2,127 | <b>123</b>  | 126  |
|                               | <b>2,864</b> | 2,717 | <b>198</b>  | 204  |

**8. Finance income and finance costs**

|  | The Group     |               | The Company  |               |
|--|---------------|---------------|--------------|---------------|
|  | 2015<br>€000  | 2014<br>€000  | 2015<br>€000 | 2014<br>€000  |
| <b>Finance income:</b>                           |               |               |              |               |
| Dividend income from investments                 | -             | 71            | <b>535</b>   | 15,458        |
| Interest income charged to subsidiaries          | -             | -             | <b>138</b>   | 338           |
| Interest income charged to associates            | <b>80</b>     | 80            | <b>80</b>    | 80            |
| Interest income charged to other related parties | <b>2</b>      | -             | -            | -             |
| Interest income on bank balances                 | <b>48</b>     | 134           | -            | -             |
| Exchange differences                             | <b>267</b>    | 1,047         | -            | -             |
| Net fair value gain on interest rate swap        | -             | 2,349         | -            | -             |
| Others   | <b>361</b>    | 154           | -            | 8             |
| <b>Finance income</b>                            | <b>758</b>    | <b>3,835</b>  | <b>753</b>   | <b>15,884</b> |
| <b>Finance costs:</b>                            |               |               |              |               |
| Interest expense for bank borrowings             | <b>8,486</b>  | 11,101        | <b>653</b>   | 1,374         |
| Interest expense for bonds in issue              | <b>10,268</b> | 8,459         | -            | -             |
| Interest expense for shareholders' loans         | <b>1,182</b>  | 1,092         | <b>1,182</b> | 1,092         |
| Interest expense for subsidiaries' loans         | -             | -             | <b>4,260</b> | 4,108         |
| Interest expense for associate loans             | -             | 10            | -            | 9             |
| Amortisation of bond issue costs                 | <b>226</b>    | 191           | -            | -             |
| Exchange differences                             | <b>8,572</b>  | 455           | -            | -             |
| Others   | <b>216</b>    | 100           | <b>87</b>    | 85            |
| <b>Finance costs</b>                             | <b>28,950</b> | <b>21,408</b> | <b>6,182</b> | <b>6,668</b>  |

**9. Tax (expense)/income**

The charge for income tax on profits derived from local and foreign operations has been calculated at the applicable tax rates.

|  | The Group      |               | The Company  |                |
|--|----------------|---------------|--------------|----------------|
|  | 2015<br>€000   | 2014<br>€000  | 2015<br>€000 | 2014<br>€000   |
| <b>Current taxation:</b>   |                |               |              |                |
| - Current year tax expense   | <b>(789)</b>   | (1,795)       | <b>(4)</b>   | (4,639)        |
| - Adjustment recognised in financial period for current tax of prior period  | -              | 6,263         | -            | 197            |
| <b>Deferred taxation:</b>  |                |               |              |                |
| - Deferred tax income/(expense)  | <b>3,569</b>   | 9,522         | <b>6</b>     | (1,088)        |
| - Adjustment recognised in financial period for deferred tax of prior period | <b>(3,359)</b> | -             | -            | -              |
| Group tax relief   | -              | -             | <b>163</b>   | 465            |
|  | <b>(579)</b>   | <b>13,990</b> | <b>165</b>   | <b>(5,065)</b> |

**9. Tax (expense)/income - continued**

The deferred tax adjustment reflected in the current financial period attributable to prior periods comprises of an adjustment in the fair valuation of property in prior years, based on tax rules applicable in Portugal, and deferred tax on an adjustment in respect of deferred tax on temporary differences arising on depreciation of property in Hungary. The adjustment was recognised in profit or loss.

Up to September 2008 Corinthia Towers Tripoli Limited (CTTL), one of the Group's subsidiaries, benefitted from a tax holiday granted by the Libyan tax authorities. CTTL applied for a three year extension of this tax holiday but in the absence of a confirmation that this was accepted by the Libyan authorities, CTTL provided for tax payable in Libya for the period October 2008 to September 2011. During 2014, CTTL received communications from Libyan authorities which show that it is entitled to benefit from an extended tax holiday period of three years starting from October 2008, being the date when the original tax holiday ended. In view of this CTTL reversed a provision for tax of €4.7 million which was reflected in the audited financial statements for the years ended 31 December 2010 and 2011.

Refer to note 26 for information on the deferred tax assets and liabilities.

**9.1 Tax (expense)/income reconciliation**

|   | The Group       |              | The Company     |              |
|---|-----------------|--------------|-----------------|--------------|
|   | 2015<br>€000    | 2014<br>€000 | 2015<br>€000    | 2014<br>€000 |
| (Loss)/profit before taxation                           | <b>(30,498)</b> | (62,876)     | <b>(12,888)</b> | 2,735        |
| Income tax using the Company's domestic tax rate        | <b>10,610</b>   | 22,007       | <b>4,511</b>    | (957)        |
| Effect of income subject to foreign/different tax rates | <b>(1,313)</b>  | (5,415)      | <b>(90)</b>     | (4,012)      |
| Non-taxable income                                      | <b>41</b>       | 170          | <b>21</b>       | -            |
| Non-tax deductible expenses                             | <b>(2,722)</b>  | (4,290)      | <b>(1,233)</b>  | (841)        |
| Effect of reduction in foreign tax rates                | -               | 1,290        | -               | -            |
| Effect of other consolidation adjustments               | <b>(605)</b>    | (3,021)      | -               | -            |
| Movement in unrecognised deferred tax                   | <b>(3,349)</b>  | (3,014)      | <b>(2,884)</b>  | 548          |
| (Under)/over provision in respect of previous years     | <b>(3,359)</b>  | 6,263        | <b>(160)</b>    | 197          |
| Other   | <b>118</b>      | -            | -               | -            |
| <b>Tax (expense)/ income</b>                            | <b>(579)</b>    | 13,990       | <b>165</b>      | (5,065)      |

**9. Tax (expense)/income - continued**

9.2 Tax recognised in other comprehensive income

The tax impacts which are entirely attributable to deferred taxation, relating to components of other comprehensive income and accordingly presented directly in equity are as follows:

|  | 2015          |           |               | 2014          |           |               |
|--|---------------|-----------|---------------|---------------|-----------|---------------|
|  | Before        | Tax       | Net of        | Before        | Tax       | Net of        |
|  | tax           | (charge)/ | tax           | tax           | (charge)/ | tax           |
|  | €'000         | credit    | €'000         | €'000         | credit    | €'000         |
| <b>Group</b>   |               |           |               |               |           |               |
| Surplus arising on revaluation impairment of hotel properties  | 44,233        | (11,650)  | 32,583        | (15,391)      | 3,531     | (11,860)      |
| Share of other comprehensive income of joint ventures and associates accounted for using the equity method |               |           |               |               |           |               |
| - Surplus arising on revaluation of hotel and other property   | 9,676         | -         | 9,676         | 17,933        | -         | 17,933        |
| - Surplus arising on revaluation of land   | -             | -         | -             | 1,264         | -         | 1,264         |
| Income tax relating to components of other comprehensive income  | (12,905)      | 12,905    | -             | 2,002         | (2,002)   | -             |
| Net changes in fair value of available-for-sale financial assets   | 544           | -         | 544           | 780           | -         | 780           |
| Currency translation differences   | (6,196)       | (1,255)   | (7,451)       | 6,407         | (1,445)   | 4,962         |
| Share of other comprehensive income of joint ventures and associates accounted for using the equity method |               |           |               |               |           |               |
| - Currency translation differences   | 416           | -         | 416           | -             | -         | -             |
| - Cash flow hedges   | -             | -         | -             | 447           | (84)      | 363           |
| Other  | (153)         | -         | (153)         | -             | -         | -             |
|  | <b>35,615</b> | <b>-</b>  | <b>35,615</b> | <b>13,442</b> | <b>-</b>  | <b>13,442</b> |
| <b>Company</b>   |               |           |               |               |           |               |
| Currency translation differences   | -             | -         | -             | 32            | 62        | 94            |

**10. Dividends**

|                                  | The Group |       | The Company |       |
|----------------------------------|-----------|-------|-------------|-------|
|                                  | 2015      | 2014  | 2015        | 2014  |
|                                  | €000      | €000  | €000        | €000  |
| Dividend paid on ordinary shares | -         | 2,250 | -           | 2,250 |
| Dividends per share              | -         | €0.15 | -           | €0.15 |

**11. Intangible assets**

|   | The Group    |              |                                   |             |                     |              |               |
|---|--------------|--------------|-----------------------------------|-------------|---------------------|--------------|---------------|
|   | Goodwill     | Brand        | Brand design fee and other rights | Concessions | Operating contracts | Others       | Total         |
|   | €'000        | €'000        | €'000                             | €'000       | €'000               | €'000        | €'000         |
| <b>Cost</b>                               |              |              |                                   |             |                     |              |               |
| At 1 January 2014                         | 815          | -            | -                                 | -           | 7,000               | 1,592        | 9,407         |
| Additions                                 | -            | -            | -                                 | -           | -                   | 139          | 139           |
| Exchange differences                      | -            | -            | -                                 | -           | -                   | 1            | 1             |
| <b>At 31 December 2014</b>                | <b>815</b>   | <b>-</b>     | <b>-</b>                          | <b>-</b>    | <b>7,000</b>        | <b>1,732</b> | <b>9,547</b>  |
| At 1 January 2015                         | 815          | -            | -                                 | -           | 7,000               | 1,732        | 9,547         |
| Additions                                 | -            | -            | 572                               | -           | -                   | 120          | 692           |
| Acquisition of subsidiary (Note 31)       | 1,315        | 3,121        | 8,682                             | 926         | -                   | 154          | 14,198        |
| Disposals                                 | -            | -            | -                                 | (463)       | -                   | -            | (463)         |
| <b>At 31 December 2015</b>                | <b>2,130</b> | <b>3,121</b> | <b>9,254</b>                      | <b>463</b>  | <b>7,000</b>        | <b>2,006</b> | <b>23,974</b> |
| <b>Amortisation and impairment losses</b> |              |              |                                   |             |                     |              |               |
| At 1 January 2014                         | 48           | -            | -                                 | -           | 2,509               | 1,027        | 3,584         |
| Amortisation for the year                 | -            | -            | -                                 | -           | 350                 | 277          | 627           |
| <b>At 31 December 2014</b>                | <b>48</b>    | <b>-</b>     | <b>-</b>                          | <b>-</b>    | <b>2,859</b>        | <b>1,304</b> | <b>4,211</b>  |
| At 1 January 2015                         | 48           | -            | -                                 | -           | 2,859               | 1,304        | 4,211         |
| Amortisation and impairment losses        | 239          | -            | 528                               | 43          | 351                 | 259          | 1,420         |
| <b>At 31 December 2015</b>                | <b>287</b>   | <b>-</b>     | <b>528</b>                        | <b>43</b>   | <b>3,210</b>        | <b>1,563</b> | <b>5,631</b>  |
| <b>Carrying amount</b>                    |              |              |                                   |             |                     |              |               |
| At 1 January 2014                         | 767          | -            | -                                 | -           | 4,491               | 565          | 5,823         |
| At 31 December 2014                       | 767          | -            | -                                 | -           | 4,141               | 428          | 5,336         |
| <b>At 31 December 2015</b>                | <b>1,843</b> | <b>3,121</b> | <b>8,726</b>                      | <b>420</b>  | <b>3,790</b>        | <b>443</b>   | <b>18,343</b> |

## **11. Intangible assets - continued**

### **Goodwill**

During the current financial year, the directors carried out a value in use assessment of the carrying amount of goodwill arising on the acquisition of D.X. Design Consultancy Ltd. which had taken place in prior years and have determined that an impairment charge of €0.2 million was required. The impairment charge has been recognised in profit or loss. The amount is not considered to be of such significance to warrant further disclosures as required by IAS 36.

### **Brand**

As explained in Note 31, during the year, the Group acquired the IHGH Group. As part of the acquisition process, the Group identified and recognised an amount of €3.1 million attributable to the 'Island Caterers' brand name. The value of the Brand was determined by independent experts.

The value of the brand determined as part of the acquisition process was deemed to be a good approximation of the fair value of the brand as at 31 December 2015. Accordingly, the Directors confirmed that there was no impairment indicator.

### **Operating contracts**

These contracts represent the assumed value attributable to the operation of hotel properties which arose on the acquisition of CHI in 2006.

The contracts were tested for impairment in conjunction with goodwill above and CHI for any impairment indicators. The fair valuation confirmed that there was no impairment indicator.

#### *Key assumptions utilised*

Value in use was determined by discounting the forecast future cash flows generated by CHI for a ten year explicit period 2016 – 2025.

The following are the key assumptions underlying the projections:

- revenue derived from IHI properties is based on operational projections prepared by HVS and Colliers International. This accounts for 87% of the total revenue in the explicit period (2014 – 88%);
- revenue from other properties is assumed to increase by 2% per annum on 2015 budget (2014 – 5% on 2014 budget) (in-perpetuity growth rate of 2% per annum applied subsequently to the five year period covered by the explicit projections);
- the rates charged by CHI and the royalties payable to IHI and Ramada are assumed to remain unchanged at current levels;
- inflationary growth in operating expenses on 2015 budget is assumed to be 3.5% (2014 – 3.5% on 2015 budget); and
- a pre-tax discount rate of 11.7% was applied to the operating projections of CHI (2014 – 14.14%), based on a debt to equity ratio of 30:70.

### **Brand design fees and other rights**

The Group has franchise agreements with Costa International Limited to develop and operate the Costa Coffee brand in the Maltese Islands as well as in the territory of Spain (East Coast), the Balearic Islands and the Canary Islands. The carrying amount of these franchise agreements of €8,0 million will be fully amortised over a period of 9 years. The Group has acquired these intangible assets during the current year (Note 31).

**11. Intangible assets - continued**

**Others**

Other intangible assets represent web-site development costs and licences, and are amortised over three years.

**12. Investment property**

|                          | The Group       |          | The Company  |       |
|--------------------------|-----------------|----------|--------------|-------|
|                          | 2015            | 2014     | 2015         | 2014  |
|                          | €000            | €000     | €000         | €000  |
| At 1 January             | <b>210,799</b>  | 225,379  | <b>5,932</b> | 5,932 |
| Change in fair value (a) | <b>193</b>      | (14,629) | -            | -     |
| Additions                | <b>639</b>      | 350      | -            | -     |
| Disposals                | <b>(53)</b>     | (47)     | -            | -     |
| Adjustments              | <b>(63)</b>     | (149)    | -            | -     |
| Exchange differences     | <b>(11,228)</b> | (105)    | -            | -     |
| <b>At 31 December</b>    | <b>200,287</b>  | 210,799  | <b>5,932</b> | 5,932 |

- a) The Group investment properties are valued annually on 31 December at fair value by independent professionally qualified valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued.

The carrying amount of each investment property is as follows:

|                                    | The Group      |         |
|------------------------------------|----------------|---------|
|                                    | 2015           | 2014    |
|                                    | €'000          | €'000   |
| <b>Investment property</b>         |                |         |
| Commercial Centre in St Petersburg | <b>67,231</b>  | 73,830  |
| Commercial Centre in Tripoli       | <b>68,243</b>  | 68,243  |
| Commercial Centre in Lisbon        | <b>1,300</b>   | 1,102   |
| Site in Tripoli                    | <b>29,500</b>  | 29,500  |
| Site in Marsa                      | <b>9,500</b>   | 9,500   |
| Site in Czech Republic             | <b>7,000</b>   | 7,000   |
| Site in Ben Ghasir                 | <b>732</b>     | 732     |
| Site in Misurata                   | <b>87</b>      | 87      |
|                                    | <b>183,593</b> | 189,994 |

Disclosures required in terms of IFRS 13 in relation to fair value measurements attributable to investment property are presented in Note 13.1.

- b) Investment property with a carrying amount of €198 million secures general banking facilities and loans granted to the Group.
- c) Rental income earned by the Group from investment property amounted to €10.3 million (2014: €10.7 million) and direct expenses of €1.1 million (2014: €1.0 million).
- d) All investment property is leased out on operating leases which are not non-cancellable.

**13 Property, plant and equipment**

|   | The Group                     |                                |                           |  | Total<br>€000    |
|---|-------------------------------|--------------------------------|---------------------------|--|------------------|
|   | Land and<br>buildings<br>€000 | Plant and<br>equipment<br>€000 | Motor<br>vehicles<br>€000 | Assets in the<br>course of<br>construction<br>€000 |                  |
| <b>Cost/revalued amount</b>                 |                               |                                |                           |  |                  |
| Balance at 1 January 2014                   | 860,112                       | 223,593                        | 2,772                     | 5,593  | 1,092,070        |
| Revaluation                                 | 17,199                        | -                              | -                         | -  | 17,199           |
| Additions                                   | 1,081                         | 3,144                          | 16                        | 2,456  | 6,697            |
| Reallocations                               | 417                           | 1,022                          | -                         | (1,439)  | -                |
| Disposals                                   | (2)                           | (1,546)                        | (76)                      | (311)  | (1,935)          |
| Exchange differences                        | (1,685)                       | 26                             | 22                        | (1)  | (1,638)          |
| <b>Balance at 31 December 2014</b>          | <b>877,122</b>                | <b>226,239</b>                 | <b>2,734</b>              | <b>6,298</b>                                       | <b>1,112,393</b> |
| Balance at 1 January 2015                   | 877,122                       | 226,239                        | 2,734                     | 6,298  | 1,112,393        |
| Revaluation                                 | 17,127                        | -                              | -                         | -  | 17,127           |
| Additions                                   | 1,007                         | 5,222                          | 56                        | 7,082  | 13,367           |
| Reallocations                               | 1,224                         | 688                            | -                         | (1,912)  | -                |
| Disposals                                   | (47)                          | (1,974)                        | (42)                      | (735)  | (2,798)          |
| Acquisition of subsidiary                   | 33,069                        | 10,051                         | 62                        | 21,576   | 64,758           |
| Exchange differences                        | (13,878)                      | (1,345)                        | (12)                      | (145)  | (15,380)         |
| <b>Balance at 31 December 2015</b>          | <b>915,624</b>                | <b>238,881</b>                 | <b>2,798</b>              | <b>32,164</b>                                      | <b>1,189,467</b> |
| <b>Depreciation and impairment losses</b>   |                               |                                |                           |  |                  |
| Balance at 1 January 2014                   | 238,257                       | 188,990                        | 2,438                     | -  | 429,685          |
| Depreciation for the year                   | 15,666                        | 7,711                          | 125                       | -  | 23,502           |
| Net impairment losses of hotel properties   | 39,543                        | -                              | -                         | -  | 39,543           |
| Other impairment losses                     | 7                             | 8                              | -                         | -  | 15               |
| Reallocations                               | 14                            | (14)                           | -                         | -  | -                |
| Disposals                                   | (2)                           | (1,071)                        | (54)                      | -  | (1,127)          |
| Exchange differences                        | (310)                         | (224)                          | 22                        | -  | (512)            |
| <b>Balance at 31 December 2014</b>          | <b>293,175</b>                | <b>195,400</b>                 | <b>2,531</b>              | <b>-</b>   | <b>491,106</b>   |
| Balance at 1 January 2015                   | 293,175                       | 195,400                        | 2,531                     | -  | 491,106          |
| Depreciation for the year                   | 17,242                        | 8,124                          | 120                       | -  | 25,486           |
| Net impairment reversal of hotel properties | (22,652)                      | -                              | -                         | -  | (22,652)         |
| Disposals                                   | (47)                          | (1,949)                        | (44)                      | -  | (2,040)          |
| Exchange differences                        | (2,435)                       | (970)                          | (9)                       | -  | (3,414)          |
| <b>Balance at 31 December 2015</b>          | <b>285,283</b>                | <b>200,605</b>                 | <b>2,598</b>              | <b>-</b>   | <b>488,486</b>   |
| <b>Carrying amounts</b>                     |                               |                                |                           |  |                  |
| At 1 January 2014                           | 621,855                       | 34,603                         | 334                       | 5,593  | 662,385          |
| At 31 December 2014                         | 583,947                       | 30,839                         | 203                       | 6,298  | 621,287          |
| <b>At 31 December 2015</b>                  | <b>630,341</b>                | <b>38,276</b>                  | <b>200</b>                | <b>32,164</b>                                      | <b>700,981</b>   |

**13. Property, plant and equipment - continued**

Impairment and value movements during 2015 on the Group's properties, amounting to €44.2 million have been recognised within other comprehensive income while a deficit of €4.5 million has been recognised as an expense in profit/loss for the year.

|   | The Company                   |                                |                           |                      |
|---|-------------------------------|--------------------------------|---------------------------|----------------------|
|   | Land and<br>buildings<br>€000 | Plant and<br>equipment<br>€000 | Motor<br>vehicles<br>€000 | Total<br>€000        |
| <b>Cost</b>                               |                               |                                |                           |                      |
| Balance at 1 January 2014                 | 20,943                        | 21,784                         | 1,377                     | 44,104               |
| Additions                                 | -                             | 203                            | 16                        | 219                  |
| Disposals                                 | (2)                           | (40)                           | (40)                      | (82)                 |
| Exchange differences                      | -                             | -                              | 18                        | 18                   |
| Balance at 31 December 2014               | <u>20,941</u>                 | <u>21,947</u>                  | <u>1,371</u>              | <u>44,259</u>        |
| Balance at 1 January 2015                 | 20,941                        | 21,947                         | 1,371                     | 44,259               |
| Additions                                 | 34                            | 367                            | 17                        | 418                  |
| Exchange differences                      | -                             | -                              | (4)                       | (4)                  |
| <b>Balance at 31 December 2015</b>        | <b><u>20,975</u></b>          | <b><u>22,314</u></b>           | <b><u>1,384</u></b>       | <b><u>44,673</u></b> |
| <b>Depreciation and impairment losses</b> |                               |                                |                           |                      |
| Balance at 1 January 2014                 | 822                           | 19,288                         | 1,212                     | 21,322               |
| Depreciation for the year                 | 398                           | 590                            | 41                        | 1,029                |
| Net impairment losses                     | 7                             | 8                              | -                         | 15                   |
| Disposals                                 | (2)                           | (29)                           | (40)                      | (71)                 |
| Exchange differences                      | -                             | -                              | 18                        | 18                   |
| Balance at 31 December 2014               | <u>1,225</u>                  | <u>19,857</u>                  | <u>1,231</u>              | <u>22,313</u>        |
| Balance at 1 January 2015                 | 1,225                         | 19,857                         | 1,231                     | 22,313               |
| Depreciation for the year                 | 442                           | 525                            | 38                        | 1,005                |
| Exchange differences                      | -                             | -                              | (4)                       | (4)                  |
| <b>Balance at 31 December 2015</b>        | <b><u>1,667</u></b>           | <b><u>20,382</u></b>           | <b><u>1,265</u></b>       | <b><u>23,314</u></b> |
| <b>Carrying amounts</b>                   |                               |                                |                           |                      |
| At 1 January 2014                         | <u>20,121</u>                 | <u>2,496</u>                   | <u>165</u>                | <u>22,782</u>        |
| At 1 December 2014                        | <u>19,716</u>                 | <u>2,090</u>                   | <u>140</u>                | <u>21,946</u>        |
| <b>At 1 December 2015</b>                 | <b><u>19,308</u></b>          | <b><u>1,932</u></b>            | <b><u>119</u></b>         | <b><u>21,359</u></b> |

### **13. Property, plant and equipment - continued**

#### **13.1 Fair valuation of property**

The principal elements of the Group's land and buildings, within property, plant and equipment, were revalued on 31 December 2015 by the Directors assisted by independent professionally qualified property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The book value of these properties has been adjusted as the Directors have reviewed the carrying amount of the property as at 31 December 2015 on the basis of assessments by the property valuers. The resultant shift in value, net of applicable deferred income taxes, has been reflected within the revaluation reserve in shareholders' equity (Note 20) or in profit or loss in accordance with the Group's accounting policy. Adjustments to the carrying amounts of the property have been disclosed in the tables below.

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

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

The Group's land and buildings, within property, plant and equipment, consists principally of hotel properties that are owned and managed by companies forming part of the Group. The Group's investment property comprises property that is held for long-term rental yields or for capital appreciation or both, and principally comprise the Commercial Centre in St Petersburg, the Commercial Centre in Tripoli and a site in Tripoli (refer to Note 5). All the recurring property fair value measurements at 31 December 2015 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial years.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial years, is reflected in the table above and in Note 12 for investment property.

#### Valuation processes

The valuations of the properties are performed annually on the basis of valuation reports prepared by third party qualified valuers. These reports are based on both:

- information provided by the Group which is derived from the respective Company's financial systems and is subject to the Company's overall control environment; and
- assumptions and valuation models used by the valuers; with assumptions being typically market related and based on professional judgement and market observation.

### **13. Property, plant and equipment - continued**

#### **13.1 Fair valuation of property - continued**

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by designated officers within the Group. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report is appropriate, the valuation report is recommended to the Audit Committee and Board of Directors. The Committee and Board then consider the valuation report as part of their overall responsibilities.

##### Valuation techniques

The external valuations of the Level 3 property as at 31 December 2015, have been performed using a multi-criteria approach, with every property being valued utilising the valuation technique considered by the external valuer to be the most appropriate for the respective property.

In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals in the respective market in which the properties are located, the valuations have been performed using unobservable inputs. The significant inputs to the approaches used are generally those described below:

- Income capitalisation or discounted cash flow (“DCF”) approach: considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

Earnings before interest, taxes, depreciation and amortisation (EBITDA) based on projected income streams less operating expenditure necessary to operate the property, but prior to depreciation and financing charges;

Growth rate based on management’s estimated average growth of EBITDA levels, mainly determined by projected growth in income streams;

Discount rate reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

- Adjusted sales comparison approach: a sales price per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, age, exact location and condition of the property.

**13. Property, plant and equipment - continued**

**13.1 Fair valuation of property - continued**

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2015 in respect of the key properties:

| Description by class based on highest and best use                                    | Fair value at 31 December 2015<br>€'000 | Valuation technique | Significant unobservable inputs      |   |                                |               |                       |  |  |
|---|---|---------------------|--------------------------------------|---|--------------------------------|---------------|-----------------------|--|--|
|   |   |                     | Income capitalisation approach (DCF) | Evolution of EBITDA over initial projected five year period FY16-FY20 | Pre-tax discount rate (WACC) % | Growth rate % | Capitalisation rate % |  |  |
| <b>Current use as hotel properties (classified as property, plant and equipment):</b> |   |                     |                                      |   |                                |               |                       |  |  |
| Corinthia Hotel & Spa Lisbon  | <b>89,200</b>                           |                     |                                      | €5.5m - €5.8m   | 8.06                           | 2.00          | 4.36                  |  |  |
| Corinthia Hotel Budapest  | <b>104,800</b>                          |                     |                                      | €6.7m - €7.0m   | 8.20                           | 2.00          | 5.36                  |  |  |
| Corinthia Hotel Prague  | <b>82,901</b>                           |                     |                                      | €3.9m - €5.3m   | 7.87                           | 2.00          | 4.75                  |  |  |
| Marina Hotel, St George's Bay, Malta  | <b>28,813</b>                           |                     |                                      | €2.4m - €2.6m   | 10.28                          | 2.00          | 5.38                  |  |  |
| Corinthia Hotel, St George's Bay, Malta   | <b>37,711</b>                           |                     |                                      | €3.5m - €3.6m   | 10.79                          | 2.00          | 5.70                  |  |  |
| Corinthia Hotel, St Petersburg  | <b>70,610</b>                           |                     |                                      | €4.3m - €4.5m   | 14.00                          | 5.00          | 9.00                  |  |  |
| Corinthia Hotel Tripoli   | <b>84,085</b>                           |                     |                                      | €1.7m - €10.3m  | 12.24                          | 2.50          | 6.50                  |  |  |
| Panorama Hotel Prague   | <b>31,175</b>                           |                     |                                      | €2.3m - €2.5m   | 7.72                           | 2.00          | 4.70                  |  |  |
| Aquincum Hotel Budapest   | <b>34,811</b>                           |                     |                                      | €1.7m - €2.4m   | 7.53                           | 2.00          | 5.38                  |  |  |
| Ramada Plaza Tunis Hotel  | <b>24,746</b>                           |                     |                                      | €1.4m - €2.4 m  | 11.12                          | 2.00          | 6.17                  |  |  |

**Use for redevelopment purposes**

|                                     |                              |               |
|-------------------------------------|------------------------------|---------------|
| Adjusted sales comparison approach  | Sales price per square metre | €1,500        |
| Corinthia Palace Hotel & Spa, Malta |                              | <b>24,420</b> |

**Current use as Commercial Centres investment property):**

| Income capitalisation approach (DCF) | Evolution of EBITDA over initial projected five year period FY16-FY20 | Pre tax discount rate (WACC) % | Growth rate % | Capitalisation rate % |
|--------------------------------------|---|--------------------------------|---------------|-----------------------|
| Commercial Centre in St Petersburg   | €5.7m - €7.4m   | 10.50                          | 2.25          | 8.25                  |
| Commercial Centre in Tripoli         | €4.9m - €7.9m   | 12.15                          | 3.50          | 8.65                  |

**Current use as land for commercial use investment property):**

|                                    |                              |               |
|------------------------------------|------------------------------|---------------|
| Adjusted sales comparison approach | Sales price per square metre |               |
| Site in Tripoli                    | €2,300                       | <b>29,500</b> |
| Site in Marsa                      | €700                         | <b>9,500</b>  |
| Site in Czech Republic             | €85                          | <b>7,000</b>  |

In relation to the DCF approach, an increase in the projected level of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

**13. Property, plant and equipment - continued**

**13.1 Fair valuation of property - continued**

With respect to the adjusted sales comparison approach, the higher the sales price per square metre, the higher the resultant fair valuation.

The fair valuation as at 31 December 2015 of the Corinthia Hotel, St George's Bay was determined on the basis of the income capitalisation approach, whereas as at 31 December 2014, the adjusted sales comparison approach was utilised. Accordingly, the valuation technique considered by the external valuer to be the most appropriate for the respective property is utilised. The valuation technique applied to this specific property's fair valuation has been modified to attain a more representative measurement of fair value.

The Group's property which has been acquired through the business combinations effected during the current year (Note 31) has not been revalued since acquisition. The Directors have assessed the fair values of these properties at 31 December 2015, which fair values were deemed to be equivalent to the carrying amounts at the reporting date.

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2014 in relation to the key IHI properties.

| Description by class based on highest and best use                                    | Fair value at 31 December 2014<br>€'000 | Valuation technique                | Significant unobservable inputs      |   |                              |                     |
|---|---|------------------------------------|--------------------------------------|---|------------------------------|---------------------|
|   |   |                                    | Income capitalisation approach (DCF) | Evolution of EBITDA over initial five year period of projected cash flows FY 2016 - FY 2020 | Pre tax discount rate (WACC) | Capitalisation rate |
| <b>Current use as hotel properties (classified as property, plant and equipment):</b> |   |                                    |                                      |   |                              |                     |
| Corinthia Hotel & Spa Lisbon  | 92,168                                  |                                    |                                      | 7.87  | 1.5                          | 4.64                |
| Corinthia Hotel Budapest  | 95,231                                  |                                    |                                      | 8.20  | 1.5                          | 5.00                |
| Corinthia Hotel Prague  | 74,039                                  |                                    |                                      | 6.85  | 1.5                          | 3.91                |
| Marina Hotel, St George's Bay, Malta  | 22,499                                  |                                    |                                      | 8.96  | 1.5                          | 4.41                |
| Corinthia Hotel, St Petersburg  | 90,729                                  |                                    |                                      | 11.38   | 1.5                          | 6.70                |
| Corinthia Hotel Tripoli   | 86,687                                  |                                    |                                      | 12.32   | 2.0                          | 6.96                |
| <b>Current use as hotel properties (classified as property, plant and equipment):</b> |   |                                    |                                      |   |                              |                     |
| Corinthia Hotel, St George's Bay, Malta   | 27,557                                  | Adjusted sales comparison approach | Sales price per room                 | €118,900  |                              |                     |

**Current use as Commercial Centres (classified as investment property):**

|                                    | Income capitalisation approach (DCF) | Evolution of EBITDA over initial five year period of projected cash flows FY 2016 - FY 2020 | Pre tax discount rate (WACC) % | Growth rate % | Capitalisation rate % |
|------------------------------------|--------------------------------------|---|--------------------------------|---------------|-----------------------|
| Commercial centre in St Petersburg | 77,830                               | €4.7m - €5.7m   | 11.50                          | 3.25          | 8.25                  |
| Commercial Centre in Tripoli       | 68,243                               | €5.1m - €8.2m   | 12.00                          | 3.50          | 8.50                  |

**Current land for commercial use (classified as investment property):**

|                 |                                    |                              |        |
|-----------------|------------------------------------|------------------------------|--------|
| Site in Tripoli | Adjusted sales comparison approach | Sales price per square metre | €2,300 |
|                 |                                    |                              | 29,500 |

### 13. Property, plant and equipment - continued

#### 13.1 Fair valuation of property - continued

As evidenced in the tables above, the highest and best use of the Group properties is equivalent to their current use as at 31 December 2015.

As explained in Note 5 to the financial statements, the future performance of the Group's hotel, the Commercial Centre situated in Tripoli, the Palm City Development and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside. In accordance with the fair valuations as at 31 December 2015 no further impairment charges were deemed necessary in these financial statements, after taking into account the impairment charges of €39.5 million recognised in 2014. As highlighted in Note 5, one of the key assumptions underlying these valuations is the Directors' assumption that the situation in Libya will begin to stabilise towards the latter part of FY 2017. Should the situation begin to stabilise towards the latter part of 2018 instead, assuming a shift of 12 months, the impact on the fair valuation would be an adverse effect of €8.0 million on the carrying amount of the hotel, an insignificant impact on the carrying amount of the Commercial Centre, and an adverse impact of €14.8 million on the valuation of the Palm City Development (50% held through an associate), resulting in a €7.4 million impact to CPHCL).

The sensitivity of the property valuations to possible shifts in key assumptions is illustrated in the table below:

|   | Shift in discount rate<br>(+/- 5%) | Shift in cash flows<br>(EBITDA)<br>(+/- 5%) |
|---|------------------------------------|---|
|   | €'000                              | €'000                                       |
| Corinthia Hotel & Spa Lisbon            | +/- 700                            | +/- 4,500                                   |
| Corinthia Hotel Budapest                | +/- 700                            | +/- 5,200                                   |
| Corinthia Hotel Prague                  | +/- 600                            | +/- 4,100                                   |
| Marina Hotel, St George's Bay, Malta    | +/- 200                            | +/- 1,400                                   |
| Corinthia Hotel, St George's Bay, Malta | +/- 300                            | +/- 1,900                                   |
| Corinthia Hotel, St Petersburg          | +/- 1,000                          | +/- 1,900                                   |
| Corinthia Hotel Tripoli                 | +/- 700                            | +/- 4,300                                   |
| Commercial Centre in St Petersburg      | +/- 1,000                          | +/- 2,600                                   |
| Commercial Centre in Tripoli            | +/- 600                            | +/- 3,400                                   |
| Panorama Hotel Prague                   | +/- 2,700                          | +/- 1,600                                   |
| Aquincum Hotel Budapest                 | +/- 2,900                          | +/- 1,700                                   |
| Ramada Plaza Tunis Hotel                | +/- 1,600                          | +/- 1,200                                   |

#### 13.2 Historic cost basis of hotel properties

If the cost model had been used, the carrying amounts of the revalued properties would be €560.3 million (2014: €556.7 million). The revalued amounts include a revaluation surplus of €182 million before tax (2014: €156 million), which is not available for distribution to the shareholders of CPHCL.

#### 13.3 Use as collateral

Certain tangible fixed assets owned by the Group are hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 22.

**14. Investments in subsidiaries**

The amounts stated in the statement of financial position of the Company are analysed as follows:

|  | The Company    |                                |
|--|----------------|--------------------------------|
|  | 2015<br>€'000  | 2014<br>€'000<br>(as restated) |
| Equity in subsidiary companies (Note 14.2) | <b>373,081</b> | 373,081                        |
| Loans to subsidiary companies              | <b>13,719</b>  | 12,958                         |
| Impairment loss                            | <b>(1,895)</b> | (1,879)                        |
|  | <b>384,905</b> | 384,160                        |

**14.1 Principal subsidiaries**

The Group had the following subsidiaries as at 31 December:

| Subsidiary company | Registered office | Nature of business | Percentage of ownership and voting rights held directly by the Group |      | Percentage of ownership and voting rights held directly by the Company |      | Percentage of ownership and voting rights held by non-controlling interests |      |
|--------------------|-------------------|--------------------|--|------|--|------|---|------|
|                    |                   |                    | 2015   | 2014 | 2015   | 2014 | 2015  | 2014 |
|                    |                   |                    | %  | %    | %  | %    | %   | %    |

**Quoted**

|  |                                    |                    |           |    |           |    |           |    |
|--|------------------------------------|--------------------|-----------|----|-----------|----|-----------|----|
| International Hotel Investments p.l.c. | 22, Europa Centre, Floriana, Malta | Investment Company | <b>59</b> | 59 | <b>59</b> | 59 | <b>41</b> | 41 |
|--|------------------------------------|--------------------|-----------|----|-----------|----|-----------|----|

**Unquoted**

|  |  |                                  |            |     |            |     |           |    |
|--|--|----------------------------------|------------|-----|------------|-----|-----------|----|
| Afina Ag   | CH-4336 Kaisten Eigematt 15 Switzerland                      | Investment Company               | <b>100</b> | 100 | -          | -   | -         | -  |
| Alfa Investimentos Turisticos Lda                    | Avenida Columbana Bordalo Pinheiro Lisboa 1099-031, Portugal | Hotel Owner                      | <b>59</b>  | 59  | -          | -   | <b>41</b> | 41 |
| Amber Hotels s.r.o.                                  | Milevska 7, Prague 4 Czech Republic                          | Hotel Owner and Operator         | <b>100</b> | 100 | <b>100</b> | 100 | -         | -  |
| Benghasir for Construction Company                   | Souk Al Thulatha Al Gadim Tripoli, Libya                     | Project Management services      | <b>90</b>  | -   | -          | -   | <b>20</b> | -  |
| Benghasir Concrete Manufacturing Joint Stock Company | Airport Highway Tripoli, Libya                               | Concrete manufacturer            | <b>90</b>  | -   | -          | -   | <b>20</b> | -  |
| Catering Contractors Limited                         | 22, Europa Centre, Floriana, Malta                           | Restaurant and catering services | <b>100</b> | 100 | <b>100</b> | 100 | -         | -  |

**14. Investments in subsidiaries - continued**

**14.1 Principal subsidiaries - continued**

| Subsidiary Company                        | Registered office  | Nature of business       | Percentage of ownership and voting rights held directly by the Group |        | Percentage of ownership and voting rights held directly by the Company |        | Percentage of ownership and voting rights held by non-controlling interests |        |
|---|--|--------------------------|--|--------|--|--------|---|--------|
|   |  |                          | 2015 %   | 2014 % | 2015 %   | 2014 % | 2015 %  | 2014 % |
| CHI Limited                               | 22, Europa Centre, Floriana, Malta   | Hotel management company | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |
| Comox Enterprises Limited                 | Agiou Nicolau, 41-49, Nimeli Court, Egkomi PC2408, Nicosia, Cyprus               | Investment company       | <b>100</b>   | 100    | <b>100</b>   | 100    | -   | -      |
| Corinthia Company Limited                 | 22, Europa Centre, Floriana, Malta   | Investment company       | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |
| Corinthia Construction (Overseas) Limited | 22, Europa Centre, Floriana, Malta   | Construction company     | <b>100</b>   | 100    | <b>100</b>   | 100    | -   | -      |
| Corinthia Finance p.l.c.                  | 22, Europa Centre, Floriana, Malta   | Investment company       | <b>100</b>   | 100    | <b>100</b>   | 100    | -   | -      |
| Corinthia Investments Limited             | 1, Brentham House 43c High Street Hampton Wick, Kingston-Upon-Thames, Surrey, UK | Investment company       | <b>100</b>   | 100    | <b>100</b>   | 100    | -   | -      |
| Corinthia Palace Holdings Limited         | 22, Europa Centre, Floriana, Malta   | Investment company       | <b>100</b>   | 100    | <b>100</b>   | 100    | -   | -      |
| CPHCL Investments Limited                 | 22, Europa Centre Floriana, Malta  | Investment company       | <b>100</b>   | 100    | <b>100</b>   | 100    | -   | -      |

**14. Investments in subsidiaries - continued**

**14.1 Principal subsidiaries - continued**

| Subsidiary Company                           | Registered office   | Nature of business  | Percentage of ownership and voting rights held directly by the Group |        | Percentage of ownership and voting rights held directly by the Company |        | Percentage of ownership and voting rights held by non-controlling interests |        |
|--|---|---------------------|--|--------|--|--------|---|--------|
|  |   |                     | 2015 %   | 2014 % | 2015 %   | 2014 % | 2015 %  | 2014 % |
| Corinthia Overseas Holdings Limited          | 22, Europa Centre, Floriana, Malta  | Investment company  | 100  | 100    | 100  | 100    | -   | -      |
| Corinthia Panorama s.r.o.                    | Milevska 7, Prague 4, Czech Republic  | Hotel owner         | 100  | 100    | 100  | 100    | -   | -      |
| Corinthia Restaurants Kft                    | 3527 Miskolc Bajcsy Zsilinszky U.17 Budapest, Hungary                       | Property owner      | 100  | 100    | -  | -      | -   | -      |
| Corinthia Services Limited                   | 34, Place de 7 Novembre 1987 Tunis, Tunisia                                 | Non-trading company | 100  | 99     | 100  | 99     | -   | 1      |
| Corinthia Towers Tripoli Limited             | 22, Europa Centre, Floriana, Malta  | Hotel owner         | 59   | 59     | -  | -      | 41  | 41     |
| Corinthia Tunisie sarl                       | Les Cotes de Carthage, Ghammarth, Tunisia                                   | Non-trading company | 100  | 100    | 100  | 100    | -   | -      |
| Corinthia Turizm Yatirimlari ve Ticaret a.s. | Tayyareci Ethem Sokak No.24 Kat4 Daire 13, 80090 Gumussuyu Istanbul, Turkey | Hotel owner         | 100  | 100    | -  | -      | -   | -      |

**14. Investments in subsidiaries - continued**

**14.1 Principal subsidiaries - continued**

| Subsidiary Company   | Registered office                        | Nature of business                          | Percentage of ownership and voting rights held directly by the Group |      | Percentage of ownership and voting rights held directly by the Company |      | Percentage of ownership and voting rights held by non-controlling interests |      |
|--|--|---|--|------|--|------|---|------|
|  |  |   | 2015   | 2014 | 2015   | 2014 | 2015  | 2014 |
|  |  |   | %  | %    | %  | %    | %   | %    |
| Danish Bakery Limited  | 22, Europa Centre, Floriana, Malta       | Bakery                                      | <b>65</b>  | 65   | <b>65</b>  | 65   | <b>35</b>   | 35   |
| D.X. Design Consultancy Ltd  | 22, Europa Centre, Floriana, Malta       | Project management services                 | <b>92</b>  | 92   | -  | -    | <b>8</b>  | 8    |
| Five Star Hotels Limited   | 22, Europa Centre, Floriana, Malta       | Hotel owner                                 | <b>59</b>  | 59   | -  | -    | <b>41</b>   | 41   |
| Flight Catering Company Limited  | 22, Europa Centre, Floriana, Malta       | Inflight services                           | <b>100</b>   | 100  | <b>100</b>   | 100  | -   | -    |
| HNS Consultancy Services Limited                                       | 22, Europa Centre, Floriana, Malta       | Consultancy services                        | <b>100</b>   | 100  | <b>100</b>   | 100  | -   | -    |
| House of Catering for Catering Services Co. Limited                    | Souk Al Thulatha Al Gadim Tripoli, Libya | Catering services                           | <b>90</b>  | -    | -  | -    | <b>10</b>   | -    |
| International Operating and Managing Facilities Establishments Limited | Souk Al Thulatha Al Gadim Tripoli, Libya | Building and facilities management services | <b>90</b>  | -    | -  | -    | <b>10</b>   | -    |

**14. Investments in subsidiaries - continued**

**14.1 Principal subsidiaries - continued**

| Subsidiary Company    | Registered office   | Nature of business | Percentage of ownership and voting rights held directly by the Group |        | Percentage of ownership and voting rights held directly by the Company |        | Percentage of ownership and voting rights held by non-controlling interests |        |
|-----------------------|---|--------------------|--|--------|--|--------|---|--------|
|                       |   |                    | 2015 %   | 2014 % | 2015 %   | 2014 % | 2015 %  | 2014 % |
| IHI Benelux Bv        | Frederick Roeskestraat 123<br>1076 EE<br>Amsterdam<br>P.O. Box 72888<br>1070 AC<br>Amsterdam<br>The Netherlands | Hotel owner        | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |
| IHI Benghazi Limited  | 22, Europa Centre,<br>Floriana, Malta   | Investment company | <b>44</b>  | 44     | -  | -      | <b>66</b>   | 66     |
| IHI Cyprus Limited    | Naousis 1<br>Karapatakis Building<br>6018, Larnaca<br>Cyprus  | Investment company | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |
| IHI Hungary Rt        | 1072, Budapest,<br>Klauzal ter.3,<br>Hungary  | Hotel owner        | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |
| IHI Lisbon Limited    | 22, Europa Centre,<br>Floriana, Malta   | Investment company | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |
| IHI St Petersburg LLC | 1/36 Volynsky per.,<br>St. Petersburg,<br>Russian Federation  | Investment company | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |
| IHI Towers s.r.o      | Kongresova 1655/1<br>1406/69 Praha 5<br>Czech Republic  | Hotel owner        | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |

**14. Investments in subsidiaries - continued**

**14.1 Principal subsidiaries - continued**

| Subsidiary Company                           | Registered office   | Nature of business                     | Percentage of ownership and voting rights held directly by the Group |        | Percentage of ownership and voting rights held directly by the Company |        | Percentage of ownership and voting rights held by non-controlling interests |        |
|--|---|--|--|--------|--|--------|---|--------|
|  |   |  | 2015 %   | 2014 % | 2015 %   | 2014 % | 2015 %  | 2014 % |
| IHI Zagreb d.d.                              | Centar Kaptol, Nova Kes 11, 10000 Zagreb, Croatia                   | Investment company                     | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |
| Internasyonal Turizm ve Otelcilik a.s.       | Osmanli Sokok No.24 Kat 4 Daire 13 80090 Gumussuyu Istanbul, Turkey | Hotel owner                            | <b>100</b>   | 100    | -  | -      | -   | -      |
| Konopiste Property Holding s.r.o.            | Milevska 1695/7 Prague 4 Czech Republic                             | Hotel owner                            | <b>100</b>   | 100    | <b>100</b>   | 100    | -   | -      |
| Libya Holding Development Investments J.S.C. | Benghazi, Libya   | Hotel owner                            | <b>32</b>  | -      | -  | -      | <b>68</b>   | -      |
| Marina San Gorg Limited                      | 22, Europa Centre Floriana, Malta                                   | Hotel owner                            | <b>59</b>  | 59     | -  | -      | <b>41</b>   | 41     |
| Marsa Investments Limited                    | 22, Europa Centre Floriana, Malta                                   | Investment property and hotel operator | <b>100</b>   | 100    | <b>100</b>   | 100    | -   | -      |
| Misurata Holdings Limited                    | 22, Europa Centre Floriana, Malta                                   | Non-trading company                    | <b>100</b>   | 100    | <b>100</b>   | 100    | -   | -      |

**14. Investments in subsidiaries - continued**

**14.1 Principal subsidiaries - continued**

| Subsidiary Company                           | Registered office                                   | Nature of business          | Percentage of ownership and voting rights held directly by the Group |           | Percentage of ownership and voting rights held directly by the Company |           | Percentage of ownership and voting rights held by non-controlling interests |           |
|--|---|-----------------------------|--|-----------|--|-----------|---|-----------|
|  |   |                             | 2015<br>%  | 2014<br>% | 2015<br>%  | 2014<br>% | 2015<br>%   | 2014<br>% |
| QPM Limited                                  | 22, Europa Centre Floriana, Malta                   | Project management services | <b>92</b>  | 92        | <b>80</b>  | 80        | -   | -         |
| Pankrac Property Holdings s.r.o.             | Milevska 1695/7, Prague 4, Czech Republic           | Investment property owner   | <b>100</b>   | -         | <b>100</b>   | -         | -   | -         |
| Palm Waterfront Development Ltd              | 22, Europa Centre Floriana, Malta                   | Non-trading company         | <b>100</b>   | 100       | <b>100</b>   | 100       | -   | -         |
| QPM (Africa) Limited                         | 22, Europa Centre Floriana, Malta                   | Non-trading company         | <b>93</b>  | 93        | <b>20</b>  | 20        | -   | -         |
| Swan Laundry and Drycleaning Company Limited | 22, Europa Centre, Floriana, Malta                  | Laundry company             | <b>100</b>   | 100       | <b>100</b>   | 100       | -   | -         |
| Thermal Hotel Aquincum Rt                    | Arpad Fejedelem Utja 94, H-1036 Budapest Hungary    | Hotel owner                 | <b>100</b>   | 100       | -  | -         | -   | -         |
| Top. Spirit a.s.                             | Milevska 7, 14063 Prague P.O. Box 41 Czech Republic | Investment company          | <b>100</b>   | 100       | <b>100</b>   | 100       | -   | -         |

**14. Investments in subsidiaries - continued**

**14.1 Principal subsidiaries - continued**

| Subsidiary Company           | Registered office  | Nature of business             | Percentage of ownership and voting rights held directly by the Group |      | Percentage of ownership and voting rights held directly by the Company |      | Percentage of ownership and voting rights held by non-controlling interests |      |
|------------------------------|--|--------------------------------|--|------|--|------|---|------|
|                              |  |                                | 2015   | 2014 | 2015   | 2014 | 2015  | 2014 |
|                              |  |                                | %  | %    | %  | %    | %   | %    |
| Island Hotels Group Limited  | Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391 | Holding and management company | <b>59</b>  | -    | -  | -    | <b>41</b>   | -    |
| Bay Point Hotel Limited      | Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391 | Owner and operator of hotel    | <b>59</b>  | -    | -  | -    | <b>41</b>   | -    |
| Bay Point Properties Limited | Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391 | Non-operating                  | <b>59</b>  | -    | -  | -    | <b>41</b>   | -    |
| Bay Point Collection Limited | Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391 | Vacation ownership company     | <b>59</b>  | -    | -  | -    | <b>41</b>   | -    |

**14. Investments in subsidiaries - continued**

**14.1 Principal subsidiaries - continued**

| Subsidiary Company              | Registered office  | Nature of business                  | Percentage of ownership and voting rights held directly by the Group |        | Percentage of ownership and voting rights held directly by the Company |        | Percentage of ownership and voting rights held by non-controlling interests |        |
|---------------------------------|--|-------------------------------------|--|--------|--|--------|---|--------|
|                                 |  |                                     | 2015 %   | 2014 % | 2015 %   | 2014 % | 2015 %  | 2014 % |
| Island Caterers Limited         | Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391 | Event catering company              | 59   | -      | -  | -      | 41  | -      |
| Buttigieg Holdings Limited      | The Penthouse, Papillon Court A, Birbal Street, Balzan BZN 9019                              | Retail catering and holding company | 59   | -      | -  | -      | 41  | -      |
| RJC Caterers Limited            | The Penthouse, Papillon Court A, Birbal Street, Balzan BZN 9019                              | Contract catering company           | 59   | -      | -  | -      | 41  | -      |
| The Heavenly Collection Limited | Radisson Blu Resort & Spa Golden Sands, Golden Bay limits of Mellieha MLH 5510               | Owner of tract land in Golden Bay   | 59   | -      | -  | -      | -   | -      |

**14. Investments in subsidiaries - continued**

**14.1 Principal subsidiaries - continued**

| Subsidiary Company               | Registered office   | Nature of business                | Percentage of ownership and voting rights held directly by the Group |      | Percentage of ownership and voting rights held directly by the Company |      | Percentage of ownership and voting rights held by non-controlling interests |      |
|----------------------------------|---|-----------------------------------|--|------|--|------|---|------|
|                                  |   |                                   | 2015   | 2014 | 2015   | 2014 | 2015  | 2014 |
|                                  |   |                                   | %  | %    | %  | %    | %   | %    |
| The Coffee Company Malta Limited | The Penthouse, Papillon Court A, Birbal Street, Balzan BZN 9019 | Franchise retail catering company | <b>59</b>  | -    | -  | -    | <b>41</b>   | -    |
| The Coffee Company Spain S.L.    | COSTA Diagonal, Avinguda Diagonal, 566, Barcelona 08021         | Franchise retail catering company | <b>59</b>  | -    | -  | -    | 41  | -    |

The total non-controlling interest for the period is €253.6 million, of which €243.2 million is attributable to the IHI Group and €1.4 million is attributable to Danish Bakery Limited. The other non-controlling interests indicated above are not considered material by the Group's Directors.

**14. Investments in subsidiaries - continued**

**14.2 Share in subsidiary companies**

|  | The Company<br>€000 |
|--|---------------------|
| <b>At 1 January 2014</b>                         |                     |
| - As previously reported                         | 382,570             |
| - Effect of restatement in prior years           | (9,489)             |
| - As restated                                    | 373,081             |
| <b>At 31 December 2014</b>                       | 373,081             |
| <b>At 1 January 2015 and at 31 December 2015</b> | 373,081             |

All investments were purchased at the nominal value of shares received i.e. at par, except for Corinthia Construction (Overseas) Limited which was acquired for €3.4 million.

The acquisition of equity in Pankrac Property Holdings s.r.o. amounting to €3.5 million was made through a spin off transaction involving Top Spirit a.s.

**14.3 Subsidiaries with material non-controlling interests**

The Group includes two subsidiaries, Danish Bakery Limited and International Hotel Investments p.l.c. (IHI Group), with material non-controlling interests (NCI):

| Name of subsidiary    | Proportion of ownership interest and voting rights held by NCI |      | Profit/(loss) allocated to NCI |         | Accumulated NCI |         |
|-----------------------|--|------|--------------------------------|---------|-----------------|---------|
|                       | 2015   | 2014 | 2015                           | 2014    | 2015            | 2014    |
|                       | %  | %    | €000                           | €000    | €000            | €000    |
| Danish Bakery Limited | 35   | 35   | 246                            | 259     | 1,413           | 1,167   |
| IHI Group             | 41   | 41   | (1,540)                        | (6,706) | 243,234         | 244,774 |

Dividend paid to NCI of Danish Bakery Limited amounted to €0.2 million (2014: €0.2 million). Dividends paid to the NCI of IHI Group in 2014 amounted to €6.9 million.

**14. Investments in subsidiaries - continued**

**14.3 Subsidiaries with material non-controlling interests - continued**

Summarised financial information for Danish Bakery Limited and IHI Group, before intragroup eliminations, is set out below:

|   | Danish Bakery Limited |         | IHI Group        |           |
|---|-----------------------|---------|------------------|-----------|
|   | 2015                  | 2014    | 2015             | 2014      |
|   | €000                  | €000    | €000             | €000      |
| Non-current assets                            | <b>2,600</b>          | 2,773   | <b>1,091,247</b> | 961,305   |
| Current assets                                | <b>2,826</b>          | 2,244   | <b>68,396</b>    | 50,735    |
| <b>Total assets</b>                           | <b>5,426</b>          | 5,017   | <b>1,159,643</b> | 1,012,040 |
| Non-current liabilities                       | <b>(364)</b>          | (423)   | <b>(451,356)</b> | (354,402) |
| Current liabilities                           | <b>(1,674)</b>        | (1,261) | <b>(99,999)</b>  | (62,824)  |
| <b>Total liabilities</b>                      | <b>(2,038)</b>        | (1,684) | <b>(551,355)</b> | (417,226) |
| <b>Equity attributable to owners of CPHCL</b> | <b>2,202</b>          | 2,166   | <b>358,890</b>   | 349,410   |
| <b>Non-controlling interests</b>              | <b>1,186</b>          | 1,167   | <b>249,398</b>   | 245,404   |

|  | Danish Bakery Limited |       | IHI Group      |          |
|--|-----------------------|-------|----------------|----------|
|  | 2015                  | 2014  | 2015           | 2014     |
|  | €000                  | €000  | €000           | €000     |
| <b>Revenue</b>   | <b>5,891</b>          | 5,464 | <b>134,074</b> | 116,379  |
| Profit/(loss) for the year attributable to owners of the parent                        | <b>458</b>            | 482   | <b>(2,207)</b> | (9,562)  |
| Profit/(loss) for the year attributable to NCI   | <b>246</b>            | 259   | <b>(1,540)</b> | (6,706)  |
| <b>Profit/(loss) for the year</b>  | <b>704</b>            | 741   | <b>(3,747)</b> | (16,268) |
| Other comprehensive income attributable to owners of the parent                        | -                     | -     | <b>8,772</b>   | 351      |
| Other comprehensive income attributable to NCI   | -                     | -     | <b>6,124</b>   | 246      |
| <b>Other comprehensive income for the year</b>   | -                     | -     | <b>14,896</b>  | 597      |
| Total comprehensive income/(expense) for the year attributable to owners of the parent | <b>458</b>            | 482   | <b>6,566</b>   | (9,211)  |
| Total comprehensive income/(expense) for the year attributable to NCI                  | <b>246</b>            | 259   | <b>4,583</b>   | (6,460)  |
| <b>Total comprehensive income for the year</b>   | <b>704</b>            | 741   | <b>11,149</b>  | (15,671) |

**14. Investments in subsidiaries - continued**

**14.3 Subsidiaries with material non-controlling interests - continued**

|                                       | Danish Bakery Limited |              | IHI Group       |              |
|---------------------------------------|-----------------------|--------------|-----------------|--------------|
|                                       | 2015<br>€000          | 2014<br>€000 | 2015<br>€000    | 2014<br>€000 |
| Net cash from operating activities    | <b>1,589</b>          | 1,565        | <b>29,502</b>   | 30,016       |
| Net cash used in investing activities | <b>(512)</b>          | (583)        | <b>(28,555)</b> | (4,190)      |
| Net cash used in financing activities | <b>(1,071)</b>        | (859)        | <b>(7,133)</b>  | (13,467)     |
| <b>Net cash inflow (outflow)</b>      | <b>6</b>              | 123          | <b>(6,186)</b>  | 12,359       |

**Impairment**

The carrying amount of the investment in and loan to Corinthia Tunisie Sarl were found to be impaired in 2009 and a total impairment loss of €1.9 million has been recognised in the income statement of CPHCL by the end of 2014.

In 2013, the Company recognised an impairment on the investments in B.C.W. Limited and Comox Enterprises Limited amounting to €12,000 and €1,000 respectively.

There has been no impairment in the carrying values of other investments.

**15. Other investments**

**15.1. Investments accounted for using the equity method**

The amounts recognised in the consolidated statement of financial position are as follows:

|                       | The Group      |               |
|-----------------------|----------------|---------------|
|                       | 2015<br>€'000  | 2014<br>€'000 |
| Associates            | <b>84,735</b>  | 81,532        |
| Joint ventures        | <b>255,574</b> | 202,745       |
| <b>At 31 December</b> | <b>340,309</b> | 284,277       |

**15. Other investments - continued**

**15.1. Investments accounted for using the equity method - continued**

The amounts recognised in the consolidated income statement are as follows:

|                       | The Group      |                 |
|-----------------------|----------------|-----------------|
|                       | 2015           | 2014            |
|                       | €'000          | €'000           |
| Associates            | (1,778)        | (14,509)        |
| Joint ventures        | (2,115)        | (14,566)        |
| <b>At 31 December</b> | <b>(3,893)</b> | <b>(29,075)</b> |

The Group, through IHI p.l.c., holds 29% of the ordinary shares and voting rights of NLI Holdings Limited ("NLI"). During the financial period up to 31 December 2014, this investment was classified as an investment in associate in the Group's financial statements, on the basis that the Group held significant influence in the investment.

During the current year, management has reassessed its level of involvement in NLI Holdings Limited. It has concluded that NLI is a jointly controlled investment, with IHI holding 50% of the issued share capital, and all decisions requiring the unanimous consent of the parties involved for all relevant activities. NLI is structured as a limited liability company and provides the Group and the parties to the agreements with the rights to the net assets of the limited company under the arrangement. Therefore, the investment in NLI has been classified as an investment in joint venture. This classification has been reflected retrospectively in the Group's financial statements. The change in classification has not impacted recognition and measurement of the investment and has had no impact on the Group's financial statements.

**15.2 Investments in associates and joint ventures**

The amounts recognised in the Company's statement of financial position are as follows:

|                             | The Company   |        |
|-----------------------------|---------------|--------|
|                             | 2015          | 2014   |
|                             | €'000         | €'000  |
| Associates - at 31 December | <b>25,856</b> | 25,856 |

**15.3 Investments in associates**

The amounts stated in the statement of financial position of the Group and Company are analysed as follows:

|  | The Group     |        | The Company   |        |
|--|---------------|--------|---------------|--------|
|  | 2015          | 2014   | 2015          | 2014   |
|  | €'000         | €'000  | €'000         | €'000  |
| Share in associate companies (note 15.3.1) | <b>76,821</b> | 77,155 | <b>24,094</b> | 24,094 |
| Loans to associate companies               | <b>7,914</b>  | 4,389  | <b>1,762</b>  | 1,774  |
| Impairment loss                            | -             | (12)   | -             | (12)   |
|  | <b>84,735</b> | 81,532 | <b>25,856</b> | 25,856 |

**15. Other investments - continued**

**15.3 Investments in associates - continued**

**15.3.1 Equity in associate companies - continued**

|                                     | The Group      |               | The Company   |               |
|-------------------------------------|----------------|---------------|---------------|---------------|
|                                     | 2015<br>€'000  | 2014<br>€'000 | 2015<br>€'000 | 2014<br>€'000 |
| <b>At 1 January</b>                 | <b>77,155</b>  | 88,464        | <b>24,094</b> | 24,094        |
| Additions                           | <b>336</b>     | -             | -             | -             |
| Share of results                    | <b>(1,778)</b> | (14,509)      | -             | -             |
| Share of other comprehensive income | <b>416</b>     | 11,757        | -             | -             |
| Exchange differences                | <b>692</b>     | (8,557)       | -             | -             |
| <b>At 31 December</b>               | <b>76,821</b>  | 77,155        | <b>24,094</b> | 24,094        |

Set out below are the associates of the Group as at 31 December 2015 and 31 December 2014. The associates listed below have share capital consisting solely of ordinary shares.

| Company name                | Registered office   | Nature of business  | % of ownership interest held by |           |             |           |
|-----------------------------|---|---------------------|---------------------------------|-----------|-------------|-----------|
|                             |   |                     | The Group                       |           | The Company |           |
|                             |   |                     | 2015<br>%                       | 2014<br>% | 2015<br>%   | 2014<br>% |
| Atkins Travel Limited       | Towngate House, 2, Parkstone Road, Poole, Dorset BH15 2PJ<br>United Kingdom | Tour operator       | <b>43</b>                       | 43        | -           | -         |
| B.C.W. Limited              | 3, Princess Elizabeth Terrace, Ta' Xbiex, Malta                             | Non-trading         | <b>33</b>                       | 33        | <b>33</b>   | 33        |
| Café Jubilee Zrt            | 1055 Budapest, Szent Istvan krt. 13, Hungary                                | Restaurant and café | <b>50</b>                       | 50        | <b>50</b>   | 50        |
| CaterMax Limited            | 22 Europa Centre, Floriana, Malta   | Catering services   | <b>50</b>                       | 50        | -           | -         |
| INI Hotels Holdings Limited | Naousis 1 Karapatakis Building 6018, Larnaca Cyprus                         | Investment          | <b>29</b>                       | 29        | -           | -         |

**15. Other investments - continued**

**15.3 Investments in associates - continued**

**15.3.1 Equity in associate companies - continued**

| Company name                                   | Registered office   | Nature of business                       | % of ownership interest held by |      |             |      |
|--|---|--|---------------------------------|------|-------------|------|
|  |   |  | The Group                       |      | The Company |      |
|  |   |  | 2015                            | 2014 | 2015        | 2014 |
|  |   |  | %                               | %    | %           | %    |
| INI Hotels Management Company Limited          | Naousis 1<br>Karapatakis Building<br>6018, Larnaca Cyprus                     | Investment                               | <b>29</b>                       | 29   | -           | -    |
| Malta Fairs and Conventions Centre Limited     | Millenium Stand,<br>Level 1, 33, National Stadium, Ta' Qali                   | Trade conference and leisure conventions | <b>50</b>                       | 50   | -           | -    |
| Medina Towers J.S.C.                           | Suite 107, Tower 2,<br>Level 10<br>Burj Al Fateh,<br>Tripoli, Libya           | Owns the Medina Towers Project           | <b>27</b>                       | 27   | -           | -    |
| Mediterranean Investments Holding p.l.c.       | 22, Europa Centre,<br>Floriana, Malta   | Investment                               | <b>50</b>                       | 50   | <b>50</b>   | 50   |
| Norm Turizm Yatirim Isletmeleri a.s.           | Mobucan Yokusu,<br>17/2 Findikli,<br>Istanbul, Turkey                         | Hotel owner                              | <b>40</b>                       | 40   | -           | -    |
| Palm City Limited                              | 22, Europa Centre,<br>Floriana, Malta   | Property development and operator        | <b>50</b>                       | 50   | -           | -    |
| Palm Waterfront Limited                        | 22, Europa Centre,<br>Floriana, Malta   | Property development and operator        | <b>50</b>                       | 50   | -           | -    |
| Scalotel-Sociedade Escalabitana Hoteleira s.a. | Avenida Madre<br>Andaluz Freguesia de Marvila, Cancelho de Santarem, Portugal | Hotel owner                              | <b>41</b>                       | 41   | -           | -    |

All associates are private companies and there is no quoted market price available for its shares.

Refer to Note 30 for a summary of a contingent liability relating to Medina Towers J.S.C. (Libya), an associate of the Group.

**15. Other investments - continued**

**15.3.2 Summarised financial information for material associates**

Summarised financial information of the material associate is included in the table below:

|                                   | Medina Towers J.S.C. |               |
|-----------------------------------|----------------------|---------------|
|                                   | 2015                 | 2014          |
|                                   | €000                 | €000          |
| Non-current assets                | 43,907               | 38,465        |
| Current assets                    | 12,439               | 12,589        |
| <b>Total assets</b>               | <b>56,346</b>        | <b>51,054</b> |
| Current liabilities               | 862                  | 521           |
| <b>Total liabilities</b>          | <b>862</b>           | <b>521</b>    |
| <b>Revenue</b>                    | <b>-</b>             | <b>-</b>      |
| <b>(Loss)/profit for the year</b> | <b>(1,771)</b>       | <b>19</b>     |
| <b>Other comprehensive income</b> | <b>-</b>             | <b>-</b>      |
| <b>Total comprehensive income</b> | <b>(1,771)</b>       | <b>19</b>     |

|                                   | Mediterranean<br>Investments Holdings<br>p.l.c. Group |                  |
|-----------------------------------|---|------------------|
|                                   | 2015  | 2014             |
|                                   | €000  | €000             |
| Non-current assets                | 273,423   | 271,876          |
| Current assets                    | 10,394  | 18,936           |
| <b>Total assets</b>               | <b>283,817</b>  | <b>290,812</b>   |
| Non-current liabilities           | (128,731)   | (106,265)        |
| Current liabilities               | (16,589)  | (46,500)         |
| <b>Total liabilities</b>          | <b>(145,320)</b>                                      | <b>(152,765)</b> |
| <b>Revenue</b>                    | <b>11,340</b>   | <b>30,091</b>    |
| <b>Loss for the year</b>          | <b>(383)</b>  | <b>(28,092)</b>  |
| <b>Other comprehensive income</b> | <b>831</b>  | <b>-</b>         |
| <b>Total comprehensive income</b> | <b>448</b>  | <b>(28,092)</b>  |

15. Other investments - continued

15.3.3 Summarised financial information of associate companies that are not individually material

|                                   | 2015<br>€000 | 2014<br>€000 |
|-----------------------------------|--------------|--------------|
| Loss for the year                 | (960)        | (123)        |
| Other comprehensive income        | -            | 1,084        |
| <b>Total comprehensive income</b> | <b>(960)</b> | <b>961</b>   |

15.4 Investments in joint ventures

The balance of the Group's investments in associates at 31 December comprises the following:

|  | The Group      |                | The Company   |               |
|--|----------------|----------------|---------------|---------------|
|  | 2015<br>€'000  | 2014<br>€'000  | 2015<br>€'000 | 2014<br>€'000 |
| Equity in joint ventures (Note 15.4.1) | 252,168        | 199,535        | -             | -             |
| Loans to joint ventures                | 3,406          | 3,210          | -             | -             |
| <b>At 31 December</b>                  | <b>255,574</b> | <b>202,745</b> | <b>-</b>      | <b>-</b>      |

15.4.1 Equity in joint ventures

|  | The Group      |                | The Company   |               |
|--|----------------|----------------|---------------|---------------|
|  | 2015<br>€'000  | 2014<br>€'000  | 2015<br>€'000 | 2014<br>€'000 |
| <b>At 1 January</b>  | <b>199,535</b> | 188,461        | -             | -             |
| Acquisition of subsidiary (Note 3)   | 39,597         | -              | -             | -             |
| Derecognition of investment in joint venture following stepped acquisition (Note 31) | (1,072)        | -              | -             | -             |
| Share of results   | (2,115)        | (14,566)       | -             | -             |
| Share of other comprehensive income  | 9,676          | 7,707          | -             | -             |
| Exchange differences   | 6,547          | 17,933         | -             | -             |
| <b>At 31 December</b>  | <b>252,168</b> | <b>199,535</b> | <b>-</b>      | <b>-</b>      |

**15. Other investments - continued**

**15.4.1 Equity in joint ventures - continued**

Set out below are the significant joint ventures of the Group as at 31 December 2015 and 31 December 2014. The joint ventures listed below have share capital consisting solely of ordinary shares, which are held by the Group through IHI p.l.c.

| Company name                | Registered office   | Nature of business   | % of ownership interest held by the Group |      |
|-----------------------------|---|--|---|------|
|                             |   |  | % ownership 2015                          | 2014 |
| NLI Holding Limited         | CTV House<br>La Pouquelaye<br>St Helier<br>Jersey                                     | Parent company of a group that owns and operates the Corinthia Hotel London and 10 Whitehall Place in London, UK | 29  | 29   |
| NLI Hotels Limited          | CTV House<br>La Pouquelaye<br>St Helier<br>Jersey                                     | Owns the Corinthia Hotel London, UK  | 29  | 29   |
| NLI Penthouse Limited       | CTV House<br>La Pouquelaye<br>St Helier<br>Jersey                                     | Owns apartment 12, 10 Whitehall Place  | 29  | 29   |
| NLI Finance Limited         | CTV House<br>La Pouquelaye<br>St Helier<br>Jersey                                     | Provision of finance to companies within the NLI Holdings Limited group structure.                               | 29  | 29   |
| NLI Operator Limited        | CTV House<br>La Pouquelaye<br>St Helier<br>Jersey                                     | Operates Corinthia Hotel London, a five star luxury hotel  | 29  | 29   |
| Golden Sands Resort Limited | The Radisson SAS Hotel<br>Golden Resort 7<br>Spa<br>Golden Bay<br>I/o Mellieha, Malta |  | 29  | -    |

**15. Other investments - continued**

**15.4.1 Equity in joint ventures - continued**

| Company name                | Registered office   | Nature of business                 | % of ownership interest held by the Group |      |
|-----------------------------|---|------------------------------------|---|------|
|                             |   |                                    | % ownership 2015                          | 2014 |
| Azure Services Limited      | Suite 1, Level 2, TG Complex<br>Brewery Street<br>Mriehel, Malta  | Marketing and promotional services | 29  | -    |
| Azure Ultra Limited         | Level 3, Valletta Buildings, South Street, Valletta   | Luxury yacht leasing               | 29  | -    |
| Vacation Financial Limited  | 325, Waterfront Drive Omar Holding Building<br>2 <sup>nd</sup> Floor Wickham's Cay Road Town<br>Tortola, British Birgin Islands | Financing of vacation ownership    | 29  | -    |
| Heathfield Overseas Limited | 325, Waterfront Drive Omar Holding Building<br>2 <sup>nd</sup> Floor Wickham's Cay Road Town<br>Tortola, British Birgin Islands | Payment solutions                  | 29  | -    |
| Azure Resorts Limited       | 325, Waterfront Drive Omar Holding Building<br>2 <sup>nd</sup> Floor Wickham's Cay Road Town<br>Tortola, British Birgin Islands | Vacation ownership selling agent   | 29  | -    |

**15. Other investments - continued**

**15.4.1 Equity in joint ventures - continued**

| Company name                 | Registered office   | Nature of business                 | % of ownership interest held by the Group |      |
|------------------------------|---|------------------------------------|---|------|
|                              |   |                                    | % ownership 2015                          | 2014 |
| Brooksfield Overseas Limited | 325, Waterfront Drive Omar Holding Building 2 <sup>nd</sup> Floor Wickham's Cay Road Town Tortola, British Birgin Islands | Marketing and promotional services | 29  | -    |
| Medi International Limited   | 325, Waterfront Drive Omar Holding Building 2 <sup>nd</sup> Floor Wickham's Cay Road Town Tortola, British Birgin Islands | Internal financing                 | 29  | -    |
| MKIC Limited                 | Montekristo Estates Hal Farrug Road Luqa, Malta   | Non-trading                        | 29  | -    |

All joint ventures are private companies and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

The directors consider NLI Holding Limited and Golden Sands Resort to be material joint ventures of the Group.

*(i) Hotel and vacation ownership at Golden Sands Resort(GSR) – Golden Sands Resort Group (GSR)*

This joint venture includes the Group's investment in Golden Sands Resort Limited and Azure Resorts Group (made up of Azure Resorts Limited, Azure Services Limited, Azure Ultra Limited, Vacation Financial Limited, Heathfield Overseas Limited, Brooksfield Overseas Limited, Medi International Limited). Together these companies are engaged in the operation and management of a combined vacation ownership and hotel operation of "The Radisson SAS Golden Sands Resort and Spa", a 5-star resort situated in Golden Sands and which are collectively referred to as the Golden Sands Resort Group.

The Group's shares in Golden Sands Resort Limited have been pledged in favour of credit institutions in relation to banking facilities granted to the Group.

**15. Other investments - continued**

**15.4.1 Equity in joint ventures - continued**

*(ii) NLI Holdings Group*

This joint venture includes the Group's and the Company's investment in NLI Holdings Limited and its subsidiary undertakings (made up of NLI Hotels Limited, NLI Penthouse Limited, NLI Finance Limited and NLI Operator Limited). Together these companies own and operate the Corinthia London Hotel.

**15.4.2 Summarised financial information for material joint ventures**

Summarised financial information of material joint ventures is set out below:

|   | NLI Holdings Group |         | Golden Sands Resort Group |
|---|--------------------|---------|---------------------------|
|   | 2015               | 2014    | 2015                      |
|   | €000               | €000    | €000                      |
| Cash and cash equivalents   | <b>7,919</b>       | 2,694   | <b>4,422</b>              |
| Non-current assets  | <b>631,360</b>     | 592,333 | <b>65,343</b>             |
| Current assets  | <b>9,937</b>       | 9,604   | <b>20,230</b>             |
| <b>Total assets</b>   | <b>649,216</b>     | 604,631 | <b>89,995</b>             |
| Current financial liabilities (excluding trade and other payables and provisions)     | <b>9,660</b>       | 6,164   | <b>4,974</b>              |
| Current liabilities   | <b>26,846</b>      | 26,801  | <b>18,803</b>             |
| Non-current financial liabilities (excluding trade and other payables and provisions) | <b>171,522</b>     | 163,795 | <b>34,803</b>             |
| Non-current liabilities   | <b>171,522</b>     | 163,795 | <b>34,803</b>             |
| <b>Total liabilities</b>  | <b>198,368</b>     | 190,596 | <b>53,606</b>             |

**15. Other investments - continued**

**15.4.2 Summarised financial information for material joint ventures - continued**

Summarised financial information of material joint ventures is set out below:

|                               | NLI Holdings Group |          | Golden Sands Resort Group |
|-------------------------------|--------------------|----------|---------------------------|
|                               | 2015               | 2014     | 2015                      |
|                               | €000               | €000     | €000                      |
| Revenue                       | <b>72,373</b>      | 59,368   | <b>42,483</b>             |
| Depreciation and amortisation | <b>(15,332)</b>    | (13,383) | <b>3,781</b>              |
| Interest income               | <b>9</b>           | -        | <b>648</b>                |
| Interest expense              | <b>(5,951)</b>     | (6,534)  | <b>841</b>                |
| (Loss)/profit for the year    | <b>(6,401)</b>     | (27,616) | <b>6,843</b>              |
| Income tax (expense)/income   | <b>(1,684)</b>     | (1,290)  | <b>1,057</b>              |
| Other comprehensive income    | <b>19,351</b>      | 37,181   | <b>1,403</b>              |
| Total comprehensive income    | <b>11,266</b>      | 8,275    | <b>9,303</b>              |
| Dividends received            | -                  | -        | <b>2,582</b>              |

**16. Inventories**

|                       | The Group    |       | The Company |      |
|-----------------------|--------------|-------|-------------|------|
|                       | 2015         | 2014  | 2015        | 2014 |
|                       | €000         | €000  | €000        | €000 |
| Food and beverages    | <b>1,849</b> | 927   | <b>74</b>   | 79   |
| Consumables and other | <b>5,856</b> | 5,887 | <b>220</b>  | 187  |
| Goods held for resale | <b>217</b>   | 110   | -           | -    |
| Loose tools           | <b>210</b>   | 135   | -           | -    |
| Work-in-progress      | <b>345</b>   | 320   | -           | -    |
|                       | <b>8,477</b> | 7,379 | <b>294</b>  | 266  |

**17. Trade and other receivables**

|                                    | The Group      |         | The Company   |        |
|------------------------------------|----------------|---------|---------------|--------|
|                                    | 2015           | 2014    | 2015          | 2014   |
|                                    | €000           | €000    | €000          | €000   |
| Trade receivables                  | <b>22,458</b>  | 20,485  | <b>1,831</b>  | 1,615  |
| Provision for impairment           | <b>(4,768)</b> | (4,640) | <b>(737)</b>  | (674)  |
|                                    | <b>17,690</b>  | 15,845  | <b>1,094</b>  | 941    |
| Amounts owed by:                   |                |         |               |        |
| - Subsidiary companies             | -              | -       | <b>9,684</b>  | 11,704 |
| - Associate companies              | <b>2,744</b>   | 5,072   | <b>1,360</b>  | 881    |
| - Other related parties            | -              | -       | -             | -      |
| Other receivables                  | <b>14,390</b>  | 2,082   | <b>2,120</b>  | 301    |
| Accrued income                     | <b>5,066</b>   | 4,266   | <b>216</b>    | 185    |
| <b>Financial assets</b>            | <b>39,890</b>  | 27,265  | <b>14,474</b> | 14,012 |
| Prepayments                        | <b>7,178</b>   | 7,831   | <b>1,393</b>  | 1,873  |
| <b>Total receivables – current</b> | <b>47,068</b>  | 35,096  | <b>15,867</b> | 15,885 |

Amounts owed by related parties are unsecured, interest free and repayable on demand.

The carrying values of trade and other receivables are considered to be a reasonable approximation of fair value.

**18. Cash and cash equivalents**

Cash and cash equivalents include the following components:

|  | The Group       |          | The Company    |         |
|--|-----------------|----------|----------------|---------|
|  | 2015            | 2014     | 2015           | 2014    |
|  | €'000           | €'000    | €'000          | €'000   |
| Cash and bank balances:                        |                 |          |                |         |
| Current  | <b>27,544</b>   | 26,404   | <b>83</b>      | 154     |
| Cash and cash equivalents in the balance sheet | <b>27,544</b>   | 26,404   | <b>83</b>      | 154     |
| Bank overdraft                                 | <b>(10,730)</b> | (10,313) | <b>(9,122)</b> | (8,367) |
| <b>Cash and cash equivalents</b>               | <b>16,814</b>   | 16,091   | <b>(9,039)</b> | (8,213) |

The bank balances include amounts of €4.6 million (2014 - €4.6 million) set aside by four subsidiary companies for debt servicing requirements and €1.3 million (2014 - €1.7 million) set aside by another subsidiary for capital expenditure purposes.

**19. Share capital**

|  | The Group     |        | The Company   |        |
|--|---------------|--------|---------------|--------|
|  | 2015          | 2014   | 2015          | 2014   |
|  | €'000         | €'000  | €'000         | €'000  |
| <b>Authorised, issued and fully paid</b> |               |        |               |        |
| 20,000,000 ordinary shares at €1 each    | <b>20,000</b> | 20,000 | <b>20,000</b> | 20,000 |

**19.1 Shareholder rights**

Shareholders are entitled to vote at shareholders' meetings of the Company on the basis of one vote for each share held. They are entitled to receive dividends as declared from time to time. The shares in issue shall, at all times, rank pari passu with respect to any distribution whether of dividends or capital, in a winding up or otherwise.

**20. Other reserves**

The balance on other reserves, which is not available for distribution, represents profits not realised at balance sheet date including those arising from foreign exchange translations and revaluations of property, net of tax.

| The Group  | Translation reserve | Revaluation reserve | Other equity components | Total          |
|--|---------------------|---------------------|-------------------------|----------------|
|  | €000                | €000                | €000                    | €000           |
| At 1 January 2014  | 48,615              | 152,196             | 10,205                  | 211,016        |
| Reclassifications to retained earnings                           | -                   | (1,782)             | (792)                   | (2,574)        |
| Net revaluation/(impairment) of properties                       | -                   | 5,495               | -                       | 5,495          |
| Exchange difference arising from translating foreign operations: |                     |                     |                         |                |
| - on net assets, excluding deferred tax                          | 2,779               | -                   | -                       | 2,779          |
| Current year gains   | -                   | -                   | 733                     | 733            |
| <b>At 31 December 2014</b>                                       | <b>51,394</b>       | <b>155,909</b>      | <b>10,146</b>           | <b>217,449</b> |
| At 1 January 2015  | 51,394              | 155,909             | 10,146                  | 217,449        |
| Reclassifications to retained earnings                           | (6)                 | (1,165)             | -                       | (1,171)        |
| Net revaluation/(impairment) of properties                       | -                   | 27,362              | -                       | 27,362         |
| Exchange difference arising from translating foreign operations: |                     |                     |                         |                |
| - on net assets, excluding deferred tax                          | (3,437)             | -                   | -                       | (3,437)        |
| Dilution of interest in IHI Group upon acquisition of IHGH Group | -                   | -                   | 605                     | 605            |
| Other  | -                   | -                   | 690                     | 690            |
| Current year gains   | -                   | 60                  | 368                     | 428            |
| <b>At 31 December 2015</b>                                       | <b>47,951</b>       | <b>182,166</b>      | <b>11,809</b>           | <b>241,926</b> |

**20. Other reserves - continued**

| The Company   | Translation<br>reserve<br>€000 | Revaluation<br>reserve<br>€000 | Total<br>€000 |
|---|--------------------------------|--------------------------------|---------------|
| At 1 January 2014   | 3,882                          | 16,335                         | 20,217        |
| Reclassifications to retained earnings                              | -                              | (127)                          | (127)         |
| Exchange difference arising from<br>translating foreign operations: |                                |                                |               |
| - on net assets, excluding deferred tax                             | (932)                          | -                              | (932)         |
| <b>At 31 December 2014</b>  | <b>2,950</b>                   | <b>16,208</b>                  | <b>19,158</b> |
| <br>  |                                |                                |               |
| <b>At 1 January 2015 and at 31 December 2015</b>                    | <b>2,950</b>                   | <b>16,208</b>                  | <b>19,158</b> |

**21. Retained earnings**

The loss for the year has been transferred to retained earnings as set out in the statements of changes in equity.

**22. Bank borrowings**

|                                    | The Group      |              | The Company   |              |
|------------------------------------|----------------|--------------|---------------|--------------|
|                                    | 2015<br>€000   | 2014<br>€000 | 2015<br>€000  | 2014<br>€000 |
| Bank overdraft                     | 10,730         | 10,313       | 9,122         | 8,367        |
| Bank loans                         | 255,370        | 253,634      | 5,225         | 8,219        |
|                                    | <b>266,100</b> | 263,947      | <b>14,347</b> | 16,586       |
| <br>                               |                |              |               |              |
| <b>Comprising:</b>                 |                |              |               |              |
| <b>Non-current bank borrowings</b> |                |              |               |              |
| Bank loans due within 2 - 5 years  | 138,069        | 122,133      | 3,515         | 4,841        |
| Bank loans due later than 5 years  | 89,415         | 102,635      | -             | -            |
|                                    | <b>227,484</b> | 224,768      | <b>3,515</b>  | 4,841        |
| <br>                               |                |              |               |              |
| <b>Current bank borrowings</b>     |                |              |               |              |
| Bank overdraft                     | 10,730         | 10,313       | 9,122         | 8,367        |
| Bank loans due within 1 year       | 27,886         | 28,866       | 1,710         | 3,378        |
|                                    | <b>38,616</b>  | 39,179       | <b>10,832</b> | 11,745       |

**22. Bank borrowings - continued**

Bank borrowings are subject to variable interest rates linked to Euribor, other reference rates or bank base rates with a weighted average interest rate of 4.28% annually at 31 December 2015 (2014: 4.08% annually).

These facilities are secured by general and special hypothecs on the Group's assets, privileges on certain assets and guarantees given by related parties, as well as pledges over the shares in subsidiaries and joint ventures.

The carrying amount of bank borrowings is considered a reasonable approximation of fair value based on discounted cash flows, taking cognisance of the variable interest nature of the principal borrowings.

**23. Bonds**

**23.1 Bonds in issue**

| The Group               | 2015<br>€000   | 2014<br>€000 |
|-------------------------|----------------|--------------|
| <i>Redeemable bonds</i> |                |              |
| Bond 7                  | -              | 34,762       |
| Bond 8                  | <b>39,994</b>  | 39,928       |
| Bond 9                  | <b>24,695</b>  | 24,641       |
| Bond 10                 | <b>19,676</b>  | 19,633       |
| Bond 11                 | <b>7,513</b>   | 7,500        |
| Bond 12                 | <b>9,887</b>   | 9,876        |
| Bond 13                 | <b>44,060</b>  | -            |
| Bond 14                 | <b>14,000</b>  | -            |
| Bond 15                 | <b>34,384</b>  | -            |
|                         | <b>194,209</b> | 136,340      |
| Non-current             | <b>194,209</b> | 136,340      |
| Current                 | -              | -            |
|                         | <b>194,209</b> | 136,340      |

**23. Bonds - continued**

**23.1 Bonds in issue - continued**

(i) The Group has the following bonds in issue:

|                         | Issuing company | Year of issue | Nominal amount<br>€'000 | Rate of interest<br>% | Maturity date     | Redemption option period |
|-------------------------|-----------------|---------------|-------------------------|-----------------------|-------------------|--------------------------|
| <i>Redeemable bonds</i> |                 |               |                         |                       |                   |                          |
|                         | Corinthia       |               |                         |                       |                   |                          |
| Bond 8                  | Finance plc     | 2010          | 40,000                  | 6.25                  | 23 September 2019 | -                        |
| Bond 9                  | IHI plc         | 2010          | 25,000                  | 6.25                  | 8 April 2020      | 2017-2020                |
| Bond 10                 | IHI plc         | 2012          | 20,000                  | 5.80                  | 21 December 2021  | -                        |
|                         | Corinthia       |               |                         |                       |                   |                          |
| Bond 11                 | Finance plc     | 2012          | 7,500                   | 6.00                  | 29 March 2022     | 2019-2022                |
| Bond 12                 | IHI plc         | 2013          | 10,000                  | 5.80                  | 14 November 2023  | -                        |
| Bond 13                 | IHI plc         | 2015          | 45,000                  | 5.75                  | 13 May 2025       | -                        |
| Bond 14                 | IHGH plc        | 2009          | 14,000                  | 6.50                  | 30 June 2019      | 2017-2019                |
| Bond 15                 | IHGH plc        | 2014          | 35,000                  | 6.00                  | 15 May 2024       | -                        |

The bonds constitute the general direct unconditional, unsecured and unsubordinated obligations of the issuing companies and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations of the issuing companies.

In the case of bonds 9, 11 and 14 the Company has the right to redeem the bond or any part thereof at any time prior to the stated maturity date during the redemption option period.

**(ii) Interest**

Interest is payable annually in arrears on the due date.

**(iii) Security**

The bonds constitute the general, direct, unconditional, unsecured and unsubordinated obligations of the Company and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations of the Company.

**(iv) Sinking funds**

The prospectus for bonds 8, 9, 10, 11 and 14 provides for the setting up of a sinking fund administered by a trustee to cover 50% of the repayment of the bonds on maturity. By 31 December 2015 the amounts set aside for this purpose totalled €6.5 million (2014 - €10.4 million). In March and April 2016 the Company transferred a further amount of €1.7 million and €0.8 million respectively to satisfy the requirements of the Listing Authority Policy Guidelines on Sinking Funds for the redemption of bonds.

**23. Bonds - continued**

**23.1 Bonds in issue - continued**

**(v) The carrying amount of the bonds is as follows:**

|                                   | Bond 7   | Bond 8        | Bond 9        | Bond 10       | Bond 11      | Bond 12      | Bond 13       | Bond 14       | Bond 15       |
|-----------------------------------|----------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|
| At 1 January 2014                 | 34,678   | 39,967        | 24,758        | 19,592        | 7,500        | 9,865        | -             | -             | -             |
| Cash settlement                   | -        | -             | (168)         | -             | -            | -            | -             | -             | -             |
| Amortisation of transaction costs | 84       | (39)          | 51            | 41            | -            | 11           | -             | -             | -             |
| At 31 December 2014               | 34,762   | 39,928        | 24,641        | 19,633        | 7,500        | 9,876        | -             | -             | -             |
| Allocation to new bond issue      | (35,000) | -             | -             | -             | -            | -            | 35,000        | -             | -             |
| Proceeds from issue               | -        | -             | -             | -             | -            | -            | 10,000        | -             | -             |
| Acquisition of subsidiary         | -        | -             | -             | -             | -            | -            | -             | 14,000        | 34,347        |
| Amortisation of transaction costs | 34       | 66            | 54            | 43            | 13           | 11           | 47            | -             | 37            |
| Issue costs                       | -        | -             | -             | -             | -            | -            | (783)         | -             | -             |
| Reallocation of transaction costs | 204      | -             | -             | -             | -            | -            | (204)         | -             | -             |
| <b>At 31 December 2015</b>        | <b>-</b> | <b>39,994</b> | <b>24,695</b> | <b>19,676</b> | <b>7,513</b> | <b>9,887</b> | <b>44,060</b> | <b>14,000</b> | <b>34,384</b> |

The market price of bonds in issue is as follows:

|         | 2015<br>€     | 2014<br>€ |
|---------|---------------|-----------|
| Bond 7  | -             | 100.50    |
| Bond 8  | <b>103.99</b> | 103.00    |
| Bond 9  | <b>105.50</b> | 103.00    |
| Bond 10 | <b>108.50</b> | 103.00    |
| Bond 11 | <b>106.50</b> | 103.53    |
| Bond 12 | <b>108.50</b> | 102.50    |
| Bond 13 | <b>106.50</b> | -         |
| Bond 14 | <b>103.50</b> | -         |
| Bond 15 | <b>108.50</b> | -         |

**23. Bonds - continued**

**23.2 Investments held by trustees**

Investment held by trustees comprise the following:

| The Group                        | 2015<br>€000 | 2014<br>€000 |
|----------------------------------|--------------|--------------|
| AFS financial assets:            |              |              |
| - Malta Government Stocks        | 1,062        | 5,406        |
| Loans and receivables:           |              |              |
| - Interest-bearing bank accounts | 5,420        | 5,005        |
|                                  | 6,482        | 10,411       |

The Malta Government Stocks are publicly traded in Malta. Fair values of these stocks have been estimated by reference to quoted bid prices in active markets at the reporting date.

**24. Other borrowings**

|                         | The Group    |              | The Company  |              |
|-------------------------|--------------|--------------|--------------|--------------|
|                         | 2015<br>€000 | 2014<br>€000 | 2015<br>€000 | 2014<br>€000 |
| Shareholders' loans     | 22,356       | 20,565       | 20,523       | 19,954       |
| Loans from associates   | 5,419        | -            | -            | -            |
| Loans from subsidiaries | -            | -            | 119,417      | 114,077      |
|                         | 27,775       | 20,565       | 139,940      | 134,031      |
| Non-current             | 24,193       | 19,954       | 128,305      | 127,161      |
| Current                 | 3,582        | 611          | 11,635       | 6,870        |
|                         | 27,775       | 20,565       | 139,940      | 134,031      |

|                  | €'000  | Interest Rate | Repayable by              |
|------------------|--------|---------------|---------------------------|
| <b>The Group</b> |        |               |                           |
|                  | 1,833  | 3.5%          | 31st December 2016        |
|                  | 20,523 | 6%            | After more than 1 year    |
|                  | 218    | -             | Obligation – Lease        |
|                  | 4,500  | 3.7%          | Due by end of 2018        |
|                  | 694    | 5%            | Due by the end of January |
|                  |        |               | 2017                      |
|                  | 4      | 2%            | On Demand                 |
|                  | 3      | 6%            | On Demand                 |
|                  | 27,775 |               |                           |

**24. Other borrowings - continued**

|                    | €'000          | Interest Rate                         | Repayable by           |
|--------------------|----------------|---------------------------------------|------------------------|
| <b>The Company</b> |                |                                       |                        |
|                    | 20,523         | 6%                                    | After more than 1 year |
|                    | 4,315          | 6.40/6.60%                            | In 2016                |
|                    | 6,920          | 3.65%                                 | In 2016                |
|                    | 400            | 5%                                    | In 2016                |
|                    | 33,775         | 6.6%                                  | 7 September 2019       |
|                    | 7,080          | 6.4%                                  | 14 March 2022          |
|                    | 17,379         | 3.25% Over 3 Month Euribor            | After more than 5 year |
|                    | 312            | Non Interest Bearing                  | After more than 1 year |
|                    | 9,512          | 1.50% Over 6 Month Euribor            | After more than 1 year |
|                    | 11,643         | 1.20% Over 0.05% over 3 Month Euribor | After more than 1 year |
|                    | 28,081         | 0.05% over 3 Month Pribor             | After more than 1 year |
|                    | <u>139,940</u> |                                       |                        |

**25. Indemnification liabilities**

|                       | <b>The Company</b>   |               |
|-----------------------|----------------------|---------------|
|                       | 2015                 | 2014          |
|                       | €'000                | €'000         |
| At 1 January          | <b>21,687</b>        | 22,566        |
| Change in fair value  | <b>551</b>           | (879)         |
| <b>At 31 December</b> | <b><u>22,238</u></b> | <u>21,687</u> |

In view of group tax relief provisions applicable in Malta any tax due by CPHCL on the transfer of the shares in IHI Towers s.r.o (IHIT) and Corinthia Towers Tripoli Limited (CTTL) to International Hotel Investments p.l.c. (IHI) affected in 2007 was deferred. This tax will only become due in the eventuality that IHI sells the shares in IHIT and/or CTTL and/or their underlying properties outside the Group. In accordance with the indemnity agreement prepared at the time of the acquisition, CPHCL has indemnified IHI for future tax the latter may incur should IHI sell the shares or the underlying properties outside the Group. This indemnity will be equivalent to the tax that will be due by IHI on the gain that was untaxed in the hands of CPHCL. The indemnity has no time limit and has a maximum value of €45 million.

The indemnity agreement provides that in the event of a sale of the shares in IHIT and/or CTTL and/or their underlying properties outside the group, CPHCL will be liable for the tax that will be due on the gain that was exempt in the hands of CPHCL at the time of the sale. Since it is certain that reimbursements will be received from CPHCL if IHI settles the obligation, the reimbursements have been recognised and treated as separate assets.

On the sale of its shares in Marina San Gorg Limited (MSG) to IHI in 2013, CPHCL provided a tax indemnity to IHI. The sales contract was exempt from taxation on the basis that share capital of MSG was transferred rather than the hotel property. Should IHI dispose of the hotel property, it may become liable to tax that it would not have become liable to pay had CPHCL transferred the hotel property as opposed to the transfer of the issued share capital. The indemnity agreement provides that in this event, CPHCL will indemnify against any tax which IHI may incur or sustain up to a maximum of €4.8 million. The indemnity shall automatically expire on 13 February 2019.

**26. Deferred tax assets and liabilities**

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period.

The balance at 31 December represents temporary differences attributable to:

| The Group   | Assets        |               | Liabilities   |               | Net           |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2015<br>€'000 | 2014<br>€'000 | 2015<br>€'000 | 2014<br>€'000 | 2015<br>€'000 | 2014<br>€'000 |
| Excess of tax base over carrying amount of tangible and intangible fixed assets | 470           | 1,479         | (45,961)      | (35,863)      | (45,491)      | (34,384)      |
| Provision for doubtful debts  | 793           | 43            | -             | -             | 793           | 43            |
| Unrelieved tax losses and unabsorbed capital allowances                         | 35,439        | 3,249         | -             | -             | 35,439        | 3,249         |
| Fair valuation of investment property   | -             | -             | (17,523)      | -             | (17,523)      | -             |
| Intangible assets   | -             | -             | (244)         | (5,277)       | (244)         | (5,277)       |
| Investment in subsidiary  | -             | -             | -             | (5,150)       | -             | (5,150)       |
| Investment in joint ventures  | -             | -             | (27,385)      | (24,006)      | (27,385)      | (24,006)      |
| Investment in associate   | 101           | -             | -             | -             | 101           | -             |
| Revaluation of land, building and investment property                           | -             | -             | (85,425)      | (53,177)      | (85,425)      | (53,177)      |
| Other   | 22,395        | 26,091        | -             | -             | 22,395        | 26,091        |
| Tax assets/(liabilities)  | 59,198        | 30,862        | (176,538)     | (123,473)     | (117,340)     | (92,611)      |
| Offsetting  | (54,362)      | (26,048)      | 54,362        | 26,048        | -             | -             |
| Net tax assets/(liabilities)  | 4,836         | 4,814         | (122,176)     | (97,425)      | (117,340)     | (92,611)      |

| The Company   | Assets        |               | Liabilities   |               | Net           |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2015<br>€'000 | 2014<br>€'000 | 2015<br>€'000 | 2014<br>€'000 | 2015<br>€'000 | 2014<br>€'000 |
| Revaluation of land, buildings and investment property  | -             | -             | (3,072)       | (3,072)       | (3,072)       | (3,072)       |
| Unrelieved tax losses and unabsorbed capital allowances | 2,863         | 2,795         | -             | -             | 2,863         | 2,795         |
| Tax assets/(liabilities)                                | 2,863         | 2,795         | (3,072)       | (3,072)       | (209)         | (277)         |

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period.

The movement on the Group's deferred tax assets and liabilities during the year, without taking into consideration offsetting of balances, is as follows:

**26. Deferred tax assets and liabilities - continued**

| The Group   | Balance         | Recognised | Recognised      | Acquisition     | Balance                 |
|---|-----------------|------------|-----------------|-----------------|-------------------------|
|   | 1.1.2015        | in profit  | in other        | of subsidiary   | 31.12.2015              |
|   | €'000           | or loss    | comprehensive   | of subsidiary   | 31.12.2015              |
|   | €'000           | €'000      | income          | €'000           | €'000                   |
|   |                 |            | €'000           |                 |                         |
| Excess of tax base over carrying amount of tangible and intangible fixed assets | (34,384)        | (11,113)   | 6               | -               | <b>(45,491)</b>         |
| Revaluation of land, buildings and investment property                          | (53,177)        | (25,983)   | (10,697)        | (13,091)        | <b>(102,948)</b>        |
| Intangible assets   | (5,277)         | 6,125      | -               | (1,092)         | <b>(244)</b>            |
| Investments in associates   | -               | -          | 101             | -               | <b>101</b>              |
| Investments in joint ventures   | (24,006)        | (209)      | (3,170)         | -               | <b>(27,385)</b>         |
| Unrelieved tax losses and capital allowances                                    | 3,249           | 30,195     | -               | 1,995           | <b>35,439</b>           |
| Provision on trade receivables  | 43              | 750        | -               | -               | <b>793</b>              |
| Others  | 20,941          | 440        | 1,682           | (668)           | <b>22,395</b>           |
|   | <u>(92,611)</u> | <u>205</u> | <u>(12,078)</u> | <u>(12,856)</u> | <u><b>(117,340)</b></u> |

The movement on the Company's deferred tax assets and liabilities during the year, without taking into consideration offsetting of balances, is as follows:

| The Company                                  | Balance  | Recognised | Balance      |
|--|----------|------------|--------------|
|  | 1.1.2015 | in profit  | 31.12.2015   |
|  | €'000    | or loss    | €'000        |
|  | €'000    | €'000      | €'000        |
| Unrelieved tax losses and capital allowances | 2,795    | (68)       | <b>2,863</b> |

**26. Deferred tax assets and liabilities - continued**

**Unrecognised deferred tax assets**

Deferred income taxes are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of €20.4 million (2014: €10.5 million), in respect of losses amounting to €80.3 million (2014: €42 million) that can be carried forward against future taxable income. There were no unrecognised deferred income tax assets that could be carried forward against future taxable income as at 31 December 2015.

Tax losses as expire as follows:

|               | The Group |       |
|---------------|-----------|-------|
|               | 2015      | 2014  |
|               | €'000     | €'000 |
| <b>Expiry</b> |           |       |
| 2015          | -         | 5,078 |
| 2016          | -         | -     |
| 2017          | -         | 2,742 |
| 2018          | -         | 592   |
| 2019          | -         | -     |
| 2020          | -         | -     |
|               | -         | 8,412 |

**Unrecognised deferred tax assets**

Deferred income taxes are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of €18.3 million (2014: €18.7 million), in respect of losses amounting to €73.1 million (2014: €74 million) that can be carried forward against future taxable income. There were no unrecognised deferred income tax assets that could be carried forward against future taxable income as at 31 December 2015.

**27. Trade and other payables**

|                                     | The Group     |               | The Company   |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | 2015          | 2014          | 2015          | 2014          |
|                                     | €000          | €000          | €000          | €000          |
| <b>Non-current</b>                  |               |               |               |               |
| Trade payables                      | 275           | -             | -             | -             |
| Other payables                      | 6,001         | 4,721         | -             | -             |
| <b>Financial liabilities</b>        | <b>6,276</b>  | <b>4,721</b>  | <b>-</b>      | <b>-</b>      |
| Advance payments                    | 74            | -             | -             | -             |
| <b>Total payables – non-current</b> | <b>6,350</b>  | <b>4,721</b>  | <b>-</b>      | <b>-</b>      |
| <b>Current</b>                      |               |               |               |               |
| Trade payables                      | 21,569        | 13,992        | 2,180         | 1,449         |
| Amounts owed to:                    |               |               |               |               |
| Subsidiary companies                | -             | -             | 14,340        | 7,658         |
| Associate companies                 | 442           | 483           | 296           | 278           |
| Joint ventures                      | 721           | -             | -             | -             |
| Other related parties               | 4             | -             | -             | -             |
| Other payables                      | 39,077        | 3,563         | 292           | 677           |
| Accrued expenses                    | 28,352        | 21,012        | 5,233         | 3,441         |
| <b>Financial liabilities</b>        | <b>90,165</b> | <b>39,050</b> | <b>22,341</b> | <b>13,503</b> |
| Advance deposits                    | 6,032         | 6,387         | -             | 63            |
| Statutory liabilities               | 1,157         | 4,221         | 109           | 209           |
| <b>Total payables – current</b>     | <b>97,354</b> | <b>49,658</b> | <b>22,450</b> | <b>13,775</b> |

Amounts owed to related parties are unsecured, interest free and repayable on demand.

The Group's other payables comprise an amount of €23.3 million in respect of the deferred component of the purchase consideration of the acquisition of Island Hotels Group Holdings p.l.c. The settlement of the deferred component, due on 10 August 2016, is partly due in cash (€16.8 million) and partly due in 6,507,168 shares of IHI which will be issued to the previous shareholders of Island Hotels Group Holdings p.l.c. (Note 31). The settlement of the deferred consideration in shares is subject to a number of completion conditions, which if not met, may result in IHI issuing a number of shares which is different from the contracted amount. Accordingly, the directors have assessed that the 'fixed-for-fixed' condition was not met and have therefore classified this component of the consideration as a liability in these financial statements.

The carrying amount of trade and other payables is considered a reasonable approximation of fair value.

**28. Cash flow information**

|  | The Group     |               | The Company   |                |
|--|---------------|---------------|---------------|----------------|
|  | 2015          | 2014          | 2015          | 2014           |
|  | €000          | €000          | €000          | €000           |
|  | (as restated) |               | (as restated) |                |
| <b>Adjustments:</b>                                    |               |               |               |                |
| Amortisation of intangible assets                      | 1,181         | 627           | -             | -              |
| Depreciation of property, plant and equipment          | 25,486        | 23,502        | 1,005         | 1,029          |
| Loss on disposal of property, plant and equipment      | -             | 14            | -             | 4              |
| Net impairment losses on property, plant and equipment | 4,693         | 6,968         | -             | 15             |
| Impairment loss on investments                         | -             | -             | 148           | 624            |
| Fair value movements on investment properties          | (273)         | 14,629        | -             | -              |
| Share of results of associates and joint ventures      | 3,893         | 29,075        | -             | -              |
| Movement in indemnification liabilities                | -             | -             | 551           | (879)          |
| Gain on sale of assets held for sale                   | -             | (938)         | -             | -              |
| Provision for doubtful debts                           | 64            | 1,081         | 63            | 19             |
| Impairment of receivables                              | 200           | -             | -             | -              |
| Interest income  | (758)         | (2,718)       | (753)         | (426)          |
| Interest expense                                       | 28,950        | 19,323        | 6,182         | 6,668          |
| Dividend income  | -             | (71)          | -             | (15,458)       |
| Other  | 2             | (950)         | -             | (220)          |
|  | <b>64,520</b> | <b>90,542</b> | <b>7,196</b>  | <b>(8,624)</b> |

*Significant non-cash transactions*

The principal non-cash transaction during 2015 is the issue of shares as consideration for the acquisition of the Island Hotels Group Holdings p.l.c. group discussed in Note 31.

**29. Commitments**

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

|  | The Group     |        |
|--|---------------|--------|
|  | 2015          | 2014   |
|  | €'000         | €'000  |
| Contracted for:                        |               |        |
| Property, plant and equipment          | <b>4,652</b>  | 4,922  |
| Authorised but not yet contracted for: |               |        |
| Property, plant and equipment          | <b>45,707</b> | 42,000 |
|  | <b>50,359</b> | 46,922 |

**29. Commitments - continued**

**Operating leases**

The future aggregate minimum lease payments under non-cancellable property operating leases are as follows:

|                            | The Group     |               |
|----------------------------|---------------|---------------|
|                            | 2015          | 2014          |
|                            | €'000         | €'000         |
| Less than one year         | 2,924         | 137           |
| Between one and five years | 7,454         | 565           |
| More than five years       | 22,906        | 15,457        |
|                            | <b>33,284</b> | <b>16,159</b> |

The above lease rental arise on the temporary emphyteusis for a period of 99 years in relation to the land underlying the Corinthia Hotel St George's Bay, the Marina Hotel St George's Bay, and the Radisson SAS Bay Point Hotel.

During the year ended 2015, €0.5 million (2014: €0.4 million) and €0.1 million (2014: €0.1 million) for the Group and Company respectively were recognised as an expense in the income statement in respect of operating leases.

**30. Contingencies**

The Company, together with a related company, is a co-defendant in court proceedings against them for unpaid professional fees of €3.2 million.

In addition, a further claim in relation to brokerage fees on the sale of Lisbon Hotel to IHI in 2000 amounting to €1.7 million is being made by an individual against 8 defendants including IHI p.l.c.

No provision has been made in these financial statements as the Company believes that it has a strong defence in respect of these claims.

Additionally, the Group and the Company have the following guarantees:

| The Group  | 2015           | 2014          |
|--|----------------|---------------|
|  | €000           | €000          |
| Guarantees given to secure bank facilities for related companies | 155,782        | 16,741        |
|  | <b>155,782</b> | <b>16,741</b> |

| The Company  | 2015          | 2014          |
|--|---------------|---------------|
|  | €000          | €000          |
| Guarantees given to secure bonds                                 | 20,000        | 45,055        |
| Guarantees given to secure bank facilities for related companies | 16,644        | 51,357        |
|  | <b>36,644</b> | <b>96,412</b> |

### 31. Business combinations and other changes to the Group

#### 31.1 Business combinations

On 1 July 2015, the Group's subsidiary company IHI p.l.c. ("IHI") acquired 100% of the share capital of Island Hotels Group Holdings p.l.c. and its subsidiaries (together referred to as the "IHGH Group"), a group in the hospitality and catering industry, operating in Malta. The Group, through its interest in the IHI Group, effectively acquired a controlling interest of 58.5% of the IHGH Group.

As a result of the acquisition, the Group is expecting to increase its presence in the hospitality and catering markets. The goodwill of €1,315,000 arising from the acquisition is attributable to cost synergies expected from combining the operations of the IHI Group and IHGH Group.

Subsequently, on 17 December 2015, the Group, through its subsidiary company IHGH, effectively acquired a 58.5% controlling interest in the share capital of The Heavenly Collection Limited ("THCL"), a company whose main asset comprises a plot of land for which development plans have been set. Prior to acquiring this controlling interest, the investment in THCL was previously a joint venture held by the IHGH Group. The effective interest held by the Group in THCL prior this acquisition was 29.25%.

No goodwill or gain on bargain purchase arose as at the date of acquisition of THCL as the consideration paid for the acquisition was equal to the fair value of net assets acquired. Accordingly, no gain or loss was recognised in the Group's income statement as a result of remeasuring at fair value its equity interest in THCL.

The following table summarises the consideration paid for the above-mentioned acquisitions, the fair value of assets acquired and the liabilities assumed at the acquisition dates.

| The Group   | IHGH<br>Group<br>€'000 | THCL<br>€'000 | Total<br>€'000 |
|---|------------------------|---------------|----------------|
| <b>Consideration at 1 July 2015 and 17 December 2015</b>              |                        |               |                |
| Cash  | 21,441                 | 913           | 22,354         |
| Cash (deferred component)   | 16,802                 | -             | 16,802         |
| Equity instruments (9.2m ordinary shares)                             | 7,954                  | -             | 7,954          |
| <b>Total consideration transferred</b>                                | <b>46,197</b>          | <b>913</b>    | <b>47,110</b>  |
| Fair value of equity interest in THCL before the business combination | -                      | 913           | 913            |
| <b>Total consideration</b>  | <b>46,197</b>          | <b>1,826</b>  | <b>48,023</b>  |

**31. Business combinations and other changes to the Group - continued**

**31.1 Business combinations - continued**

| The Group   | IHGH<br>Group<br>€'000 | THCL<br>€'000 | Total<br>€'000 |
|---|------------------------|---------------|----------------|
| <b>Recognised amounts of identifiable assets acquired and liabilities assumed</b> |                        |               |                |
| Cash and cash equivalents   | 7,693                  | -             | 7,693          |
| Property, plant and equipment   | 43,182                 | 21,576        | 64,758         |
| Intangible asset  | 12,883                 | -             | 12,883         |
| Investments accounted for using the equity method                                 | 39,597                 | -             | 39,597         |
| Inventories   | 1,642                  | -             | 1,642          |
| Loans and receivables   | 6,388                  | -             | 6,388          |
| Trade and other receivables   | 17,415                 | 73            | 17,488         |
| Current income tax assets   | 331                    | 4             | 335            |
| Trade and other payables  | (12,922)               | (1,353)       | (14,275)       |
| Current income tax liabilities  | (108)                  | -             | (108)          |
| Liabilities of joint venture classified as held-for-sale                          | (302)                  | -             | (302)          |
| Other financial liabilities   | (48,945)               | -             | (48,945)       |
| Borrowings  | (10,735)               | (16,855)      | (27,590)       |
| Deferred tax liabilities  | (11,237)               | (1,619)       | (12,856)       |
| <b>Total identifiable net assets</b>  | <b>44,882</b>          | <b>1,826</b>  | <b>46,708</b>  |
| <b>Goodwill</b>   | <b>1,315</b>           | <b>-</b>      | <b>1,315</b>   |
| <b>Total</b>  | <b>46,197</b>          | <b>1,826</b>  | <b>48,023</b>  |

**Purchase consideration – cash outflow**

| The Group  | IHGH<br>Group<br>€'000 | THCL<br>€'000 | Total<br>€'000 |
|--|------------------------|---------------|----------------|
| <b>Outflow of cash to acquire subsidiary, net of cash acquired</b> |                        |               |                |
| Cash consideration   | 21,441                 | 913           | 22,354         |
| Less: Balances acquired  |                        |               |                |
| Cash   | 7,693                  | -             | 7,693          |
| Bank overdraft   | (1,937)                | (87)          | (2,024)        |
|  | <u>5,756</u>           | <u>(87)</u>   | <u>5,669</u>   |
| <b>Net outflow of cash – investing activities</b>                  | <b>15,685</b>          | <b>1,000</b>  | <b>16,685</b>  |

### **31. Business combinations and other changes to the Group - continued**

#### **31.1 Business combinations - continued**

##### **Acquisition of IHGH Group**

Acquisition related costs of €286,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2015.

The consideration for the acquisition of the IHGH Group by IHI comprised a combination of cash consideration and issuance of new shares in IHI.

The deferred consideration of €16.8 million is payable within one year. The liability was discounted using a discount rate of 3%. Up to 4,600,000 shares in IHI are pledged in favour of the previous shareholder of IHGH Group as security for default on the deferred consideration.

As part of the share component of the consideration, IHI was required to issue a total of 9,195 thousand ordinary shares to the previous shareholders of the IHGH Group. 2,687 thousand shares were issued on 10 August 2015, whilst the remainder (6,508 thousand shares) are issuable on 10 August 2016. The issuance of 2,687 shares of IHI to non-controlling interests resulted in a dilution in the Group's proportion of ownership in IHI (refer to Note 31.2).

The fair value of the 9,195 thousand ordinary shares as part of the consideration for the IHGH Group (€8 million) was based on the published share price of IHI on 1 July 2015.

The carrying amount of trade and other receivables acquired as at the date of acquisition is a good approximation of their fair value. The amount includes trade receivables of €2.1 million, none of which is expected to be uncollectible.

The revenue included in the consolidated income statement since 1 July 2015 contributed by IHGH Group was €17.6 million. IHGH Group also contributed to profit of €2.5 million over the same period.

Had IHGH Group been consolidated from 1 January 2015, the consolidated income statement would show pro-forma revenue of €140.9 million and loss of €2.4 million. The pro-forma figures include the results of the IHGH Group for the accounting period from 1 November 2014 to 31 December 2015 (14 months). The directors do not consider the effect of the months from 1 November 2014 to 31 December 2014 to be material to these consolidated financial statements. Additionally, the accounting reference period of the IHGH Group was changed from 30 October to 31 December for the purposes of aligning the year end with that of its parent company.

##### **Acquisition of THCL**

Acquisition related costs of €192k have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2015.

The Directors do not consider that the revenue included in the consolidated income statement since 17 December 2015, contributed by THCL, and the profit contributed over the same period, to be material to these consolidated financial statements.

In view of its limited level of operations, had THCL been consolidated from 1 January 2015, pro-forma revenue and profit would not be materially different than the amount reported in these consolidated financial statements.

**31. Business combinations and other changes to the Group - continued**

**31.2 Transactions with non-controlling interests**

**Dilution of interest in a subsidiary without loss of control**

As explained above, on 1 July 2015, IHI issued 2,687 thousand shares to the previous shareholders of IHGH Group.

As a result, the Group's interest in IHI was effectively diluted by 0.28% from 58.78% held prior to acquisition to 58.5%. The increase in the carrying amount of the non-controlling interest as at the date of the acquisition, amounting to €1.7 million, represents 0.28% of the Group's net assets at that date. The effect of changes in the ownership interest of IHI Group on the equity attributable to owners of the Group during the year is summarised as follows:

|  | 2015<br>€'000 |
|--|---------------|
| Fair value of equity instruments issued to non-controlling interests | 2,325         |
| Increase in carrying amount of non-controlling interests             | (1,720)       |
| Adjustment recognised within Group's equity                          | <u>605</u>    |

There were no transactions with non-controlling interest during 2014.

**32. Related parties**

All companies controlled, jointly controlled or significantly influenced by CPHCL are considered to be related parties; a list of these companies is included in Notes 14 and 15. Related parties also comprise the shareholders of CPHCL together with the Group companies' key management personnel.

Key management personnel includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is disclosed in Note 33.1.

None of the transactions incorporate special terms and conditions and, no guarantees were given or received. Transactions with related companies are generally effected on a cost plus basis or on the basis of pre-agreed arrangements. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in Notes 17, 24 and 27.

**32. Related parties - continued**

|                            | The Group    |       | The Company  |       |
|----------------------------|--------------|-------|--------------|-------|
|                            | 2015         | 2014  | 2015         | 2014  |
|                            | €'000        | €'000 | €'000        | €'000 |
| <b>Revenue</b>             |              |       |              |       |
| Services rendered to:      |              |       |              |       |
| Associates                 | <b>5,938</b> | 3,726 | <b>293</b>   | 300   |
| Related companies          | <b>315</b>   | 321   | <b>315</b>   | 321   |
|                            | <b>6,253</b> | 3,726 | <b>608</b>   | 621   |
| <b>Financing</b>           |              |       |              |       |
| Interest receivable        |              |       |              |       |
| Subsidiaries               | -            | -     | <b>138</b>   | 338   |
| Associates                 | <b>80</b>    | 80    | <b>80</b>    | 80    |
| Other related parties      | -            | -     | -            | -     |
| Interest payable           |              |       |              |       |
| Subsidiaries               | -            | -     | <b>4,260</b> | 4,108 |
| Associates                 | -            | 10    | -            | 10    |
| Shareholders' loan         | <b>1,182</b> | 1,092 | <b>1,182</b> | 1,092 |
|                            | <b>1,262</b> | 1,182 | <b>5,660</b> | 5,628 |
| <b>Purchases and sales</b> | -            | -     | <b>1,600</b> | 1,251 |

**32.1 Transactions with key management personnel**

In addition to the remuneration paid to the Directors included in Note 6, in the course of its operations the Group has a number of arrangements in place with its officers, executives and other related parties whereby concessions are made available for hospitality services rendered to them according to accepted industry norms.

In 2015, the remuneration of the executive directors and senior executives of the Company and its subsidiaries amounted to €5.5 million (2014: €5.0 million).

**33. Risk management objectives and policies**

The Group is exposed to various risks through its use of financial instruments. The main types of risks are market risk, credit risk and liquidity risk, which result from both its operating and investing activities. The Group's risk management is coordinated at its head office, in close co-operation with the board of directors and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**33. Risk management objectives and policies - continued**

The audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The most significant financial risks to which the Group is exposed to are described below. See also note 33.5 for a summary of the Group's financial assets and liabilities by category.

**33.1 Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from related parties and customers. The Group's exposure to credit risk is measured by reference to the carrying amount of financial assets recognised at the statement of financial position date, as summarised below:

|   | The Group      |         | The Company   |        |
|---|----------------|---------|---------------|--------|
|   | 2015           | 2014    | 2015          | 2014   |
|   | €'000          | €'000   | €'000         | €'000  |
| Loans and receivables:                                |                |         |               |        |
| Trade and other receivables                           | <b>44,658</b>  | 31,905  | <b>15,211</b> | 14,686 |
| Cash at bank  | <b>27,544</b>  | 26,404  | <b>83</b>     | 154    |
| Assets held by trustee placed under trust arrangement | <b>6,482</b>   | 10,411  | -             | -      |
| Gross exposure  | <b>78,684</b>  | 68,720  | <b>15,294</b> | 14,840 |
| Provision for impairment                              | <b>(4,768)</b> | (4,460) | <b>(737)</b>  | (674)  |
| Net exposure  | <b>73,916</b>  | 64,260  | <b>14,557</b> | 14,166 |

The maximum exposure to credit risk at the end of the reporting period in respect of financial assets mentioned above is equivalent to their gross carrying amount as disclosed in the respective notes to the financial statements. The Group does not hold any significant collateral in this respect.

The subsidiary companies within the Group have, over the years, conducted business with various corporates, tour operators and individuals located in different jurisdictions and, owing to the spread of the Group's debtor base, there is no concentration of credit risk.

The Group has a credit policy in place under which new customers are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a cash basis.

In monitoring customer credit risk, customers are individually assessed. Customers that are graded as "high risk" are placed on a restricted customer list and future sales are only made on a prepayment basis.

The Group does not require collateral in respect of trade and other receivables. The Group establishes an allowance for doubtful recoveries that represents its estimate of losses in respect of trade and other receivables.

**33. Risk management objectives and policies - continued**

**33.1 Credit risk - continued**

The Company has a concentration of credit risk on its exposures to loans receivables from the subsidiaries. The Company monitors intra-Group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Company assesses the credit quality of these related parties taking into account financial positions, performance and other factors. The Company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default. Accordingly, credit risk with respect to these receivables is expected to be limited.

The ageing of past due trade receivables at the reporting date was:

|                        | The Group      |                |
|------------------------|----------------|----------------|
|                        | 2015<br>€'000  | 2014<br>€'000  |
| Past due 0-30 days     | 4,138          | 1,706          |
| Past due 31-120 days   | 3,519          | 3,330          |
| Past due 121-360 days  | 2,570          | 5,414          |
| More than one year     | 7,350          | 5,802          |
| <b>Gross amount</b>    | <b>17,586</b>  | <b>16,252</b>  |
| Past due 0-30 days     | (20)           | -              |
| Past due 31-120 days   | (162)          | (98)           |
| Past due 121-360 days  | (1,314)        | (2,555)        |
| More than one year     | (3,272)        | (1,987)        |
| <b>Impaired amount</b> | <b>(4,768)</b> | <b>(4,640)</b> |
| <b>Net amount</b>      | <b>15,752</b>  | <b>15,845</b>  |

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

|                              | The Group     |               | The Company   |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 2015<br>€'000 | 2014<br>€'000 | 2015<br>€'000 | 2014<br>€'000 |
| At 1 January                 | 4,640         | 6,970         | 674           | 655           |
| Written-off balances         | (224)         | (3,330)       | -             | -             |
| Impairment losses recognised | 364           | 1,081         | 63            | 19            |
| Impairment losses reversed   | (14)          | (85)          | -             | -             |
| Exchange differences         | -             | 4             | -             | -             |
| <b>At 31 December</b>        | <b>4,768</b>  | <b>4,640</b>  | <b>737</b>    | <b>674</b>    |

The individually impaired receivables mainly relate to a number of independent customers, which are in unexpectedly difficult economic situations. Reversals of provisions for impairment arise in those situations where customers recover from unfavourable circumstances.

All impaired balances were unsecured.

**33. Risk management objectives and policies - continued**

**33.1 Credit risk - continued**

Based on historic default rates, the Group believes that no impairment loss is necessary in respect of trade receivables not past due or on the remaining portion of debtors which have not been provided for which are past due by up to 120 days as these amounts relate to customers that have a good track record with the Group.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group considers that no recovery of the amount owed is possible at which point the amounts are considered irrecoverable and are written off against the receivable directly.

***Cash at bank***

The Group's cash is placed with quality financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the companies within the Group.

Management considers that, other than impaired financial assets, all of the above financial assets for each of the reporting dates under review are of good credit quality, including those that are past due.

**33.2 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions. Liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

The Group actively manages its cash flow requirements. Management monitors liquidity risk by reviewing expected cash flows through cash flow forecasts, covering both Head Office corporate cash flows and all Group entities' cash flows, financing facilities are expected to be required. This is performed at a central treasury function, which controls the overall liquidity requirements of the Group within certain parameters. Each subsidiary company within the Group updates its cash flow on a monthly basis. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financing or borrowing obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably forecasted.

The Group's liquidity risk is actively managed taking cognisance of the matching of operational cash inflows and outflows arising from expected maturities of financial instruments, attributable to the Group's different operations, together with the Group's committed bank borrowing facilities and other financing that it can access to meet liquidity needs. The Group also reviews periodically its presence in the local capital markets and considers actively the disposal of non-core assets to secure potential cash inflows constituting a buffer for liquidity management purposes.

**33. Risk management objectives and policies - continued**

**33.2 Liquidity risk - continued**

At 31 December 2015 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

| The Group                | Current<br>Within 1<br>year<br>€'000 | Non-current<br>1-5 years<br>€'000 | Non-current<br>More than<br>5 years<br>€'000 |
|--------------------------|--------------------------------------|-----------------------------------|--|
| <b>31 December 2015</b>  |                                      |                                   |  |
| Bank borrowings          | 51,433                               | 232,040                           | 90,521                                       |
| Bonds                    | 11,848                               | 129,156                           | 132,498                                      |
| Other borrowings         | 3,199                                | 26,209                            | -  |
| Trade and other payables | 90,669                               | 6,276                             | -  |
|                          | <b>157,149</b>                       | <b>393,681</b>                    | <b>223,019</b>                               |

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

| The Group                | Current<br>Within 1<br>year<br>€'000 | Non-current<br>1-5 years<br>€'000 | Non-current<br>More than<br>5 years<br>€'000 |
|--------------------------|--------------------------------------|-----------------------------------|--|
| <b>31 December 2014</b>  |                                      |                                   |  |
| Bank borrowings          | 39,836                               | 180,323                           | 112,662                                      |
| Bonds                    | 7,054                                | 116,600                           | 60,031                                       |
| Other borrowings         | 5,512                                | 20,570                            | -  |
| Trade and other payables | 39,050                               | 4,271                             | -  |
|                          | <b>91,542</b>                        | <b>321,764</b>                    | <b>172,693</b>                               |

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the balance sheet date.

In addition the Group maintains a credit facility of a €1.5 million secured overdraft available to IHI Hungary Zrt. Interest would be payable at the variable, overnight Euribor plus 1.4% interest margin per annum.

**33. Risk management objectives and policies - continued**

**33.2 Liquidity risk - continued**

At 31 December 2015 the Company has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

| The Company              |                                      |                                       |
|--------------------------|--------------------------------------|---------------------------------------|
|                          | Current<br>Within 1<br>year<br>€'000 | Non-<br>current<br>1-5 years<br>€'000 |
| 31 December 2015         |                                      |                                       |
| Bank borrowings          | 11,133                               | 4,112                                 |
| Other borrowings         | -                                    | 20,570                                |
| Trade and other payables | 22,341                               | -                                     |
|                          | <b>33,474</b>                        | <b>24,682</b>                         |

This compares to the maturity of the Company's financial liabilities in the previous reporting periods as follows

| The Company              |                                      |                                       |
|--------------------------|--------------------------------------|---------------------------------------|
|                          | Current<br>Within 1<br>year<br>€'000 | Non-<br>current<br>1-5 years<br>€'000 |
| 31 December 2014         |                                      |                                       |
| Bank borrowings          | 11,692                               | 5,822                                 |
| Other borrowings         | -                                    | 20,570                                |
| Trade and other payables | 13,504                               | -                                     |
|                          | <b>25,196</b>                        | <b>26,392</b>                         |

**33.3 Market risk**

Market risk is the risk that changes in market prices operates, such as foreign exchange rates and interest rates, will affect the Group's income or financial position. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**(i) Foreign currency risk**

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency, which would be considered a foreign currency from the entity's perspective.

Principally significant Group entities have euro as their functional currency with the exception of IHI Benelux BV, with Russian Rouble as its functional currency with effect from 1 January 2015, and Libya Hotels Development and Investment JSC, with Libyan dinars as its functional currency. IHI Benelux BV is exposed to foreign currency risk mainly with respect to a portion of revenue and purchases, which are denominated in euro, and all the entity's borrowings which are also denominated in euro.

**33. Risk management objectives and policies – continued**

**33.3 Market risk - continued**

**(i) Foreign currency risk - continued**

The Group operates internationally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of Group entities, the euro.

The Group has operations in Hungary, Czech Republic and Libya and has subsidiaries domiciled in those territories. These entities are exposed to foreign currency in respect of a portion of their respected revenue and purchases with are denominated in Hungarian forint, the Czech koruna and the Libyan dinar.

The Group and Company's main risk exposure reflecting the carrying amount and payables denominated in foreign currencies at the end of the reporting period analysed by the functional currency of the respective entity or entities, were as follows:

33. Risk management objectives and policies – continued

33.3 Market risk - continued

(i) Foreign currency risk - continued

| Group                     | 2015                |                |              |              |                 |              |                    |              |                     |                     |                     |                     |                 |                     |
|---------------------------|---------------------|----------------|--------------|--------------|-----------------|--------------|--------------------|--------------|---------------------|---------------------|---------------------|---------------------|-----------------|---------------------|
|                           | Functional currency |                |              |              |                 |              |                    |              |                     |                     |                     |                     |                 | TND<br>EUR<br>€'000 |
|                           | GBP<br>€'000        | HUF<br>€'000   | LYD<br>€'000 | EUR<br>€'000 | CZK<br>€'000    | SDG<br>€'000 | RUB<br>EUR<br>€000 | HUF<br>€'000 | STG<br>EUR<br>€'000 | LYD<br>EUR<br>€'000 | CZK<br>EUR<br>€'000 | HUF<br>EUR<br>€'000 |                 |                     |
| Assets:                   |                     |                |              |              |                 |              |                    |              |                     |                     |                     |                     |                 |                     |
| Loans and receivables:    |                     |                |              |              |                 |              |                    |              |                     |                     |                     |                     |                 |                     |
| Trade receivables         | -                   | 977            | 3,611        | 3,611        | 588             | -            | 42                 | -            | 399                 | -                   | -                   | 250                 | -               | -                   |
| Other receivables         | 3,406               | 400            | 874          | 874          | 697             | -            | -                  | 668          | 3,169               | -                   | -                   | 17,449              | -               | -                   |
| Cash and cash equivalents | -                   | -              | 870          | 870          | -               | 870          | -                  | -            | -                   | -                   | -                   | 1,300               | -               | -                   |
| Liabilities:              |                     |                |              |              |                 |              |                    |              |                     |                     |                     |                     |                 |                     |
| Bank borrowings           | -                   | -              | -            | -            | -               | -            | (54,226)           | -            | -                   | -                   | (1,319)             | (13,731)            | (5,423)         |                     |
| Other borrowings          | -                   | -              | -            | -            | (58)            | -            | -                  | -            | -                   | -                   | -                   | -                   | (2,079)         |                     |
| Trade payables            | -                   | (914)          | (1,726)      | (1,726)      | (1,003)         | -            | -                  | -            | (121)               | -                   | -                   | -                   | (37)            |                     |
| Other payables            | (2,504)             | (2,349)        | (4,153)      | (4,153)      | (30,415)        | (209)        | -                  | -            | (984)               | (6,492)             | (3,557)             | (1,001)             | (4,634)         |                     |
| <b>Net exposure</b>       | <b>902</b>          | <b>(1,886)</b> | <b>(524)</b> | <b>(524)</b> | <b>(30,191)</b> | <b>661</b>   | <b>(54,184)</b>    | <b>668</b>   | <b>2,463</b>        | <b>(6,492)</b>      | <b>(4,876)</b>      | <b>(989)</b>        | <b>(12,173)</b> |                     |

33. Risk management objectives and policies – continued

33.3 Market risk - continued

(i) Foreign currency risk - continued

|                           | 2014                |              |              |              |              |              |              |              |                     |                     |                     |                     |                     |
|---------------------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                           | Functional currency |              |              |              |              |              |              |              |                     |                     |                     | TND<br>EUR<br>€'000 |                     |
|                           | GBP<br>€'000        | HUF<br>€'000 | LYD<br>€'000 | EUR<br>€'000 | CZK<br>€'000 | SDG<br>€'000 | RUB<br>€'000 | HUF<br>€'000 | STG<br>EUR<br>€'000 | LYD<br>EUR<br>€'000 | CZK<br>EUR<br>€'000 |                     | HUF<br>EUR<br>€'000 |
| <b>Group</b>              |                     |              |              |              |              |              |              |              |                     |                     |                     |                     |                     |
| Assets:                   |                     |              |              |              |              |              |              |              |                     |                     |                     |                     |                     |
| Loans and receivables:    |                     |              |              |              |              |              |              |              |                     |                     |                     |                     |                     |
| Trade receivables         | -                   | 798          | 4,832        | 4,832        | 807          | -            | 1,168        | -            | 399                 | -                   | -                   | 351                 | -                   |
| Other receivables         | 3,210               | 513          | 903          | 903          | 722          | -            | 1,145        | 668          | 3,333               | -                   | -                   | 16,977              | -                   |
| Cash and cash equivalents |                     |              | 487          | 487          | -            | 487          | -            | -            | -                   | -                   | -                   | 1,291               | -                   |
| Liabilities:              |                     |              |              |              |              |              |              |              |                     |                     |                     |                     |                     |
| Bank borrowings           | -                   | -            | -            | -            | -            | -            | -            | -            | -                   | -                   | (1,300)             | (14,617)            | (5,857)             |
| Other borrowings          | -                   | -            | -            | -            | -            | -            | -            | -            | -                   | -                   | -                   | -                   | (2,085)             |
| Trade payables            | -                   | (915)        | (2,927)      | (2,927)      | (748)        | -            | (158)        | -            | (121)               | -                   | -                   | -                   | (21)                |
| Other payables            | (3,060)             | (2,100)      | (3,822)      | (3,822)      | (29,737)     | (37)         | (3,143)      | -            | (75)                | (6,492)             | (3,679)             | (1,158)             | (5,356)             |
| <b>Net exposure</b>       | 150                 | (1,704)      | (527)        | (28,956)     | 450          | (988)        | 668          | 3,536        | (4,979)             | (6,492)             | 2,844               | (13,319)            |                     |

As explained above, IHI Benelux BV's functional currency changed from euro to Russian Rouble with effect from 1 January 2015. This company's main exposure to foreign currency risk relates to bank borrowings denominated in euro.

At 31 December 2015, if the EUR had weakened/strengthened by 5% against the Rouble with all other variables held constant, Group post-tax profit for the year would have been €2.9 million lower/€2.9 million higher as a result of foreign exchange losses/gains on translation of the EUR denominated borrowings.

**33. Risk management objectives and policies – continued**

**33.3 Market risk - continued**

**(i) Foreign currency risk - continued**

Additionally, IHI Benelux is also exposed to other interest bearing borrowings and other payables due to Group companies which are eliminated on consolidation. These balances amounting to €54.1 million and €19.9 million respectively, are considered part of the Group's net investment in the foreign operation. Accordingly, any foreign exchange differences with respect to these balances, which at IHI Benelux stand alone level are recognised in profit or loss, were reclassified to other comprehensive income on consolidation.

At 31 December 2015, if the EUR had weakened/strengthened by 5% against the Rouble with all other variables held constant, the Group's equity would have been €3.9 million lower/€3.9 million higher as a result of foreign exchange losses/gains recognised in other comprehensive income on translation of the euro denominated payables.

The other two main currency exposures of the Group relate to:

- A long-term loan of €30.4 million, denominated in CZK, given to CPHCL by one of its Czech registered subsidiary companies. In view of the fact that it is an intra-group arrangement, the currency risk on this loan is limited to the effect of exchange rate movements on the Income Statement of CPHCL.
- €12.1 million of loans and accounts payable denominated in euro serviced by two of the Group's subsidiary companies in Tunisia. €5.4 million of this amount represents the balance of a Euro denominated Bank Loan that was re-financed by a new bank loan, denominated in Tunisian Dinars, in January 2016. The balance on the amounts payable is represented by the Company's loans and Intra-Group payable balances in euro.

Management does not consider foreign exchange risk attributable to recognised assets and liabilities arising from transactions denominated in foreign currencies where the respective entities' functional currency is not the Rouble, presented within the tables above, to be significant. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group strives to manage its net exposure within acceptable parameters by buying or selling foreign currencies at spot rates, when necessary, to address short-term mismatches.

Borrowings required to fund certain operations are generally denominated in currencies that match the cash flows generated by the respective operations of the Group so as to provide an economic hedge.

**ii) Interest rate risk**

The Group is exposed to changes in market interest rates principally through bank borrowings and related party loans taken out at variable interest rates. The interest rate profile of the Group's interest bearing financial instruments at the reporting dates was as follows:

**33. Risk management objectives and policies – continued**

**33.3 Market risk - continued**

**(i) Foreign currency risk - continued**

|   | The Group        |                  | The Company     |                 |
|---|------------------|------------------|-----------------|-----------------|
|   | 2015<br>€'000    | 2014<br>€'000    | 2015<br>€'000   | 2014<br>€'000   |
| <b>Fixed rate instruments</b>             |                  |                  |                 |                 |
| Financial assets other than cash at bank: |                  |                  |                 |                 |
| Loans receivable                          | 3,775            | 3,255            | 47              | 47              |
| Financial liabilities:                    |                  |                  |                 |                 |
| Bonds                                     | (204,727)        | (45,956)         | -               | -               |
| Other borrowings                          | (29,989)         | (25,896)         | (20,570)        | (20,570)        |
| Assets placed under trust arrangement     | 6,482            | 10,411           | -               | -               |
|   | <b>(224,459)</b> | <b>(58,186)</b>  | <b>(20,523)</b> | <b>(20,523)</b> |
| <b>Variable rate instruments</b>          |                  |                  |                 |                 |
| Financial liabilities:                    |                  |                  |                 |                 |
| Bank borrowings                           | (256,921)        | (279,350)        | (9,122)         | (8,367)         |
| Other borrowings                          | (5)              | -                | -               | -               |
|   | <b>(256,926)</b> | <b>(279,350)</b> | <b>(9,122)</b>  | <b>(8,367)</b>  |

The Group manages its exposure to changes cash flows in relation to interest rates on interest-bearing borrowings due by the parent company and its subsidiaries, by entering into financial arrangements subject to fixed rates of interest whenever as much as is practicable.

The Group is exposed to fair value interest rate risk on its financial assets and liabilities bearing fixed rates of interest, but all these instruments are measured at amortised cost and accordingly a shift in interest rates would not have an impact on profit or loss or other comprehensive income.

The Group's interest rate risk principally arises from bank borrowings issued at variable rates that are partially offset by balances held with banks subject to floating interest rates, which expose the Group to cash flow interest rate risk. Floating interest rates on these financial instruments are linked to reference rates such as Euribor or the respective banker's base rate. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments taking into consideration refinancing and hedging techniques.

**33.4 Capital management policies and procedures**

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Group monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective statement of financial position, plus net debt.

**33. Risk management objectives and policies – continued**

**33.4 Capital management policies and procedures - continued**

The figures in respect of the Group's equity and borrowings are reflected below:

|                                 | The Group        |               | The Company    |               |
|---------------------------------|------------------|---------------|----------------|---------------|
|                                 | 2015<br>€'000    | 2014<br>€'000 | 2015<br>€'000  | 2014<br>€'000 |
| Bank Borrowings (Note 22)       | <b>266,100</b>   | 263,947       | <b>10,832</b>  | 11,745        |
| Bonds (Note 23)                 | <b>194,209</b>   | 136,340       | -              | -             |
| Other borrowings (Note 24)      | <b>27,775</b>    | 20,565        | <b>139,940</b> | 134,031       |
| Less: Cash and cash equivalents | <b>(16,814)</b>  | (16,091)      | <b>(9,039)</b> | (8,213)       |
| Net debt                        | <b>471,270</b>   | 404,761       | <b>141,733</b> | 137,563       |
| Total equity                    | <b>641,031</b>   | 633,706       | <b>254,051</b> | 266,774       |
| Total capital                   | <b>1,112,301</b> | 1,038,467     | <b>395,784</b> | 404,337       |
| Net debt ratio                  | <b>42.4%</b>     | 39.0%         | <b>35.8%</b>   | 34.1%         |

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital, as reflected in the consolidated statement of financial position, is maintained by reference to the Group's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the directors.

**33.5 Summary of financial assets and liabilities by category**

The carrying amounts of the Group's financial assets and liabilities as recognised at balance sheet date of the reporting periods under review may also be categorised as follows. See Note 3.6 for explanations about how the category of financial instruments affects their subsequent measurement.

|  | The Group     |               | The Company   |               |
|--|---------------|---------------|---------------|---------------|
|  | 2015<br>€'000 | 2014<br>€'000 | 2015<br>€'000 | 2014<br>€'000 |
|  |               |               |               |               |

(as restated)

**Assets**

**Non-current assets**

**AFS financial assets**

|  |              |       |   |   |
|--|--------------|-------|---|---|
| - Malta Government Stocks                                |              |       |   |   |
| - presented within assets placed under trust arrangement | <b>2,362</b> | 5,406 | - | - |

**33. Risk management objectives and policies – continued**

**33.5 Summary of financial assets and liabilities by category – continued**

|  | The Group      |         | The Company    |         |
|--|----------------|---------|----------------|---------|
|  | 2015           | 2014    | 2015           | 2014    |
|  | €'000          | €'000   | €'000          | €'000   |
|  | (as restated)  |         |                |         |
| <b>Loans and receivables</b>                             |                |         |                |         |
| - Amounts due from related companies                     | <b>11,320</b>  | 7,599   | <b>15,481</b>  | 14,732  |
| - Cash and cash equivalents                              |                |         |                |         |
| - presented within assets placed under trust arrangement | <b>4,120</b>   | 5,005   | -              | -       |
| <b>Current assets</b>                                    |                |         |                |         |
| <b>Loans and receivables</b>                             |                |         |                |         |
| - Trade receivables and other receivables                | <b>39,890</b>  | 27,265  | <b>14,474</b>  | 14,012  |
| - Cash and cash equivalents                              | <b>27,544</b>  | 26,404  | <b>83</b>      | 154     |
| <b>Total assets</b>                                      | <b>85,236</b>  | 71,679  | <b>30,038</b>  | 28,898  |
| <b>Liabilities</b>                                       |                |         |                |         |
| <b>Non-current liabilities</b>                           |                |         |                |         |
| <b>Other financial liabilities</b>                       |                |         |                |         |
| - Bank borrowings  | <b>227,484</b> | 224,768 | <b>3,515</b>   | 4,841   |
| - Bonds  | <b>194,209</b> | 136,340 | -              | -       |
| - Other borrowings                                       | <b>24,193</b>  | 19,954  | <b>128,305</b> | 127,161 |
| - Trade payables and other payables                      | <b>6,276</b>   | 4,721   | -              | -       |
| <b>Current liabilities</b>                               |                |         |                |         |
| - Bank borrowings  | <b>38,616</b>  | 39,179  | <b>10,832</b>  | 11,745  |
| - Other borrowings                                       | <b>3,582</b>   | 611     | <b>11,635</b>  | 6,870   |
| - Trade payables and other payables                      | <b>90,165</b>  | 39,050  | <b>22,341</b>  | 13,503  |
| - Bank overdraft   | <b>10,730</b>  | 10,313  | <b>9,122</b>   | 8,367   |
| <b>Total liabilities</b>                                 | <b>595,255</b> | 474,936 | <b>185,750</b> | 172,487 |

**33. Risk management objectives and policies – continued**

**33.6 Financial instruments measured at fair value**

The following table presents financial assets and liabilities measured at fair value in the balance sheet 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: based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: based on information other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: information for the asset or liability that is 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 key financial assets and liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

|  | The Group |       |
|--|-----------|-------|
|  | 2015      | 2014  |
|  | €'000     | €'000 |
|  | Level 1   |       |
| Assets   |           |       |
| Malta Government Stocks – presented within assets placed under trust arrangement | 6,692     | 5,406 |

**Measurement of fair value**

The fair value of Malta Government Stocks were based on quoted market prices.

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

There have been no transfers of financial assets between the different level of the fair value hierarchy.

**33.7 Financial instruments not measured at fair value**

Disclosures in respect of the fair value of financial instruments not carried at fair value are presented within Notes 17, 23, 24 and 27. The Directors consider the carrying amounts to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods. The current market interest rates utilised for fair value estimation, based on cash flow discounting, are deemed observable and accordingly these fair values estimates have been categorised as Level 2.

**34. Ultimate controlling party**

The Copmany is the ultimate parent of the Corinthia Group.

In view of its shareholding structure, the Group and the Company have no ultimate controlling party.

**35. Events after the reporting period**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

On 8 April 2016, a new bond issued by a subsidiary to replace €39,927,600 6.25% 2016-2019 (Bond III) was oversubscribed. An amount of €33,412,900 in nominal value was exchanged for the new bonds and the balance of €6,514,700 will be redeemed on 24 September 2016. The new bond will bear interest at a rate of 4.25% and will be redeemed at par on 12 April 2026.