

Corinthia Palace Hotel Company
Limited

Report and Financial Statements

31 December 2011

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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 2011.

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 and non-controlling interests of €7.1 million (2010: loss of €14.7 million) while the company registered a loss of €10.2 million (2010: profit of €10.7 million) respectively.

Review of performance

During 2011 the group's turnover amounted to €144.2 million, reflecting a decrease of 1.8% on the turnover level registered in 2010 (€146.8 million). With the exception of the hotels in Libya and Tunisia, countries in which civil unrest prevailed for part of the year under review, all the other group's hotels achieved a better performance in 2011 than that in 2010, notwithstanding the fact that the economic performance of the countries in their source markets remained bleak.

The protracted conflict in Libya impacted the group negatively in the operational capacity and financial performance of Corinthia Hotel Tripoli and Palm City Residences. In these circumstances the group took immediate and appropriate measures to protect its personnel and its properties and minimise the relative impact on the operational results. The two properties remained open for business uninterruptedly throughout the period of conflict without sustaining any material damage and as a result of this strategy the group gained a head-start in securing hospitality business flowing back to Libya in the last quarter of the year under review.

Whilst direct operating expenses increased on account of the improved hotel occupancy levels in all group hotels except the ones singled out above, other operating expenses decreased following measures taken at Corinthia Hotel Tripoli to reduce overhead costs and on account of the non-recurrence of one-time costs incurred in 2010. As a result of the above factors the earnings before interest, tax, depreciation, amortisation (EBITDA) and other adjustments decreased by €2.3 million from €25.3 million in 2010 to €23.1 million in 2011.

The depreciation charge for the year of €29.7 million (2010: €30.2 million) and property revaluation uplifts of €5.4 million (2010: €5.1 million) remained on the same level year on year. The 2011 revaluation uplift of €5.4 million was the result of the increase in value of the commercial centre in St Petersburg.

The net loss of €0.3 million from the share of results of associate companies results mainly from a profit of €1.1 million on the group's share in the Corinthia London Hotel and adjoining apartments and a loss of €1.3 million on the performance of MIH plc which is the owning company of Palm City Residences.

The Corinthia London Hotel opened in 2011 with room stock being gradually brought into operation throughout the year. This phased approach together with financial charges and depreciation resulted in a loss situation which was reversed through an uplift in the value of the adjoining apartments. This programmed implementation, which was completed by year end allowed the hotel to become firmly established and its brand recognised in the London market.

When the conflict in Libya broke out in February 2011 the Palm City Residences project was well on its way to achieve a stabilized occupancy of 95%. The outbreak of hostilities resulted in a mass evacuation of international contractors and expatriate personnel and a significant number of tenants cancelled their contracts.

At that point the company's focus shifted to safeguarding and protecting its personnel and its properties which remained open for business throughout the eight month conflict period. Through this proactive action the company not only managed to safeguard its properties, but also enabled it to fully recover its operating costs and generate a modest operating profit.

The group's finance income improved over the previous year by €2.3 million mainly on account of €1.3 million in dividend income from associated companies and gains on currency movements. Finance costs increased by €0.4 million on account of increases in the euribor base rates and in consequence of increased interest costs on additional bank borrowings taken to finance the group's investment in London and in Medina Tower Tripoli. Included with finance costs the fair value of the group's interest rate swaps improved by €0.5 million from the position recorded at December 2010 as a result of an expectation of higher future interest base rates.

Notwithstanding the adverse market conditions, in line with its policy to sell non-core assets, in 2011 the group disposed of two minority shareholdings in hotel owning companies and registered a profit of €7.1 million on such sales.

The expense of €13.5 million (2010: income of €23.2 million) recognised in the statement of comprehensive income was mainly the result of property valuation adjustments. The valuations of Corinthia Hotel Prague and the Marina Hotel in Malta resulted in a total uplift in value of €7.6 million while a total impairment of €19.7 million was incurred on the valuation of Corinthia Hotel Budapest, Corinthia Hotel St George's Bay Malta and Corinthia Hotel Saint Petersburg. The Group's share of impairment incurred on the valuation of Corinthia Hotel London amounted to €5.2 million.

After adding the net comprehensive expense amounting to €13.5 million to the loss after tax of €11.4 million, the total comprehensive expense for 2011 amounted to €24.9 million against a total comprehensive income of €3.1 million in 2010.

The result of the Company (CPHCL) for 2011 was characterised by a profit of €1.1 million registered in on the sale of its minority shareholding in a Turkish company while that for 2010 by a profit of €19.6 million registered on the sale of the 'Corinthia' brand to its subsidiary company IHI.

State of affairs

During the period of conflict in Libya which ended in October 2011 the group took appropriate measures to protect its staff and to maintain and safeguard its properties. The group is grateful to its executives and staff who kept its properties in Libya operational in difficult circumstances.

Following the soft opening of Corinthia Hotel London in April 2011, management took over all the remaining room stock, spa, and designer suites such that by the end of the year this property was fully operational. The adjoining twelve luxury apartments located in Whitehall Place are now in an advanced state of completion and works are expected to be finished by mid-year 2012.

Despite the difficult market conditions prevailing in the European financial sector, the Group satisfactorily concluded a new credit facility agreement for €50.0 million secured by its property in Saint Petersburg. This bank loan was fully drawn down by year end.

At the end of 2011 the total asset value of the group amounted to €1.25 billion while the gearing ratio remained at a healthy level of 39% (2010: 37%).

Outlook

During 2011 the group showed its resilience during the turmoil brought about by the conflict in Libya and the debt crisis but continues to face a number of market uncertainties. These range from a slow economic recovery, a debt crisis in the eurozone, and future developments in North Africa.

The group remains confident that through the continued enhancement of its brand and the sustained improvement in the operating performance of its properties within a cost effective set-up, it will improve its profitability in 2012.

Directors

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

Mr Alfred Pisani – Chairman
Mr Yousef A. Abdelmaula
Mr Soliman Ahtash (resigned 5 October 2011)
Mr Ahmed A.S. Elmssalati (resigned 5 October 2011)
Mr Farag Gheryani (appointed 15 November 2011)
Mr Mustafa Kattabi (appointed 15 November 2011)
Mr Joseph Pisani
Mr Victor Pisani

Disclosure of information to auditors

At the date of making this report the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditors in connection with preparing their report of which the independent auditors are unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditors in connection with preparing their report and to establish that the independent auditors are aware of that information.

Statement of directors' responsibilities

The Companies Act, 1995 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the company and group for that year. In preparing those financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company and group will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, 1995.

They are also responsible for safeguarding the assets of the company and group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.


The directors, through oversight of management, are responsible for ensuring that the group designs, implements and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the directors, for establishing a control environment and maintaining policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the group's business. This responsibility includes maintaining controls pertaining to the group's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud management considers the risks that the financial statements may be materially misstated as a result of fraud.

Auditors

The auditors Grant Thornton have intimated their willingness to continue in office.

By order of the board



Alfred Pisani
Chairman

22, Europa Centre
Floriana FRN 1400
Malta

26 April 2012



Yousef A. Abdelmaula
Director

Income statements

	Notes	The Group		CPHCL	
		2011	2010	2011	2010
		€000	Re-presented €000	€000	€000
Continuing operations					
Turnover	6	144,233	146,806	1,512	1,337
Net operating expenses		(121,834)	(124,627)	(6,290)	(7,041)
Depreciation and amortisation		(29,695)	(30,198)	(165)	(171)
Other income		967	3,079	1,064	3,447
(Loss) gain on exchange		(320)	82	297	296
Impairment reversal	15.1	-	2,400	-	-
Operating loss	7	(6,649)	(2,458)	(3,582)	(2,132)
Finance income	9	3,185	885	980	1,384
Finance costs	9	(22,376)	(22,022)	(8,619)	(8,432)
Movement in tax indemnity		-	-	399	340
Share of results of associate companies	16.6	(289)	(1,262)	-	-
Sale of brand		-	-	-	19,600
Gain on sale of associates		7,060	-	1,064	-
Profit (loss) on liquidation of associate/subsidiaries		83	-	(295)	-
Impairment losses in investments		(6)	-	(269)	-
Revaluation to fair value of investment properties	14	5,383	2,746	-	-
(Loss) profit before taxation		(13,609)	(22,111)	(10,322)	10,760
Tax income	10	2,352	1,466	202	177
(Loss) profit for the year from continuing operations		(11,257)	(20,645)	(10,120)	10,937
Discontinued operations					
(Loss) profit for the year from discontinued operations	11	(97)	479	(97)	(217)
		(11,354)	(20,166)	(10,217)	10,720
Non-controlling interest		4,254	5,421	-	-
(Loss) profit attributable to the group		(7,100)	(14,745)	(10,217)	10,720
(Loss) earnings per share					
Continuing operations	12	(0.56)	(1.03)	(0.51)	0.56
Discontinued operations		(0.01)	0.02	-	(0.01)
		(0.57)	(1.01)	(0.51)	0.55

Statements of comprehensive income

	The Group		CPHCL	
	2011 €000	2010 €000	2011 €000	2010 €000
(Loss) profit for the year	(11,354)	(20,166)	(10,217)	10,720
Other comprehensive income				
Impairment of hotel properties	(12,218)	(15,184)	-	-
Translation difference	1,236	432	61	9
Share of comprehensive (expense) income of equity accounted investments	(5,218)	38,427	-	-
Tax income (expense) relating to components of other comprehensive income	2,696	(438)	-	-
Other comprehensive (expense) income for the year, net of tax	(13,504)	23,237	61	9
Total comprehensive (expense) income for the year	(24,858)	3,071	(10,156)	10,729
Attributable to:				
Owners of the parent	(15,764)	899	(10,156)	10,729
Non-controlling interest	(9,094)	2,172	-	-
	(24,858)	3,071	(10,156)	10,729


Balance sheets

	Notes	The Group			CPHCL		
		2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Assets							
Non-current							
Intangible assets	13	6,023	5,808	5,949	-	-	-
Investment property	14	205,224	200,704	190,326	925	925	896
Property, plant and equipment	15	698,563	743,011	785,981	430	574	693
Investments in subsidiaries	16	-	-	-	399,246	406,046	397,866
Investments in associates	16	214,727	198,540	152,976	31,268	24,213	29,347
Other investments	16	19	19	19	19	19	19
Deferred tax assets	28	2,306	2,318	2,283	2,172	2,172	2,126
Cash at bank	20	83	9,793	7,233	3	4,393	933
		1,126,945	1,160,193	1,144,767	434,063	438,342	431,880
Current							
Inventories	18	7,339	7,441	7,391	322	278	238
Investments		28	-	-	12	-	-
Trade and other receivables	19	59,032	42,276	36,013	19,888	11,934	13,626
Taxation		644	946	662	-	-	-
Derivative financial instruments	17	-	-	124	-	-	124
Cash at bank and in hand	20	48,425	27,520	56,322	234	783	6,183
		115,468	78,183	100,512	20,456	12,995	20,171
Assets held for sale	21	9,264	5,932	-	16,905	22,647	16,422
Total assets		1,251,677	1,244,308	1,245,279	471,424	473,984	468,473

Balance sheets – continued

	Notes	The Group			CPHCL		
		2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Equity							
Called-up issued share capital	22	20,000	20,000	18,710	20,000	20,000	18,710
Other reserves	23	192,947	203,062	187,987	2,527	1,264	1,477
Retained earnings		155,138	160,787	180,350	244,892	256,311	250,857
Dividend payment reserve		-	-	4,659	-	-	4,659
		368,085	383,849	391,706	267,419	277,575	275,703
Non-controlling interest		253,348	262,817	261,937	-	-	-
Total equity		621,433	646,666	653,643	267,419	277,575	275,703
Liabilities							
Non-current							
Bank borrowings	25	258,281	223,968	224,355	6,159	9,437	13,455
Bonds	26	133,686	148,171	108,430	-	-	-
Other borrowings	27	16,823	17,087	7,930	125,427	138,293	114,856
Long term payables		5,072	5,045	4,718	915	1,536	1,646
Taxation		2,315	2,597	6,416	2,115	1,247	3,054
Deferred tax liabilities	28	103,313	109,195	114,498	-	-	-
Tax indemnity	29	-	-	-	22,432	22,831	23,171
Derivative financial instruments	17	6,404	6,863	7,117	-	-	-
Provision for charges	30	206	206	272	-	-	-
		526,100	513,132	473,736	157,048	173,344	156,182
Current							
Bank borrowings	25	37,612	36,593	47,662	8,305	11,495	9,354
Bonds	26	14,645	-	25,748	-	-	-
Other borrowings	27	-	-	-	26,487	2,028	14,850
Trade and other payables	31	43,233	39,919	41,593	11,283	7,578	11,100
Current tax liabilities		8,654	7,998	2,897	882	1,964	1,284
		104,144	84,510	117,900	46,957	23,065	36,588
Total liabilities		630,244	597,642	591,636	204,005	196,409	192,770
Total equity and liabilities		1,251,677	1,244,308	1,245,279	471,424	473,984	468,473

The financial statements on pages 6 to 72 were approved by the board of directors, authorised for issue on 26 April 2012 and signed on its behalf by:


Alfred Pisani
Chairman


Yousef A. Abdelmaula
Director

Statement of changes in equity – the group

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Dividend payment reserve €000	Total attributable to owners of the parent €000	Non- controlling interest €000	Total equity €000
At 1 January 2009	18,710	209,112	143,305	4,659	375,786	262,573	638,359
Profit for the year	-	-	35,854	-	35,854	(204)	35,650
Other comprehensive income	-	(19,934)	-	-	(19,934)	(164)	(20,098)
Total comprehensive income	-	(19,934)	35,854	-	15,920	(368)	15,552
Reversal from retained earnings	-	(16,843)	16,843	-	-	-	-
Transfer from retained earnings	-	(591)	591	-	-	-	-
Dividends paid	-	-	-	-	-	(280)	(280)
Conversion of bonds	-	-	-	-	-	12	12
Transfer to retained earnings	-	16,243	(16,243)	-	-	-	-
At 31 December 2009	18,710	187,987	180,350	4,659	391,706	261,937	653,643

* Not available for distribution

Statement of changes in equity – the group – continued

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Dividend payment reserve €000	Total attributable to owners of the parent €000	Non- controlling interest €000	Total equity €000
At 1 January 2010	18,710	187,987	180,350	4,659	391,706	261,937	653,643
Loss for the year	-	-	(14,745)	-	(14,745)	(5,421)	(20,166)
Other comprehensive income	-	15,644	-	-	15,644	7,593	23,237
Total comprehensive income	-	15,644	(14,745)	-	899	2,172	3,071
Issue of share capital	1,290	-	-	-	1,290	-	1,290
Increase in shareholding of subsidiary	-	-	101	-	101	(101)	-
Reversal from retained earnings	-	(16,243)	16,243	-	-	-	-
Transfer from retained earnings	-	525	(525)	-	-	-	-
Dividends paid (note 12)	-	-	(5,488)	(4,659)	(10,147)	(1,191)	(11,338)
Transfer to retained earnings	-	15,149	(15,149)	-	-	-	-
At 31 December 2010	20,000	203,062	160,787	-	383,849	262,817	646,666
At 1 January 2011	20,000	203,062	160,787	-	383,849	262,817	646,666
Loss for the year	-	-	(7,100)	-	(7,100)	(4,254)	(11,354)
Other comprehensive income	-	(8,664)	-	-	(8,664)	(4,840)	(13,504)
Total comprehensive income	-	(8,664)	(7,100)	-	(15,764)	(9,094)	(24,858)
Reversal from retained earnings	-	(15,419)	15,419	-	-	-	-
Transfer from retained earnings	-	3,818	(3,818)	-	-	-	-
Dividends paid	-	-	-	-	-	(375)	(375)
Transfer to retained earnings	-	10,150	(10,150)	-	-	-	-
At 31 December 2011	20,000	192,947	155,138	-	368,085	253,348	621,433

* Not available for distribution

Statement of changes in equity – CPHCL

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Dividend payment reserve €000	Total equity €000
1 January 2009	18,710	1,393	258,183	4,659	282,945
Loss for the year	-	-	(7,266)	-	(7,266)
Other comprehensive income	-	24	-	-	24
Total comprehensive income	-	24	(7,266)	-	(7,242)
Reversal from retained earnings	-	(16,843)	16,843	-	-
Transfers from retained earnings:					
- Net unrealised profit on exchange	-	564	(564)	-	-
- Impairment reversal on investment	-	12	(12)	-	-
- Deferred taxation	-	84	(84)	-	-
Transfer to retained earnings	-	16,243	(16,243)	-	-
At 31 December 2009	18,710	1,477	250,857	4,659	275,703

* Not available for distribution

Statement of changes in equity – CPHCL – continued

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Dividend payment reserve €000	Total equity €000
1 January 2010	18,710	1,477	250,857	4,659	275,703
Profit for the year	-	-	10,720	-	10,720
Other comprehensive income	-	9	-	-	9
Total comprehensive income	-	9	10,720	-	10,729
Issue of share capital	1,290	-	-	-	1,290
Reversal from retained earnings	-	(16,243)	16,243	-	-
Transfers from retained earnings:					
- Net unrealised profit on exchange	-	464	(464)	-	-
- Impairment reversal on investment	-	16	(16)	-	-
- Deferred taxation	-	45	(45)	-	-
Transfer to retained earnings	-	15,496	(15,496)	-	-
Dividends paid (note 12)	-	-	(5,488)	(4,659)	(10,147)
At 31 December 2010	20,000	1,264	256,311	-	277,575
1 January 2011	20,000	1,264	256,311	-	277,575
Loss for the year	-	-	(10,217)	-	(10,217)
Other comprehensive income	-	61	-	-	61
Total comprehensive income	-	61	(10,217)	-	(10,156)
Reversal from retained earnings	-	(15,496)	15,496	-	-
Transfers from retained earnings:					
- Net unrealised profit on exchange	-	294	(294)	-	-
Transfer to retained earnings	-	16,404	(16,404)	-	-
At 31 December 2011	20,000	2,527	244,892	-	267,419

* Not available for distribution

Statements of cash flows

	Notes	The Group		CPHCL	
		2011 €000	2010 €000	2011 €000	2010 €000
Operating activities					
(Loss) profit before taxation -					
Continuing operations		(13,609)	(22,111)	(10,322)	10,760
Discontinued operations		(97)	479	(97)	(217)
		(13,706)	(21,632)	(10,419)	10,543
Adjustments	32	37,571	47,649	6,640	6,543
Change in working capital	32	(13,087)	(10,325)	(4,244)	(2,841)
Interest paid		(22,574)	(21,802)	(8,695)	(8,767)
Taxes paid		(115)	(3,912)	(12)	(996)
		(11,911)	(10,022)	(16,730)	4,482
Investing activities					
Payments to acquire intangible fixed assets		(838)	(217)	-	-
Payments to acquire investment property		(471)	(1,352)	-	(29)
Payments to acquire property, plant and equipment		(5,339)	(7,208)	(359)	(197)
Proceeds from disposal of property, plant and equipment		153	56	-	10
Payments to acquire shares in subsidiaries		-	-	-	(320)
Payments to acquire shares in associate		-	(3,925)	-	-
Proceeds from disposal/liquidation of associates		22,166	-	7,144	-
Proceeds from liquidation of subsidiaries		-	-	53	-
Loans repaid by (advanced to) subsidiary companies		-	-	6,477	(7,373)
Loans advanced to associate companies		(29,534)	(6,890)	(6,994)	(80)
Dividends received		1,306	196	325	915
Interest received		843	1,147	641	880
		(11,714)	(18,193)	7,287	(6,194)

Statements of cash flows – continued

	Note	The Group		CPHCL	
		2011 €000	2010 €000	2011 €000	2010 €000
Financing activities					
Issue of share capital		-	1,290	-	1,290
Net proceeds from (repayments of) long-term borrowings		37,397	329	(4,518)	(13,943)
Movement on long term creditors		(237)	327	10,972	10,505
Dividends paid		(275)	(1,191)	-	-
		36,885	755	6,454	(2,148)
Net increase (decrease) in cash and cash equivalents		13,260	(27,460)	(2,989)	(3,860)
Cash and cash equivalents at beginning of year		27,660	55,120	(1,801)	2,059
Cash and cash equivalents at end of year	20	40,920	27,660	(4,790)	(1,801)

Notes to the financial statements

1 Nature of operations

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.

2 General information

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

The financial statements of the company and the consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the Companies Act, 1995.

The financial statements are presented in thousands of euro (€000). The functional currencies of its subsidiaries are the euro, the Libyan dinar, the Hungarian forint, the Tunisian dinar, the Great Britain pound, the Turkish lira and the Czech kroner.

3 Going concern

The going concern basis underlying the preparation of these financial statements assumes that the group's lenders and creditors will continue to provide the financial support necessary to enable it to finance its investments and to meet its debts as they fall due.

The events that took place in Libya during 2011, as expected, had a negative impact on the group's short-term cash flow position. The directors have taken and are still taking various measures to ensure that the group will have adequate levels of cash to sustain its operations and investments. These include the sale of assets which are no longer considered to be core to the group's activities and discussions with financial institutions to reschedule repayments on certain loans.

As explained in note 43, in March 2012, one of the group companies raised € 7.5 million through the issue of bonds on the local market prior to redeeming other bonds amounting to € 14.6 million which matured in April 2012.

On the basis of their assessment of the financial position of the group, the directors anticipate that the group will continue to operate within the banking limits currently agreed. The directors also expect to be able to operate within the renewed limits that will be sanctioned when the existing facilities are reviewed.

Based on the foregoing, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. Consequently these financial statements do not include any adjustments that may be necessary should the director's expectations not materialise.

4 Change in accounting policies

4.1 Standards, amendments and interpretations to existing standards that have been adopted by the group

The group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the group's financial statements for the annual period beginning 1 January 2011.

Significant effects on current prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below. An overview of standards, amendments and interpretations to IFRSs issued but not yet effective is given in note 4.2.

- **Improvements to IFRSs 2010** (issued in July 2010)

The *Improvements to IFRSs 2010* made several minor amendments to IFRSs. Most of these amendments became effective in annual periods beginning on after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments.

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management has yet to assess the impact that this amendment is likely to have on the financial statement of the group. However, it does not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The group's management has yet to assess the impact of these new and revised standards on the group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements (IFRS 10)

IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) and SIC 12 *Consolidation - Special Purpose Entities*. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

IFRS 11 Joint Arrangements (IFRS 11)

IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 Separate Financial Statements (IAS 27) and IAS 28 Investments in Associates and Joint Ventures (IAS 28)

IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

IFRS 13 Fair Value Measurement (IFRS 13)

IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The group's management has yet to assess the impact of this new standard.

Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments)

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

Amendments to IAS 19 Employee Benefits (IAS 19 Amendments)

The IAS 19 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of IAS 19 is effective for financial years beginning on or after 1 January 2013. The group's management has yet to assess the impact of this revised standard on the group's consolidated financial statements.

5 Summary of accounting policies

5.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The accounting policies have been consistently applied by group entities and are consistent with those used in previous years.

The financial information has been prepared from the audited financial statements of the following companies comprising the group:

Parent company

Corinthia Palace Hotel Company Limited

Subsidiary companies

<i>Belgium</i>	<i>Malta</i>	<i>Portugal</i>
CHI Belgium n.v	C.H.I. Limited	Alfa Investimentos Turisticos Lda
	Catering Contractors Limited	
<i>Croatia</i>	Corinthia Construction (Overseas) Limited	<i>Russia</i>
IHI Zagreb d.d	Corinthia Finance plc	IHI St Petersburg LLC
	Corinthia Palace Holdings Limited	<i>Switzerland</i>
<i>Cyprus</i>	Corinthia Palace Investments Limited	Afina Ag
CHI Hotels & Resort	Corinthia Towers Tripoli Limited	<i>The Netherlands</i>
Comox Enterprises Limited	Corinthia Villas Limited	IHI Benelux Bv
IHI Cyprus Limited	Danish Bakery Limited	<i>Tunisia</i>
	Five Star Hotels Limited	Corinthia Services Limited
<i>Czech Republic</i>	Flight Catering Company Limited	Corinthia Tunisie sarl
Amber Hotels s.r.o	HNS Consultancy Services Limited	Societe de Promotion Hoteliere Khamsa s.a
Corinthia Panorama s.r.o.	International Hotel Investments plc	<i>Turkey</i>
IHI Towers s.r.o.	IHI Benghazi Limited	Corinthia Turizm Yatirimlari ve Ticaret a.s.
Konopiste Property Holding s.r.o.	IHI Lisbon Limited	Internasyonal Turizm ve Otelcilik a.s.
Top. Spirit s.a	Marina San Gorg Limited	<i>United Kingdom</i>
	Marsa Investments Limited	Corinthia Investments Limited
	QPM Limited	QPM (UK) Limited
<i>Hungary</i>	QPM (North Africa) Limited	
Corinthia Restaurants Kft		
IHI Hungary Rt	Swan Laundry and Drycleaning Company Limited	
Thermal Hotel Aquincum Rt		

Associate companies

<i>Cyprus</i>	<i>Libya</i>	<i>Portugal</i>
INI Hotels Holdings Limited	Medina Towers J.S.C.	Scalotel-Sociedade Escalabitana
INI Hotels Management Company Limited		Hoteleira s.a.
	<i>Malta</i>	<i>Turkey</i>
	B.C.W. Limited	
<i>Hungary</i>	CaterMax Limited	Norm Turizm Yatirim Isletmeleri a.s
Café Jubilee Zrt	Mediterranean Investments Holding plc	Tekirova Turizm Yatirimlari a.s.
	Palm City Limited	<i>United Kingdom</i>
<i>Jersey</i>		Atkins Travel Limited
NLI Holdings Limited		

5.2 Presentation of financial statements

The consolidated financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements (Revised 2007)*. The group has elected to present the 'statement of comprehensive income' in two statements the 'income statement' and a 'statement of comprehensive income'.

IAS 1 requires two comparative periods to be presented for the statement of financial position in certain circumstances. The group has elected to provide the additional comparatives in all circumstances to maintain a more consistent presentation each year.

5.3 Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2011. Subsidiaries are all entities over which the group has power to control the financial and operating policies. The company obtains and exercises control through voting rights. All subsidiaries have a reporting date of 31 December.

Intra-group balances, transactions and unrealised gains and losses on transactions between the Group companies are eliminated. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment losses from the group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owner of the parent and the non-controlling interests based on their respective ownership interests.

5.4 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss

immediately.

5.5 Investments in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the acquisition method as explained above. However, any goodwill or fair value adjustment attributable to the group's share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within 'share of profit/loss of equity accounted investments' in profit or loss. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items recognised directly in the associate's equity are recognised in other comprehensive income or equity of the group, as applicable. However, when the group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

Unrealised gains and losses on transactions between the group and its associates are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the group.

5.6 Income and expense recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Revenue from the sale of goods and services provided is recognised when all the following conditions have been satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied or the services provided. This is generally when the customer has taken undisputed delivery of goods or has approved the services that have been provided.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the company, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income from investment property is accounted for on an accrual basis.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from investments is recognised when received.

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

5.7 Borrowing costs

Borrowing costs incurred on specific fixed asset projects prior to their commissioning are capitalised as part of the cost of the qualifying asset. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the rate of interest on bank borrowings. All other borrowing costs are expensed in the period in which they are incurred and recognised in 'finance costs'.

5.8 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective group entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the euro (the group's presentation currency) are translated into euro upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

Foreign operations

On consolidation, assets and liabilities have been translated into euro at the closing rate at the reporting date. Income and expenses have been translated into the group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into euro at the closing rate.

5.9 Operating lease payments

Payments on operating lease agreements are recognised as an expense on a straight line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

5.10 Retirement benefit costs

The group companies contribute towards state pensions in accordance with local legislation and do not contribute to any retirement benefit plans. Related costs are recognised as an expense during the year in which they are incurred.

5.11 Intangible assets

Intangible assets are subject to impairment testing as described in note 5.14.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets that are acquired by the group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognised in profit or loss as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible asset, other than goodwill, from the date

they are available for use.

5.12 Property, plant and equipment

Property, comprising land and buildings held for use in the supply of goods and services or administration, is initially recognised at cost. Subsequently it is carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The fair value of land and buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

When buildings are revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any revaluation surplus arising upon appraisal of property is recognised in other comprehensive income and credited to revaluation reserve, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in 5.14. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is booked to profit or loss with the remaining part of the increase charged to other comprehensive income. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss.

Plant and equipment, furniture and fittings, and motor vehicles are initially recognised at acquisition cost. Subsequently they are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is calculated, using the straight-line method, to write off the cost or valuation of assets over their estimated useful lives on the following bases:

	%
- Freehold buildings	1-3
- Plant and equipment	5-100
- Motor vehicles	15-20

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within 'other income' or 'other expenses'.

5.13 Investment property

Investment properties are properties held to earn rental income or for capital appreciation or for both.

Property that is being constructed for use as an investment property is included with investment property.

Investment properties are revalued regularly and are included in the balance sheet at their open market value. These are determined by external professional valuers with sufficient experience with respect to both location and the nature of the investment property or by the directors.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within 'change in fair value of investment property'.

Rental income and operating expenses from investment properties are reported within 'revenue' and 'other expenses' respectively.

5.14 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units 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 or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management (refer to notes 13 and 15).

Impairment losses are recognised immediately in profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss that has been previously recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

5.15 Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the company's balance sheet at cost less any impairment loss that may have arisen. Income from investments is recognised only to the extent of distributions received by the company.

At each balance sheet date the company reviews the carrying amount of its investments in subsidiaries and associates to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

5.16 Non-current assets and liabilities classified as held for sale

When the group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as held for sale and presented separately in the statement of financial position. Liabilities are classified as held for sale and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

5.17 Profit or loss from discontinued operations

A discontinued operation is a component of the group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the income statement. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also note 5.15), is further analysed in note 11.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date of the latest period presented.

5.18 Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

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

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, and are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'administrative expenses'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Loans advanced by the company to its subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the company's net investment in those subsidiaries and included as part of the carrying amount of investments in subsidiaries.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables is presented within 'administrative expenses'.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see derivative financial instruments below). Assets in this category are measured at fair value with gains or losses recognised in profit or loss. Gains or losses on derivative financial instruments are based on changes in fair value determined by reference to active market transactions or using a valuation technique where no active market exists

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the group has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Available-for-sale financial assets are measured at fair value. Gains and losses are recognised in equity and reported within the other reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in equity is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within equity. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'. Reversals of impairment losses are recognised in other equity, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Financial liabilities

The group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

Derivative financial instruments

A specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the balance sheet.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss

At the time the hedged item affects profit or loss, any gain previously recognised in equity is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in the statement of comprehensive income is transferred immediately to profit or loss.

Convertible bonds

Bonds that can be converted to share capital at the option of the holder where the number of shares issued does not vary with changes in terms for value, are accounted for as compound financial instruments, net of attributable transaction costs. The equity component of the convertible bonds is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The liability component is stated at amortised cost, with the difference between such cost and redemption value being recognised in profit or loss over the term of the bonds, using the effective interest basis.

5.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to acquiring the inventories and to bringing them to their existing location and condition. Finance costs are not taken into consideration. Costs of inventories are assigned using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.20 Investments

Current asset investments held on a short-term basis, which are those which are expected to be disposed of within the next twelve months, are stated at market value. Any increases or decreases in carrying amount are dealt with through the profit and loss account.

5.21 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised directly in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is, however, neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future.

In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

Management bases its assessment of the probability of future taxable income on the group's latest profit forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The specific tax rules in the numerous legislations in which the group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is recognised in full. The recognition of tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recognised in other comprehensive income or directly in equity in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

5.22 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.23 Equity, reserves and dividend payments

Share capital is determined using the nominal value of shares that have been issued.

Other reserves include revaluation reserve and foreign currency translation reserve.

The revaluation reserve comprises gains and losses due to the revaluation of property, plant and equipment. Foreign currency translation differences arising on the translation of the group's foreign entries are included in the translation reserve (see note 5.8).

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included other liabilities in the balance sheet when the dividends are approved in general meeting prior to the balance sheet date.

All transactions with owners of the parent are recorded separately within equity.

5.24 Provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the group and they can be measured reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, such as product warranties, legal disputes or onerous contracts. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term obligations are discounted to their present values, where the time value of money is material.

Any reimbursement that the group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the group's management.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised unless it was assumed in the course of a business combination. In a business combination contingent liabilities are recognised on the acquisition date when there is a present obligation that arises from past events and the fair value can be measured reliably, even if the outflow of economic resources is too probable. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

5.25 Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the group that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 5.26.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

5.26 Estimation uncertainty

When preparing the financial statements management undertakes a number of estimates and assumptions that have a significant effect on recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Income taxes

In order to establish the taxation provisions, management exercises significant judgement in view of the fact that the group operates in various jurisdictions and as a result there are diverse transactions for which the ultimate tax determination is somewhat uncertain. In the event that the amount of actual tax due differs from the original amounts provided for, such variances will have an impact on the taxation charges for future periods.

Impairment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 15). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

The group has incurred a net impairment loss of € 15.2 million (2010: € 15 million) on its hotel properties to reduce the carrying amount to their recoverable amounts (see note 15.3). If the independent valuer's discount rate was increased by 1% a further impairment loss of € 70 million (2010: € 75.1 million) would have to be recognised, most of which would be written off against reserves.

Fair value of investment properties

At each reporting date investment properties are revalued by independent valuers based either on management's estimates of expected future cash flows or market values. The group has recognised fair value adjustments to investments property of € 5.5 million (2010: € 2.75 million). When based on management's estimates of expected future cash flows the value of each property is determined by applying a suitable discount rate. If the discount rate is changed by 1%, the fair value of investment property would change by € 5.2 million (2010: € 6 million).

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the group. The carrying amounts are analysed in note 15. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

5.27 Segment reporting

The present standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group board of directors.

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from that of other segments. A geographical segment is engaged in providing services within a particular economic environment that is subject to risks and returns that are different from those operating in other economic environments.

Hotel ownership development and operations is the dominant source and nature of the group's risk and returns. The group is also engaged in the ownership and leasing of its investment property. Operations are based in 14 countries, Malta being the home of the parent and management companies.

The board of directors assesses performance based on the measure of earnings before interest, tax, depreciation and amortisation (EBITDA).

The group is not required to report a measure of total assets and liabilities for each reportable segment since such amounts are not regularly provided to the chief operating decision maker. However, in accordance with IFRS 8, non-current assets (other than financial instruments, investments accounted for using the equity method and deferred tax assets) are divided into geographical areas in note 6.

6 Segment reporting

The Group

	Malta €000	North Africa €000	Europe €000	Total €000	Discontinued operations €000	Continuing operations €000
Year ended 31 December 2011						
Revenue:						
Hotels	31,213	17,406	77,047	125,666	5,001	120,665
Rental income from investment property	-	6,553	1,035	7,588	-	7,588
Industrial catering	6,348	-	-	6,348	-	6,348
Construction	3,732	711	-	4,443	-	4,443
Other	4,770	145	422	5,337	148	5,189
	<u>46,063</u>	<u>24,815</u>	<u>78,504</u>	<u>149,382</u>	<u>5,149</u>	<u>144,233</u>
EBITDA	5,395	9,294	8,327	23,016	(30)	23,046
Depreciation and amortisation	(3,133)	(9,865)	(16,697)	(29,695)	-	(29,695)
Segment operating profit (loss)	<u>2,262</u>	<u>(571)</u>	<u>(8,370)</u>	<u>(6,679)</u>	<u>(30)</u>	<u>(6,649)</u>
Year ended 31 December 2010						
Revenue:						
Hotels	22,086	28,789	66,452	117,327	5,451	111,876
Rental income from investment property	-	6,374	379	6,753	-	6,753
Industrial catering	6,419	-	-	6,419	-	6,419
Construction	1,939	9,058	-	10,997	-	10,997
Other	2,768	1,127	6,989	10,884	123	10,761
	<u>33,212</u>	<u>45,348</u>	<u>73,820</u>	<u>152,380</u>	<u>5,574</u>	<u>146,806</u>
EBITDA	(3,598)	19,745	9,039	25,186	(154)	25,340
Depreciation and amortisation	(3,612)	(10,495)	(16,614)	(30,721)	(523)	(30,198)
Impairment losses	-	-	2,400	2,400	-	2,400
Segment operating profit	<u>(7,210)</u>	<u>9,250</u>	<u>(5,175)</u>	<u>(3,135)</u>	<u>(677)</u>	<u>(2,458)</u>

CPHCL

	Malta €000	North Africa €000	Total €000	Discontinued operations €000	Continuing operations €000
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Year ended 31 December 2011

Turnover:

Hotels	5,001	-	5,001	5,001	-
Other	1,661	-	1,661	149	1,512
	<u>6,662</u>	<u>-</u>	<u>6,662</u>	<u>5,150</u>	<u>1,512</u>

EBITDA	(3,451)	4	(3,447)	(30)	(3,417)
Depreciation and assets written off	(145)	(20)	(165)	-	(165)
Segment operating loss	<u>(3,596)</u>	<u>(16)</u>	<u>(3,612)</u>	<u>(30)</u>	<u>(3,582)</u>

Year ended 31 December 2010

Turnover:

Hotels	5,451	-	5,451	5,451	-
Other	1,460	-	1,460	123	1,337
	<u>6,911</u>	<u>-</u>	<u>6,911</u>	<u>5,574</u>	<u>1,337</u>

EBITDA	(2,094)	(21)	(2,115)	(154)	(1,961)
Depreciation and assets written off	(150)	(21)	(171)	-	(171)
Segment operating loss	<u>(2,244)</u>	<u>(42)</u>	<u>(2,286)</u>	<u>(154)</u>	<u>(2,132)</u>

7 Operating loss

The operating loss is stated after charging:

	The Group		CPHCL	
	2011	2010	2011	2010
	€000	Re-presented €000	€000	€000
Directors' remuneration	643	619	738	738
Loss (gain) on disposal of property, plant and equipment	80	47	1	(8)
Operating lease costs	1,085	1,145	-	-
Auditors' remuneration	440	422	62	59

8 Staff costs

	The Group		CPHCL	
	2011	2010	2011	2010
	€000	Re-presented €000	€000	€000
Wages and salaries	37,122	38,461	1,442	1,429
Social security contributions	5,637	5,693	51	53
Other staff costs	3,747	4,253	170	216
	<u>46,506</u>	<u>48,407</u>	<u>1,663</u>	<u>1,698</u>

Weekly average number of employees.

	The Group		CPHCL	
	2011	2010	2011	2010
	No.	Re-presented No.	No.	No.
Management and administrative	531	600	51	46
Operating	2,041	2,084	18	18
	2,572	2,684	69	64

9 Finance income and finance costs

The following amounts have been included in the income statement line for the reporting periods presented:

	The Group		CPHCL	
	2011	2010	2011	2010
	€000	€000	€000	€000
Dividend income from investments	1,306	-	325	915
Interest income charged to related parties	319	127	653	331
Interest income on bank balances	234	555	2	138
Non-operating difference on exchange	1,036	161	-	-
Others	290	42	-	-
Finance income	3,185	885	980	1,384

	The Group		CPHCL	
	2011	2010	2011	2010
	€000	€000	€000	€000
Interest expense for bank borrowings	11,576	10,911	794	1,052
Interest expense for bonds in issue	9,644	9,567	-	-
Interest expense for other loans	-	-	1,011	680
Interest expense for related party loans	830	680	6,081	5,668
Net fair value loss on interest rate swaps	278	794	736	1,048
Other	48	70	-	-
Total interest expense for financial liabilities	22,376	22,022	8,622	8,448
Impairment reversal of investment (note 16.8)	-	-	(3)	(16)
Finance costs	22,376	22,022	8,619	8,432

10 Tax income

The tax on profits (losses) derived from local and foreign operations has been calculated at the applicable tax rates in those jurisdictions and in accordance with applicable double tax treaties.

10.1 Tax recognised in income statement

	The Group		CPHCL	
	2011 €000	2010 €000	2011 €000	2010 €000
Current taxation	(787)	(2,228)	-	(6)
Tax at source	-	(78)	-	(1)
Overprovision in respect of previous years	(4)	-	38	139
Underprovision in respect of previous years	-	(2,604)	-	-
Tax surrender losses	-	-	164	-
Deferred taxation	3,143	6,376	-	45
	<u>2,352</u>	<u>1,466</u>	<u>202</u>	<u>177</u>

10.2 Tax recognised in other comprehensive income

	The Group	
	2011 €000	2010 €000
Tax effect on:		
Impairment/revaluation of hotel properties	2,428	(1,088)
Fair value adjustment on hedging instruments	36	745
Exchange translation difference	232	(95)
	<u>2,696</u>	<u>(438)</u>

Refer to note 28 for information on the entity's deferred tax assets and liabilities.

11 Loss for the year from discontinued operations

The Corinthia Palace Hotel property is held as available for sale following the directors' decision to dispose of this property. In 2010 the directors had agreed upon the terms of sale of an associate company, Tektur Turizm a.s. to a third party and the sale of the shares was completed in 2011.

Profit (loss) attributable to the discontinued operations is as follows:

	The Group	
	2011 €000	2010 Re-presented €000
Results of discontinued operations		
Share of results of associates	-	1,156
Corinthia Palace Hotel -		
Turnover	5,149	5,574
Operating and other expenses	(5,282)	(6,295)
Other income	36	44
Loss for the year	<u>(97)</u>	<u>(677)</u>
Total (loss) income on discontinued operations	<u>(97)</u>	<u>479</u>
Effect of disposal on the financial position of the group		
Equity in associates	-	(5,932)
Property, plant and equipment	9,264	-
	<u>9,264</u>	<u>(5,932)</u>

	CPHCL	
	2011	2010
	€000	€000
Corinthia Palace Hotel -		
Results of discontinued operation		
Turnover	5,149	5,574
Operating and other expenses	(5,282)	(5,835)
Other income	36	44
Loss for the year	<u>(97)</u>	<u>(217)</u>
Cash flows from discontinued operation		
Net cash (used in) from operating activities	(11)	156
Net cash used in investing activities	(414)	(146)
Net cash from (used in) financing activities	419	(63)
Net cash used in discontinued operations	<u>(6)</u>	<u>(53)</u>
Effect of disposal on the financial position of the company		
Property, plant and equipment	9,711	9,373
Investments in subsidiaries	6,988	6,988
Investment in associate	-	3,542
Loans receivable	9,574	12,112
Impairment losses recognised	(9,368)	(9,368)
Net identifiable assets	<u>16,905</u>	<u>22,647</u>

12 Dividends and (loss) earnings per share

In 2011 CPHCL did not pay any dividends to its equity shareholders. During 2010 CPHCL paid dividends amounting to € 10.1 million (equivalent to € 0.50 per share). Of this an amount € 4.7 million (€ 0.23 per share) had been declared in previous years and the balance of € 5.4 million (€ 0.27 per share) was declared in 2010.

The calculation of earnings per share is based on the net loss for the year attributable to ordinary shareholders and the number of ordinary shares outstanding during the year of 20,000,000.

13 Intangible assets

Goodwill and other intangibles

	The Group
	€000
Cost	
Balance at 1 January 2009	7,532
Exchange differences	(2)
Balance at 31 December 2009	<u>7,530</u>
Exchange differences	(2)
Additions	217
Balance at 31 December 2010	<u>7,745</u>
Additions	838
Balance at 31 December 2011	<u>8,583</u>

Amortisation

Balance at 1 January 2009	1,224
Exchange differences	(1)
Amount written off	358
Balance at 31 December 2009	1,581
Exchange differences	(2)
Amount written off	358
At 31 December 2010	1,937
Amount written off	623
At 31 December 2011	2,560

Carrying amounts

At 31 December 2011	6,023
At 31 December 2010	5,808
At 31 December 2009	5,949
At 1 January 2009	6,308

14 Investment property

	The Group			CPHCL		
	2011	2010	2009	2011	2010	2009
	€000	€000	€000	€000	€000	€000
Balance at 1 January	200,704	190,326	160,739	925	896	816
Fair value adjustments (a)	5,383	2,746	12,064	-	-	-
Reversal of previous fair value adjustment	-	-	(727)	-	-	-
Additions (b)	471	1,352	1,169	-	29	80
Disposals	-	-	(141)	-	-	-
Adjustments	(320)	-	(885)	-	-	-
Transfer from property, plant and equipment (c)	16	6,045	17,343	-	-	-
Transfer to asset held for sale	(77)	-	-	-	-	-
Exchange differences	(953)	235	764	-	-	-
Balance at 31 December	205,224	200,704	190,326	925	925	896

- a) At the balance sheet date the fair value of investment property held by the group in St Petersburg has been increased by the directors by € 5.6 million (2010 - € 2.9 million, 2009 - € 5.7 million), relying on the expert opinion of Colliers International, a firm of real estate consultants.

In 2011 the valuation of the investment property in Lisbon gave rise to an impairment of € 166,000 (2010 - € 166,000 decrease, 2009 - € 1.4 million increase) based on the opinion of independent valuers.

In 2011 and 2010 the directors have retained the value of the commercial centre in Tripoli and the parcel of land, both adjacent to Corinthia Hotel Tripoli, unchanged. In 2009 an uplift in value of € 4.6 million was recognised. In doing so, the directors have relied on expert opinions and all available information.

- b) The additions in 2011 represent further developments in properties in Hungary, Turkey, Czech Republic and Russia.

In 2010 additions of € 83,000 represented further work on the property in St Petersburg. A further € 1.2 million was expended on additions to properties in the Czech Republic and Hungary.

Additions in 2009 of € 120,000 represented the adjustment to the final price of property purchased in Lisbon. The group also purchased property for development in Budapest for € 0.96 million and made minor additions to the property in the Czech Republic.

- c) Works completed on the investment property in St Petersburg were transferred from property, plant and equipment in 2011 and 2009.

In 2010 the Konopiste Hotel in the Czech Republic was transferred from property, plant and equipment since this is to be developed as investment property.

- d) Investment property with a carrying amount of € 187.2 million secures general banking facilities and loans granted to the group.
- e) Rental income earned by the group and the company from investment property amounted to € 7.5 million (2010 - € 6.8 million, 2009 - € 6.7 million) and € 70,000 (2010 - € 70,000, 2009 € 280,000) and direct expenses of € 0.9 million (2010 - € 0.5 million, 2009 - € 0.5 million) and € nil (2010 and 2009 - € nil) respectively.

15 Property, plant and equipment

The Group

	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Assets in the course of construction €000	Total €000
Cost or valuation					
Balance at 1.1.09	789,823	192,144	2,880	65,410	1,050,257
Exchange differences	(2,566)	(546)	(6)	-	(3,118)
Reclassifications	48,596	4,091	-	(52,849)	(162)
Additions	6,458	14,675	195	8,190	29,518
Disposals	(92)	(3,429)	(282)	-	(3,803)
Transfer to investment property	-	-	-	(17,343)	(17,343)
Revaluation surplus	5,906	-	-	(12)	5,894
Balance at 31.12.09	848,125	206,935	2,787	3,396	1,061,243
Balance at 1.1.10	848,125	206,935	2,787	3,396	1,061,243
Exchange differences	(740)	(301)	6	-	(1,035)
Reclassifications	2,085	504	37	(2,683)	(57)
Additions	64	2,843	52	3,635	6,594
Disposals	(452)	(1,593)	(126)	(26)	(2,197)
Transfer to investment property	(5,842)	(3)	-	(205)	(6,050)
Revaluation surplus	561	-	-	-	561
Balance at 31.12.10	843,801	208,385	2,756	4,117	1,059,059
Balance at 1.1.11	843,801	208,385	2,756	4,117	1,059,059
Exchange differences	(3,783)	(976)	2	(4)	(4,761)
Reclassifications	1,168	34	-	(1,694)	(492)
Additions	1,007	3,128	35	2,311	6,481
Disposals	(25)	(884)	(140)	(182)	(1,231)
Transfer to assets held for sale (note 21)	(6,949)	(13,057)	(14)	-	(20,020)
Revaluation surplus	6,281	(334)	-	-	5,947
Balance at 31.12.11	841,500	196,296	2,639	4,548	1,044,983

	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Assets in the course of construction €000	Total €000
Depreciation					
Balance at 1.1.09	88,386	128,166	2,234	16	218,802
Exchange differences	(320)	(313)	(1)	-	(634)
Reclassifications	-	(27)	-	(16)	(43)
Charge for the year	14,719	15,594	246	-	30,559
Net impairment losses (note 15.1)	30,978	-	-	-	30,978
Released on disposal	(41)	(1,553)	(238)	-	(1,832)
Revaluation surplus	(2,568)	-	-	-	(2,568)
Balance at 31.12.09	131,154	141,867	2,241	-	275,262
Balance at 1.1.10	131,154	141,867	2,241	-	275,262
Exchange differences	(171)	(234)	2	-	(403)
Reclassifications	-	(19)	(3)	-	(22)
Charge for the year	15,383	14,695	285	-	30,363
Net impairment losses (note 15.1)	15,030	-	-	-	15,030
Released on disposal	(452)	(1,525)	(117)	-	(2,094)
Transfer to investment property	(5)	-	-	-	(5)
Revaluation surplus	(2,083)	-	-	-	(2,083)
Balance at 31.12.10	158,856	154,784	2,408	-	316,048
Balance at 1.1.11	158,856	154,784	2,408	-	316,048
Exchange differences	(670)	(820)	3	-	(1,487)
Reclassifications	(5)	(364)	2	-	(367)
Charge for the year	15,310	13,580	182	-	29,072
Net impairment losses (note 15.1)	15,199	-	-	-	15,199
Released on disposal	(18)	(853)	(127)	-	(998)
Transfer to asset held for sale (note 21)	(952)	(9,879)	(2)	-	(10,833)
Revaluation surplus	(214)	-	-	-	(214)
Balance at 31.12.11	187,506	156,448	2,466	-	346,420
Carrying amounts					
At 31 December 2011	653,994	39,848	173	4,548	698,563
At 31 December 2010	684,945	53,601	348	4,117	743,011
At 31 December 2009	716,971	65,068	546	3,396	785,981
At 1 January 2009	701,437	63,978	646	65,394	831,455

CPHCL

	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Assets in the course of construction €000	Total €000
Cost or valuation					
Balance at 1.1.09	7,838	18,971	1,318	361	28,488
Exchange differences	-	(4)	(5)	-	(9)
Additions	99	131	21	1,483	1,734
Disposals	(93)	(25)	(115)	-	(233)
Reclassification	43	1,801	-	(1,844)	-
Transfer to assets held for sale (note 21)	(6,922)	(12,612)	(3)	-	(19,537)
Balance at 31.12.09	965	8,262	1,216	-	10,443
Balance at 1.1.10	965	8,262	1,216	-	10,443
Exchange differences	1	8	7	-	16
Additions	9	170	18	-	197
Disposals	-	(12)	(4)	-	(16)
Transfer	-	(146)	-	-	(146)
Balance at 31.12.10	975	8,282	1,237	-	10,494
Balance at 1.1.11	975	8,282	1,237	-	10,494
Exchange differences	-	4	3	-	7
Additions	28	320	11	-	359
Disposals	(12)	(146)	-	-	(158)
Transfer	(27)	(299)	(10)	-	(336)
Balance at 31.12.11	964	8,161	1,241	-	10,366
Depreciation					
Balance at 1.1.09	1,376	17,103	1,037	-	19,516
Exchange differences	-	(2)	(3)	-	(5)
Charge for the year	197	430	67	-	694
Released on disposal	(44)	(18)	(83)	-	(145)
Transfer to assets held for sale (note 21)	(825)	(9,483)	(2)	-	(10,310)
Balance at 31.12.09	704	8,030	1,016	-	9,750
Balance at 1.1.10	704	8,030	1,016	-	9,750
Exchange differences	1	8	4	-	13
Charge for the year	36	64	71	-	171
Released on disposal	-	(11)	(3)	-	(14)
Balance at 31.12.10	741	8,091	1,088	-	9,920
Balance at 1.1.11	741	8,091	1,088	-	9,920
Exchange differences	-	5	3	-	8
Charge for the year	36	56	73	-	165
Released on disposal	(12)	(145)	-	-	(157)
Balance at 31.12.11	765	8,007	1,164	-	9,936
Carrying amounts					
At 31 December 2011	199	154	77	-	430
At 31 December 2010	234	191	149	-	574
At 31 December 2009	261	232	200	-	693
At 1 January 2009	6,462	1,868	281	361	8,972

15.1 Impairment of assets

In line with the requirements of IAS 36, *Impairment of Assets*, the directors have assessed whether there are any indications that the value of the group's hotel properties may be impaired. In assessing such indications, the directors considered, inter alia, evidence available from internal reporting and expert valuation reports, indicating whether the economic performances of the hotels did not match with expectations.

Impairment losses reflect lower than expected economic performances of the hotel properties, whereas reversals of such losses reflect improvements in previously projected net future cash flows from operations.

Impairment losses and reversals have been recognised as follows:

	Recognised at 1.1.09 € 000	Change € 000	Recognised at 31.12.09 € 000
<i>Hotel property</i>			
Corinthia Hotel St George's Bay Malta	1,937	(1,784)	153
Corinthia Hotel & Spa Lisbon	806	2,500	3,306
Corinthia Hotel Prague	8,067	13,680	21,747
Corinthia Hotel Budapest	-	15,345	15,345
Marina Hotel	3,927	-	3,927
Corinthia Panorama Hotel	4,007	-	4,007
Amber Hotels	-	1,237	1,237
	<hr/>	<hr/>	<hr/>
	18,744	30,978	49,722
	<hr/>	<hr/>	<hr/>
Recognised in equity		(27,241)	
		<hr/>	
Recognised in income statement		3,737	
		<hr/>	
	Recognised at 1.1.10 € 000	Change € 000	Recognised at 31.12.10 € 000
<i>Hotel property</i>			
Corinthia Hotel St George's Bay Malta	153	-	153
Corinthia Hotel & Spa Lisbon	3,306	(2,400)	906
Corinthia Hotel Prague	21,747	-	21,747
Corinthia Hotel Budapest	15,345	-	15,345
Marina Hotel	3,927	(3,927)	-
Corinthia Panorama Hotel	4,007	-	4,007
Amber Hotels	1,237	-	1,237
Corinthia Hotel Tripoli	-	20,300	20,300
Ramada Plaza Hotel Budapest	-	1,057	1,057
	<hr/>	<hr/>	<hr/>
	49,722	15,030	64,752
	<hr/>	<hr/>	<hr/>
Recognised in equity		(17,430)	
		<hr/>	
Recognised in income statement		(2,400)	
		<hr/>	

	Recognised at 1.1.11 € 000	Change € 000	Recognised at 31.12.11 € 000
<i>Hotel property</i>			
Corinthia Hotel St George's Bay Malta	153	2,650	2,803
Corinthia Hotel & Spa Lisbon	906	-	906
Corinthia Hotel Prague	21,747	(4,487)	17,260
Corinthia Hotel Budapest	15,345	4,333	19,678
Corinthia Panorama Hotel	4,007	-	4,007
Amber Hotels	1,237	-	1,237
Corinthia Hotel Tripoli	20,300	-	20,300
Ramada Plaza Hotel Budapest	1,057	-	1,057
Corinthia Hotel St. Petersburg	-	12,703	12,703
	<hr/>	<hr/>	<hr/>
	64,752	15,199	79,951
	<hr/>	<hr/>	<hr/>
Recognised in equity		(15,199)	
		<hr/>	
Recognised in income statement		-	
		<hr/>	

In assessing the recoverable amounts of the above hotel properties by reference to their value in use, the future cash flows to be derived from the continuing use and ultimate disposal were estimated in the currency in which they will be generated, and discounted by applying the pre-tax discount rates. These discount rates reflect the current market assessment of the time value of money and the risks specific to these hotel properties for which the future cash flow estimates used in arriving at their carrying amount have not been adjusted for.

Hotel property

	Pre-tax discount rate		
	2011 %	2010 %	2009 %
Corinthia Hotel St. George's Bay	8.36	8.39	8.97
Corinthia Hotel and Spa Lisbon	7.95	8.36	8.12
Corinthia Hotel Prague	7.84	8.54	8.48
Corinthia Hotel Budapest	9.12	8.68	8.95
Corinthia Hotel Tripoli	11.57	11.65	-
Corinthia Hotel St. Petersburg	10.35	-	-

15.2 Revaluation to fair value of hotel properties

The "value in use" calculations resulting from the impairment reviews of the group's hotel properties (see note 15.1) were also considered appropriate for the purpose of determining their fair value. The excess in prior years is shown in revaluation reserve.

In arriving at their projected operating cash flows, a detailed analysis of the facilities and performance capabilities of the hotel properties, their expectations and prospects in the various jurisdictions in which they operate, was carried out.

These fair value assessments do not include a review of other factors such as market liquidity, the possible outlook of potential acquirers and the value at which other comparable transactions may have been executed, which factors may also impact the open market values of these properties.

15.3 Historic cost of hotel properties

The carrying amounts of the land and buildings that would have been included in these financial statements had these assets been carried at cost less accumulated depreciation thereon would be less than those at which they are stated in these financial statements.

15.4 Security

Certain tangible fixed assets owned by the group are hypothecated in favour of the group's bankers as collateral for amounts borrowed (refer to note 25).

16 Investments in subsidiaries and associates

16.1 The amounts stated in the balance sheet are analysed as follows:

	The Group			CPHCL		
	2011	2010	2009	2011	2010	2009
	€000	€000	€000	€000	€000	€000
Equity in subsidiary companies (note 16.5)	-	-	-	379,167	379,515	379,195
Loans to subsidiary companies	-	-	-	22,365	28,552	20,708
Equity in associate companies (note 16.2 and 16.6)	178,102	191,449	151,265	24,093	24,093	27,636
Loans to associate companies (note 16.4)	36,625	7,091	1,711	7,175	120	1,711
Other investments (note 16.2)	19	19	19	19	19	19
Impairment loss (note 16.8)	-	-	-	(2,286)	(2,021)	(2,037)
	214,746	198,559	152,995	430,533	430,278	427,232

16.2 Movements on financial assets

	The Group		CPHCL		
	Equity held in associates	Other investments	Equity held in subsidiaries	Equity held in associates	Other investments
	€000	€000	€000	€000	€000
Balance at 1.1.09	72,484	19	386,181	27,557	19
Additions (note 16.5 and 6)	36,005	-	3	79	-
Movement (note 16.6)	42,776	-	-	-	-
Transfer to assets held for sale (note 21)	-	-	(6,989)	-	-
Balance at 31.12.09	151,265	19	379,195	27,636	19
Additions (note 16.5 and 6)	3,925	-	320	-	-
Movement (16.6)	39,654	-	-	(2)	-
Transfer to assets held for sale	(3,395)	-	-	(3,541)	-
Balance at 31.12.10	191,449	19	379,515	24,093	19
Disposals (note 16.5 and 6)	(9,091)	-	(348)	-	-
Movement (note 16.6)	(4,256)	-	-	-	-
Balance at 31.12.11	178,102	19	379,167	24,093	19

16.3 Equity investments

Subsidiary companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2011 %	2010 %	2011 %	2010 %	
Quoted						
International Hotel Investments plc	22, Europa Centre, Floriana, Malta	59	59	59	59	Investment
Unquoted						
Afina Ag	CH-4336 Kaisten Eigematt 15 Switzerland	100	100	-	-	Investment
Alfa Investimentos Turisticos Lda	Avenida Columbana Bordalo Pinheiro Lisboa 1099-031, Portugal	59	59	-	-	Hotel owner
Amber Hotels s.r.o.	Milevska 7, Prague 4 Czech Republic	100	100	100	100	Hotel owner and operator
Catering Contractors Limited	6, Third Floor. Europa Centre, St. Anne Street, Floriana, Malta	100	100	100	100	Non trading
C.H.I. Limited	22, Europa Centre, Floriana, Malta	41	41	-	-	Hotel management
CHI Belgium n.v.	Desguinlei 94, B-2018 Antwerp, Belgium	41	41	-	-	Hotel operator
CHI Hotels & Resorts Limited	1, Deligiorgi Cosmo, 3 rd Floor 1066 Nicosia Cyprus	41	-	-	-	Hotel management
Comox Enterprises Limited	Agiou Nicolau, 41-49, Nimeli Court, Egkomi PC2408, Nicosia, Cyprus	100	100	100	100	Investment
Corinthia Construction (Overseas) Limited	22, Europa Centre, Floriana, Malta	92	92	-	-	Construction
Corinthia Finance plc	22, Europa Centre, Floriana, Malta	100	100	100	100	Investment
Corinthia Investments Limited	1, Brentham House 43c High Street Hampton Wick, Kingston-Upon-Thames, Surrey, UK	100	100	100	100	Investment

Corinthia Palace Holdings Limited	22, Europa Centre, Floriana, Malta	100	-	100	-	Non trading
Corinthia Palace Investments Limited (formerly Mistra Village Limited)	22, Europa Centre Floriana, Malta	100	100	100	100	Investment
Corinthia Panorama s.r.o.	Milevska 7, Prague 4, Czech Republic	100	100	100	100	Hotel owner
Corinthia Restaurants Kft	3527 Miskolc Bajcsy Zsilinszky U.17 Budapest, Hungary	100	100	-	-	Property owner
Corinthia Services Limited	34, Place de 7 Novembre 1987 Tunis, Tunisia	99	99	99	99	Non trading
Corinthia Towers Tripoli Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Hotel owner
Corinthia Tunisie sarl	Les Cotes de Carthage, Ghammarth, Tunisia	100	100	100	100	Non trading
Corinthia Turizm Yatirimlari ve Ticaret a.s.	Tayyareci Ethem Sokak No.24 Kat4 Daire 13, 80090 Gumussuyu Istanbul, Turkey	100	100	-	-	Hotel owner
Corinthia Villas Limited	22, Europa Centre, Floriana, Malta	100	-	100	-	Non trading
Danish Bakery Limited	22, Europa Centre, Floriana, Malta	65	65	65	65	Bakery
Five Star Hotels Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Hotel owner
Flight Catering Company Limited	22, Europa Centre, Floriana, Malta	100	70	100	70	Inflight services
HNS Consultancy Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Consultancy services
IHI Benelux Bv	Frederick Roeskestraat 123 1076 EE Amsterdam P.O. Box 72888 1070 AC Amsterdam The Netherlands	59	59	-	-	Hotel owner

IHI Benghazi Limited	22, Europa Centre, Floriana, Malta	44	44	-	-	Investment
IHI Cyprus Limited	1 Naousis Street Karapatakis Building P.C. 6018, Larnaca Cyprus	59	59	-	-	Investment
IHI Hungary Rt	1072, Budapest, Klauzal ter.3, Hungary	59	59	-	-	Hotel owner
IHI Lisbon Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Investment
IHI St Petersburg LLC	1/36 Volynsky per., St. Petersburg, Russian Federation	59	59	-	-	Investment
IHI Towers s.r.o	Kongresova 1655/1 1406/69 Praha 5 Czech Republic	59	59	-	-	Hotel Owner
IHI Zagreb d.d.	Centar Kaptol, Nova Kes 11, 10000 Zagreb, Croatia	59	59	-	-	Investment
Internasyonal Turizm ve Otelcilik a.s.	Osmanli Sokok No.24 Kat 4 Daire 13 80090 Gumussuyu Istanbul, Turkey	100	100	-	-	Hotel owner
Konopiste Property Holding s.r.o.	Milevska 1695/7 Prague 4 Czech Republic	100	100	100	100	Hotel owner
Marin Aruba (Malta) Limited	52, St. Christopher Street, Floriana, Malta	-	100	-	100	Liquidated 2011
Marina San Gorg Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Hotel owner
Marsa Investments Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Investment property and hotel operator
Med Construction Holding Company Limited	22, Europa Centre, Floriana, Malta	-	100	-	100	Liquidated 2011
QPM Limited	22, Europa Centre, Floriana, Malta	92	92	80	80	Project management services
QPM (North Africa) Limited	22, Europa Centre Floriana, Malta	93	-	20	-	Non-trading

QPM (UK) Limited	Gate House, 5 th Floor 1, St. John's Square London EC1N 4DH	100	-	-	-	Project management services
Societe de Promotion Hoteliere Khamsa s.a.	Les Cotes de Carthage, Gammarth, Tunisia	100	100	65	63	Hotel owner
Swan Laundry and Drycleaning Company Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Laundry
Thermal Hotel Aquincum Rt	Arpad Fejedelem Utja 94, H-1036 Budapest Hungary	100	100	-	-	Hotel owner
Top. Spirit a.s.	Milevska 7, 14063 Prague P.O. Box 41 Czech Republic	100	100	100	100	Investment
Associate companies						
AGR Limited	22, Europa Centre, Floriana, Malta	-	47	-	-	Liquidated in 2011
Atkins Travel Limited	Towngate House, 2, Parkstone Road, Poole, Dorset BH15 2PJ United Kingdom	43	43	-	-	Tour operator
B.C.W. Limited	3, Princess Elizabeth Terrace, Ta' Xbiex, Malta	33	33	33	33	Investment
Café Jubilee Zrt	1055 Budapest, Szent Istvan krt. 13, Hungary	50	50	50	50	Restaurant and café
CaterMax Limited	22 Europa Centre, Floriana, Malta	50	-	50	-	Catering services
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building 6018 Larnaca Cyprus	29	29	29	-	Investment
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building 6018 Larnaca Cyprus	29	29	29	-	Investment
Medina Tower Joint Stock Company for Real Estate Investment and Development	Suite 107, Tower 2, Level 10 Burj Al Fateh, Tripoli, Libya	27	27	-	-	Owns the Medina Towers Project in Tripoli
Mediterranean Investments Holding plc	22, Europa Centre, Floriana, Malta	50	50	50	50	Investment

NLI Holdings Limited (Group)	CTV House, La Pouqelaye, St Helier, Jersey	29	29	-	-	Parent company of NLI group
Norm Turizm Yatirim Isletmeleri a.s.	Mobucan Yokusu, 17/2 Findikli, Istanbul, Turkey	40	40	-	-	Hotel owner
Palm City Limited	22, Europa Centre, Floriana, Malta	50	50	-	-	Property development and operator
Scalotel-Sociedade Escalabitana Hoteleira s.a.	Avenida Madre Andaluz Freguesia de Marvila, Canelho de Santarem, Portugal	41	41	-	-	Hotel owner
Tekirova Turizm Yatirimlari a.s. (held for sale)	Cunhuriyet Cuddesi 47/1 80090 Taksim Istanbul, Turkey	-	50	-	-	Sold in 2011
Tektur Turizm a.s.	Abdi Ipekci Cad No. 59 Kizilkaya Apt Kat 3 Tevsikiye Istanbul Turkey	-	35	-	35	Sold in 2011

Other investments

Fish Market Company Limited

Steigenberger Reservation Service GmbH

16.4 Loans

The loans to associate companies are unsecured, interest free and have no fixed repayment date.

16.5 Equity in subsidiary companies

	CPHCL		
	2011	2010	2009
	€000	€000	€000
At 1 January	379,515	379,195	386,181
Acquisition of equity in:			
Amber Hotels s.r.o	-	(1,561)	-
Corinthia Palace Holdings Limited	-	1	-
Corinthia Villas Limited	-	1	-
Flight Catering Company Limited	-	318	-
Konopiste Property Holdings	-	1,561	-
Marsa Investments Limited	-	-	3
Transfer to assets held for sale	-	-	(6,989)
Liquidated companies:			
- Marin Aruba Limited	(298)	-	-
- Med Construction Holding Company Limited	(50)	-	-
At 31 December	379,167	379,515	379,195

16.6 Equity in associate companies

	The Group		
	2011	2010	2009
	€000	€000	€000
At 1 January	191,449	151,265	72,484
Exchange differences	1,301	2,685	488
Additions	-	3,925	36,005
Disposal	(9,088)	-	-
Liquidated	(3)	-	-
Group's share of dividend paid by associate companies	(50)	(196)	(308)
Group's share of results:			
- income statement	(289)	(1,262)	43,871
- other comprehensive income	(5,218)	38,427	(1,191)
Transfer to assets held for sale	-	(3,395)	-
Impairment	-	-	(84)
At 31 December	178,102	191,449	151,265

16.7 Summary of financial information of associate companies

	The Group			CPHCL		
	2011	2010	2009	2011	2010	2009
	€000	€000	€000	€000	€000	€000
Total assets	854,992	753,565	451,397	294,209	289,471	263,471
Total liabilities	(491,926)	(271,500)	(168,058)	(185,511)	(82,688)	(146,737)
Net assets	363,066	482,065	283,339	108,698	206,783	116,734
Revenue	43,769	44,787	151,376	11,830	9,272	94,256
Loss (profit) for the year	(68)	(1,803)	87,738	(2,980)	(1,074)	59,975
Share of contingent liabilities of associates	-	-	-	-	-	-

16.8 Impairment loss

The carrying amount of the investment in and loan to Corinthia Tunisie Sarl were found to be impaired and therefore an impairment loss of € 2.05 million was recognised in the income statement of CPHCL in 2008. € 12,400 was reversed in 2009, and a further € 19,000 in 2010.

In 2011, the company recognised an impairment on the investment in and loan to Amber Hotels s.r.o of € 268,000.

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

17 Derivative financial instruments

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Interest rate swaps held for trading –						
Assets						
Current	-	-	124	-	-	124
Liability – non current	(6,404)	(6,863)	(7,117)	-	-	-
Notional amounts maturing in:						
2010	-	-	14,274	-	-	14,274
2013	14,030	14,030	14,030	-	-	-
2014	67,989	67,989	67,989	-	-	-

The interest rate swap agreements are subject to the following terms:

2010 -

Receive interest at the rate of 6.5% per annum
Pay variable interest at the rate of 5.629% per annum

2013 -

Receive interest at the rate of 3 month Euribor
Pay fixed interest at the rate of 4.89% to 5.2% per annum

2014 -

Receive variable interest at the rate of 3 month Euribor
Pay fixed interest at the rate of 4.15 % per annum

18 Inventories

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Food and beverages	1,121	1,192	909	118	107	92
Consumables and other	5,915	5,892	6,251	204	171	146
Goods held for resale	121	91	41	-	-	-
Loose tools	7	7	7	-	-	-
Work-in-progress	175	259	183	-	-	-
	7,339	7,441	7,391	322	278	238

19 Trade and other receivables

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Trade receivables	30,147	22,558	18,467	1,822	2,003	1,758
Allowance for doubtful debts	(5,243)	(4,768)	(3,930)	(634)	(605)	(469)
	24,904	17,790	14,537	1,188	1,398	1,289
Amounts due from related companies	19,789	15,161	12,854	10,646	8,913	10,241
Other receivables	9,924	4,153	4,974	7,153	927	1,142
Prepaid expenses and accrued income	4,415	5,172	3,648	901	696	954
Total receivables – current	59,032	42,276	36,013	19,888	11,934	13,626

The carrying values of short-term loans and receivables are considered a reasonable approximation of fair value. The fair values of long-term loans and receivables is not materially different from their carrying amounts.

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 reach the group's benchmark creditworthiness may only transact with the group on a cash basis.

In determining the recoverability of trade receivables the group considers any change in the credit quality of each trade receivable from the date credit was initially granted up to the reporting date.

Included in trade receivables are debtors which are past due at the reporting date for which the group has not provided for as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of trade receivables not impaired is as follows:

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Not more than 3 months	7,685	6,584	6,871	380	426	563
3 to 6 months	3,789	7,352	2,910	204	334	193
6 months to 1 year	5,363	2,731	1,534	386	478	109
More than one year	8,067	1,123	3,222	218	160	424
	24,904	17,790	14,537	1,188	1,398	1,289

In addition certain trade receivables were found to be impaired and a provision has been recorded accordingly. The movement in the allowance for doubtful debts is as follows:

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Balance at 1 January	4,768	3,930	5,620	605	469	560
Impairment losses recognised	908	1,007	671	29	136	203
Impairment losses reversed	(433)	(169)	(2,361)	-	-	(294)
Balance at 31 December	5,243	4,768	3,930	634	605	469

20 Cash and cash equivalents

Cash and cash equivalents include the following components:

The Group

	2011 €000	2010 €000	2009 €000
Cash and bank balances:			
- non current	83	9,793	7,233
- current	48,425	27,520	56,322
Cash and cash equivalents in the balance sheet	48,508	37,313	63,555
Bank overdraft	(7,588)	(9,653)	(8,435)
Cash and cash equivalents in the statement of cash flows	40,920	27,660	55,120

CPHCL

	2011 €000	2010 €000	2009 €000
Cash and bank balances			
- non current	3	4,393	933
- current	234	783	6,183
	<u>237</u>	<u>5,176</u>	<u>7,116</u>
Bank overdraft	(5,027)	(6,977)	(5,057)
	<u>(4,790)</u>	<u>(1,801)</u>	<u>2,059</u>

In accordance with the provision of loan agreements with a subsidiary company, CPHCL has set aside an amount of € 80,000 (2010 - € 4.4 million, 2009 - € 7.6 million) into sinking funds for the redemption of bonds issued to the public. One of the group companies had a further amount of € 5.8 million set aside for the part repayment of the bonds maturing in 2012.

A further amount of € 5.4 million has been set aside by a subsidiary company since this amount is earmarked for its Development Fund.

In 2012 the Group is required to set aside a further amount of € 2.5 million into sinking funds relating to bonds in issue.

21 Assets held for sale

Following the directors' intention to sell Corinthia Palace Hotel assets to a third party and the investment in Marina San Gorg to another group company these assets are presented as held for sale. The investment in Tektur Turizm a.s. was sold to a third party in 2011.

	Note	The Group		CPHCL		
		2011 €000	2010 €000	2011 €000	2010 €000	2009 €000
Corinthia Palace Hotel						
Property, plant and equipment	15	<u>9,187</u>	-	<u>9,711</u>	9,373	9,228
Amber Hotels s.r.o.						
Investment property		<u>77</u>	-	-	-	-
Marina San Gorg Limited						
Investment in shares	16.2	-	-	<u>6,988</u>	6,988	6,988
Loans receivable		-	-	<u>9,574</u>	9,574	9,574
		-	-	<u>16,562</u>	16,562	16,562
Impairment losses recognised		-	-	<u>(9,368)</u>	(9,368)	(9,368)
		-	-	<u>7,194</u>	7,194	7,194
Tektur Turizm a.s.						
Investment in shares		-	3,395	-	3,542	-
Loan receivable		-	2,537	-	2,538	-
		-	5,932	-	6,080	-
Total assets held for sale		<u>9,264</u>	5,932	<u>16,905</u>	22,647	16,422

22 Called-up issued share capital

The share capital of Corinthia Palace Hotel Company Limited consists of 20 million ordinary shares with a par value of € 1 each (2010 – 20 million; 2009 – 8,032,400 ordinary shares of € 2.329373 each). The shares are all equally eligible to receive dividends and the repayment of capital, and represent one vote at the shareholders' meeting of Corinthia Palace Hotel Company Limited.

	2011 €000	2010 €000	2009 €000
Shares issued and fully paid at 31 December			
Ordinary shares	20,000	20,000	18,710
Shares authorised at 31 December			
Ordinary shares	20,000	20,000	18,710

23 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.

24 Capital management policies and procedures

The group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders and benefits to other stakeholders by pricing products and services commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

The group monitors the level of debt, which includes borrowings and trade and other payables less cash and bank balances against total capital on an ongoing basis. The directors consider the group's gearing level at year end to be appropriate for its business.

25 Bank borrowings

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Bank overdraft	7,588	9,653	8,435	5,027	6,977	5,057
Bank loans	288,305	250,908	263,582	9,437	13,955	17,752
Total borrowings	295,893	260,561	272,017	14,464	20,932	22,809
Comprising:						
Long term borrowings						
- due within 2 - 5 years	112,055	95,152	84,318	6,159	9,437	13,140
- due later than 5 years	146,226	128,816	140,037	-	-	315
	258,281	223,968	224,355	6,159	9,437	13,455
Borrowings due within 12 months						
- bank overdraft	7,588	9,653	8,435	5,027	6,977	5,057
- bank loans	30,024	26,940	39,227	3,278	4,518	4,297
	37,612	36,593	47,662	8,305	11,495	9,354

a) Bank and other borrowings have the following terms:

Group company	Total amount of bank borrowings			Interest rate	Within 1 year €000	Repayable Between 2-5 years €000	After 5 years €000
	2011 €000	2010 €000	2009 €000				
Alfa Investimentos Turisticos Lda	38,303	39,469	41,466	1.25% over 3 month Euribor	3,353	9,043	25,907
Corinthia Construction (Overseas) Limited	381	677	490	5.1% per annum	381	-	-
Corinthia Panorama s.r.o.	20,519	21,249	21,954	1.45% over 3 month Euribor	754	3,287	16,478
Corinthia Towers Tripoli Limited	52,000	48,250	32,750	1.5% over 3 month Libor/2-2.25% over 3 month Euribor	14,108	37,392	500
Danish Bakery Limited	586	856	716	2.5 % over bank base rate	178	408	-
Five Star Hotels Limited	4,443	5,497	6,390	2.5% over bank base rate	1,475	2,968	-
IHI Benelux Bv	49,995	-	13,687	3.25% over 3 month Euribor	900	18,190	30,905
IHI Hungary Rt	35,283	37,047	38,706	3.1% over 3 month Euribor (composite rate)	1,887	8,906	24,490
IHI Towers s.r.o.	42,162	44,131	46,035	1.45% over 3 month Euribor	2,037	8,870	31,255
International Hotel Investments p.l.c.	2,400	3,000	3,600	2.5% over bank base rate	600	1,800	-
	7,500	9,333	11,166	1.5% over 6 month Euribor	1,000	4,000	2,500
c/f	253,572	209,509	216,960		26,673	94,864	132,035

Group company	Total amount of bank borrowings			Interest rate	Repayable		
	2011	2010	2009		Within 1 year	Between 2-5 years	After 5 years
	€000	€000	€000		€000	€000	€000
b/f	253,572	209,509	216,960		26,673	94,864	132,035
Marina San Gorg Limited	1,378	2,044	2,368	2.5 % over bank base rate	268	1,110	-
S.P.H. Khamsa s.a.	9,127	10,000	10,967	1.5% over 3 month Euribor	1,174	6,412	1,540
Swan Laundry and Drycleaning Co. Ltd	542	218	267	2.5 % over bank base rate	448	94	-
Thermal Hotel Aquincum Rt	16,810	17,857	18,646	2% over 3 month Euribor	744	3,415	12,651
	281,429	239,629	249,208		29,307	105,895	146,226
CPHCL (see below)	14,464	20,932	22,809		8,305	6,159	-
	295,893	260,561	272,017		37,612	112,054	146,226

- b) Bank loans and overdrafts amounting to € 14.4 million (2010 - € 20.9 million, 2009 - € 22.8 million) pertaining to CPHCL are secured by general and special hypothecs over its tangible fixed assets and by guarantees given by other group companies.

The repayment terms of these borrowings are set out below:

	Total amount of bank Borrowings			Interest rate	Repayable		
	2011	2010	2009		Within 1 year	Between 2-5 years	After 5 Years
	€000	€000	€000		€000	€000	€000
<i>Denominated in €</i>							
Bank loans	9,437	13,955	17,288	1.5 - 2.5% over bank base rate	3,278	6,159	-
Bank overdraft	5,027	6,977	5,057	1.5% over euro base rate/2.75% over bank base rate	5,027	-	-
<i>Denominated in LYD</i>							
Bank loan	-	-	464	5% per annum	-	-	-
	14,464	20,932	22,809		8,305	6,159	-

26 Bonds

The Group

	Interest rate %	Repayable by	2011 €000	2010 €000	2009 €000
Convertible bonds	5.00	29 May 2010	-	-	11,493
Redeemable bonds -					
Bond 2	6.50	8 April 2010	-	-	14,256
Bond 3	6.75	8 April 2012	14,645	14,645	14,645
Bond 4	6.30	15 February 2013	13,966	13,924	13,885
Bond 5	6.20	15 February 2013	8,070	8,079	8,082
Bond 6	6.50	27 March 2014	12,456	12,438	12,422
Bond 7	6.25	10 July 2019	34,527	34,459	34,395
Bond 8	6.25	23 September 2019	40,000	40,000	25,000
Bond 9	6.25	8 April 2020	24,667	24,626	-
			148,331	148,171	134,178
Current			14,645	-	25,748
Non-current			133,686	148,171	108,430
			148,331	148,171	134,178

26.1 Convertible bonds

	€000
Proceeds from issue	12,283
Transaction costs	(367)
	<u>11,916</u>
Net proceeds	
Imputed interest capitalised and amortisation of transaction costs	50
Exchange differences	(636)
Conversion into shares	(38)
Carrying amount at 1 January 2009	<u>11,292</u>
Imputed interest and amortisation of transaction cost	213
Conversion into shares	(12)
Carrying amount at 31 December 2009	<u>11,493</u>
Imputed interest and transaction costs	104
Amount refunded on maturity	(11,597)
Carrying amount at 31 December 2010 and 31 December 2011	<u>-</u>

(i) During 2000 International Hotel Investments p.l.c. (the issuing company) issued 50,000 bonds with a face value of Lm100 each, which, unless previously purchased and cancelled or converted in accordance with the terms of issue, were redeemable at par on the 29 May 2010. Any bonds purchased by the issuing company on the open market were cancelled. The issuing company reserved the right to purchase bonds on the open market without notice.

Bondholders were entitled to exercise their conversion option on a conversion date during the conversion period by converting their bonds or part thereof into fully paid ordinary shares of the issuing company at the conversion price determined as set out below. Upon conversion, the right of the converting bondholder to repayment of the bond to be converted and any interest for the period between the applicable conversion date and redemption date was extinguished and released, and in consideration and in exchange thereof, the issuing company issued fully paid up ordinary shares as provided in the terms and conditions of issue. A conversion of part of a bond was not allowed.

The bonds entitled the holders thereof to an original entitlement of 100 shares for every bond. In the event that upon conversion the conversion price was higher than the share issue price, and a bondholder wished to retain such original entitlement, such bondholder paid the cash difference as determined in accordance with the terms of the issue of the bonds. A bondholder could elect not to pay such cash difference and in lieu thereof could accept the issue of a lower number of shares than his original entitlement. Shares could not be issued at below their nominal value.

(ii) Conversion dates and conversion prices

A bondholder had the right to exercise the conversion option during the conversion period, which commenced on the 29 November 2005 and ended on 29 November 2009. In the case of bonds converted on any of the conversion dates during any conversion term, the conversion price was determined in accordance with the arithmetic average of the daily trade weighted average price (TWAP) quoted by the Malta Stock Exchange during the three months immediately preceding the reference date less a percentage, as follows:

<i>Conversion term</i>	<i>Conversion dates</i>	<i>%</i>
First	29 November 2005; 29 May 2006 and 29 November 2006	10
Second	29 May 2007; 29 November 2007 and 28 May 2008	15
Third	29 November 2008; 29 May 2009 and 29 November 2009	20

The conversion date lapsed in 2009 and € 11,647 bonds were converted during that year.

(iii) The bonds carried an interest rate of 5% per annum payable annually in arrears on 29 May.

(iv) The bonds constituted the general direct unconditional, unsecured and unsubordinated obligations of the issuing company and ranked pari passu, without any priority or preference, with all other present and future unsecured and unsubordinated obligations of the issuing company.

26.2 Redeemable bonds

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 6, 7, 8 and 9 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.

27 Other borrowings

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Shareholders' loans	16,823	17,087	7,930	16,823	17,087	7,930
Related party loans	-	-	-	135,091	123,234	121,776
	16,823	17,087	7,930	151,914	140,321	129,706
Current	-	-	-	26,487	2,028	14,850
Non-current	16,823	17,087	7,930	125,427	138,293	114,856
	16,823	17,087	7,930	151,914	140,321	129,706

Terms of related party loans

The Group €000	<i>Interest rate</i>	<i>Repayment</i>
<u>16,823</u>	6.00%	No fixed date
CPHCL €000	<i>Interest rate</i>	<i>Repayment</i>
39,920	6.40%	7 September 2019
16,823	6.00%	No fixed date
16,493	2.25% over 3 month Euribor	After April 2010
312	6.25%	No fixed date
14,667	6.90%	15 March 2012
13,713	1.5% over 3 month Euribor	No fixed date
7,959	9.00%	No fixed date
30,527	1.25% over Euribor	No fixed date
11,500	5.00%	Within one year
<u>151,914</u>		

28 Deferred taxation

The Group

	2011	2010	2009
	€000	€000	€000
Tax effect of temporary differences relating to:			
Excess of tax base over carrying amount of tangible and intangible fixed assets	31,241	28,382	30,517
Provision for doubtful debts	(459)	(378)	(383)
Unrelieved tax losses and unabsorbed capital allowances	(21,932)	(17,081)	(15,050)
Investment in associate	9,393	9,603	1,878
Revaluation of land, buildings and investment property	83,565	85,629	93,843
Convertible bonds component recognised in equity	-	-	36
Provision for exchange differences	(999)	(672)	(350)
Other	198	1,394	1,624
	101,007	106,877	112,215
Disclosed as:			
Deferred tax liability	103,313	109,195	114,498
Deferred tax asset	(2,306)	(2,318)	(2,283)
	101,007	106,877	112,215
Unrecognised deferred tax asset:			
Unrelieved tax losses	15,943	14,523	9,524

Deferred tax benefits arising from unrelieved tax losses have not been recognised in these financial statements since it cannot be determined with reasonable certainty whether the respective group companies will generate sufficient profits in the foreseeable future to utilise such losses.

CPHCL

	2011	2010	2009
	€000	€000	€000
Tax effect of temporary differences relating to:			
Unrelieved tax losses and unabsorbed capital allowances	(2,172)	(2,172)	(2,171)
Other	-	-	45
	(2,172)	(2,172)	(2,126)
Disclosed as:			
Deferred tax asset	(2,172)	(2,172)	(2,126)
	(2,172)	(2,172)	(2,126)
Unrecognised deferred tax asset:			
Unrelieved tax losses	11,560	9,089	3,129

29 Tax indemnity

	CPHCL		
	2011 €000	2010 €000	2009 €000
Tax indemnity – IHI p.l.c.	22,432	22,831	23,171

At the date of the transfer of CPHCL's shares in subsidiaries to another subsidiary IHI plc, CPHCL owned and controlled more than 50% of the subsidiaries concerned. Therefore, by virtue of Maltese tax intra-group relief provisions at the time, no gain chargeable to tax arose on the transfer of such shares.

However, in the event that IHI subsequently sells the shares in these subsidiaries, IHI may suffer tax by reference to CPHCL's cost of acquisition of the shares and property instead of on the basis of the amount effectively paid by IHI.

An indemnity agreement was drawn up whereby CPHCL agreed to indemnify IHI for any additional tax it might suffer as a consequence of the fact that this tax would be computed by CPHCL's lower cost of acquisition.

The indemnity has no time limit and is for a maximum value of € 45 million.

30 Provision for charges

	The Group €000
Balance at 1 January 2009	435
Movement	(163)
Balance at 31 December 2009	272
Movement	(66)
Balance at 31 December 2010 and 31 December 2011	206

31 Trade and other payables

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Trade payables	12,631	12,759	10,893	1,164	1,193	948
Amounts due to related companies	553	1,348	1,905	8,299	4,344	6,188
Other payables	3,838	4,594	6,695	431	653	1,598
Accrued expenses	19,778	15,578	16,456	965	1,095	1,858
Financial liabilities	36,800	34,279	35,949	10,859	7,285	10,592
Advance deposits	4,783	4,871	4,703	2	125	-
Statutory liabilities	1,650	769	941	422	168	508
Total payables – current	43,233	39,919	41,593	11,283	7,578	11,100

Short-term financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

32 Statement of cash flows

The following non-cash flow adjustments have been made to the pre-tax result for the year to arrive at operating cash flow:

	The Group		CPHCL	
	2011	2010	2011	2010
	€000	€000	€000	€000
Adjustments:				
Amounts written off intangible assets	623	358	-	-
Depreciation	29,072	30,363	165	171
Loss on disposal of property, plant and equipment	80	47	-	(8)
Impairment reversal on property, plant and equipment	-	(2,400)	-	-
Impairment loss (reversal) on investments	6	-	269	(16)
Fair value adjustment on investment properties	(5,383)	(2,746)	-	-
Share of results of associate companies	289	466	-	-
Gain on sale of associates	(7,060)	-	(1,064)	-
(Gain) loss on liquidation of associates/subsidiaries	(83)	-	295	-
Movement in tax indemnity	-	-	(399)	(340)
Provision for exchange differences	(675)	(507)	(294)	(464)
Provision for charges	-	(66)	-	-
Provision for doubtful debts	475	838	29	136
Interest receivable	(843)	(724)	(655)	(469)
Interest payable	22,376	22,020	8,619	8,448
Dividends received	(1,306)	-	(325)	(915)
	37,571	47,649	6,640	6,543
Changes in working capital:				
Change in inventories	102	(50)	(44)	(40)
Change in investments	(28)	-	(12)	-
Change in trade and other receivables	(12,066)	(6,483)	364	(183)
Amounts owed by related companies	(4,628)	(3,172)	(8,333)	462
Change in trade and other payables	4,328	(63)	(126)	(1,593)
Amounts owed to related parties	(795)	(557)	3,907	(1,487)
	(13,087)	(10,325)	(4,244)	(2,841)

33 Commitments

The Group

	2011	2010	2009
	€000	€000	€000
Capital expenditure commitments:			
<i>Tangible fixed assets</i>			
Authorised but not yet contracted for	17,610	46,150	33,434
Contracted for but not provided for in financial statements	4,748	1,500	2,070
<i>Financial assets</i>			
Investment in associates	20,700	1,855	5,645
Investment in subsidiary	-	360	323
	20,700	2,215	5,968
Commitments under operating leases:			
On land and buildings			
- expiring within one year	135	135	135
- expiring between two and five years	568	568	568
- expiring after more than five years	14,672	14,805	14,938
	15,375	15,508	15,641

Commitments under operating leases are payable in respect of non-cancellable operating lease rentals relating to leasehold land and buildings. These land and buildings are held under title of temporary emphyteusis for a term of ninety-nine years reckoned from 1 September 1992.

CPHCL

	2011	2010	2009
	€000	€000	€000
Capital expenditure commitments:			
<i>Tangible fixed assets</i>			
Authorised but not yet contracted for	-	250	300
Contracted for but not provided for in financial statements	100	500	1,725
<i>Financial assets</i>			
Investment in associate	200	55	45
Investment in subsidiary	555	360	323
	755	415	368

34 Contingent liabilities

The Group

	2011	2010	2009
	€000	€000	€000
Guarantees given to secure bank facilities for related companies	26,955	55,930	60,285
	26,955	55,930	60,285

CPHCL

	2011	2010	2009
	€000	€000	€000
Guarantees given to secure bonds	54,645	54,645	53,900
Guarantees given to secure bank facilities for related companies	85,841	87,116	95,065
	140,486	141,761	148,965

35 Related party transactions

Except as stated in note 29, none of the other transactions incorporates special terms and conditions and no guarantee was given or received. Transactions with related companies are generally effected on a cost plus basis. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in notes 16, 19, 27 and 31.

36 Transactions with subsidiaries

CPHCL

	2011	2010	2009
	€000	€000	€000
Purchases and expenses	703	712	1,031
Interest charged to related companies	568	151	215
Interest charged by related companies	6,081	5,668	6,065
Management and royalty fees charged to related companies	742	1,800	1,769
Sale of brand to subsidiary	-	19,600	-

37 Transactions with associates

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Interest charged to associates	297	137	104	21	137	104
Management fee charged to associates	2,700	1,408	2,585	140	221	247

38 Transactions with other related parties

	The Group			CPHCL		
	2011 €000	2010 €000	2009 €000	2011 €000	2010 €000	2009 €000
Management fees	154	181	138	-	-	-
Interest payable on shareholders' loan	1,011	680	462	1,011	680	462

39 Transactions with key management personnel

In addition to the remuneration paid to the directors included in note 7, 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.

40 Risk management objectives and policies

The group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The group's risk management is coordinated by the directors and focuses on actively securing the company'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 group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the group is exposed to are described below. See also note 40.5 for a summary of the group's financial assets and liabilities by category.

40.1 Credit risk

The group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

The Group

	Notes	2011 €000	2010 €000	2009 €000
Classes of financial assets – carrying amounts				
Assets held for sale	21	-	5,932	-
Long term receivables	16	36,625	7,091	1,711
Derivative financial instruments	17	-	-	124
Trade and other receivables	19	53,960	36,554	29,933
Cash and cash equivalents	20	48,508	37,313	63,555
		139,093	86,890	95,323

CPHCL

	Notes	2011 €000	2010 €000	2009 €000
Classes of financial assets – carrying amounts				
Assets held for sale	21	7,194	13,274	7,194
Long term receivables	16	29,540	28,672	22,419
Derivative financial instruments	17	-	-	124
Trade and other receivables	19	18,987	11,221	13,074
Cash and cash equivalents	20	237	5,176	7,116
		55,958	58,343	49,927

The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties.

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 5.18 for further information on impairment of financial assets that are past due.

None of the group's financial assets is secured by collateral or other credit enhancements.

In respect of trade and other receivables, the group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

40.2 Liquidity risk

The group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise borrowings and trade and other payables (see notes 25, 26, 27 and 31). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the group's obligations when they become due.

The group manages its liquidity needs through yearly cash flow forecasts by carefully monitoring expected cash inflows and outflows on a monthly basis. The group's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, as well as the group's committed borrowing facilities that it can access to meet liquidity needs.

At 31 December 2011 the group and company have financial liabilities with contractual maturities which are summarised below:

The Group

At 31 December 2011

	Current Within 1 year €000	Non-current	
		2 to 5 years €000	After 5 years €000
Long-term financial liabilities	66,610	212,207	285,489
Derivative financial instruments	678	6,835	-
Bank overdraft	7,588	-	-
Trade and other payables	36,800	21,080	915
	<u>111,676</u>	<u>240,122</u>	<u>286,404</u>

This compares to the maturing of the group's financial liabilities in the previous reporting periods as follows:

At 31 December 2010

	Current Within 1 year €000	Non-current	
		2 to 5 years €000	After 5 years €000
Long-term financial liabilities	46,543	207,324	278,147
Derivative financial instrument	740	6,592	-
Bank overdraft	9,653	-	-
Trade and other payables	34,279	20,596	1,536
	<u>91,215</u>	<u>234,512</u>	<u>279,683</u>

At 31 December 2009

	Current Within 1 year €000	Non-current	
		2 to 5 years €000	After 5 years €000
Long-term financial liabilities	83,877	189,549	249,721
Derivative financial instrument	2,675	4,442	-
Bank overdraft	8,435	-	-
Trade and other payables	35,959	8,011	1,696
	<u>130,946</u>	<u>202,002</u>	<u>251,417</u>

CPHCL

At 31 December 2011

	Current Within 1 year €000	Non-current	
		2 to 5 years €000	After 5 years €000
Long-term financial liabilities	30,106	8,533	106,504
Bank overdraft	5,027	-	-
Trade and other payables	10,859	16,823	1,528
	<u>45,992</u>	<u>25,356</u>	<u>108,032</u>

This compares to the maturing of the company's financial liabilities in the previous reporting periods as follows:

At 31 December 2010

	Current Within 1 year €000	Non-current	
		2 to 5 years €000	After 5 years €000
Long-term financial liabilities	7,049	25,283	106,011
Bank overdraft	6,977	-	-
Trade and other payables	7,285	17,087	1,536
	<u>21,311</u>	<u>42,370</u>	<u>107,547</u>

At 31 December 2009

	Current Within 1 year €000	Non-current	
		2 to 5 years €000	After 5 years €000
Long-term financial liabilities	20,367	36,306	86,109
Bank overdraft	5,057	-	-
Trade and other payables	10,592	7,930	1,667
	<u>36,016</u>	<u>44,236</u>	<u>87,776</u>

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 2% interest margin per annum.

40.3 Foreign currency risk

Apart from Portugal and Malta, where the local currency is the euro, the group operates in a number of countries where the local currency is different from the euro, namely the Russian Federation (Russian rouble), Libya (Libyan dinar), Czech Republic (Czech crown), Hungary (Hungarian forint), Tunisia (Tunisian dinar) and the United Kingdom (Great Britain pound).

Whereas a substantial part of the group's revenues are based on and generated in euros, enough revenues denominated in the respective local currencies are generated to serve as a natural hedge against expenditure incurred in these currencies. On the other hand the revenues generated in euros cover all the expenditure incurred in euros, the euro denominated debt service requirements relating to the bank loans financing the group's hotel properties, and any excess cash flow is repatriated to the holding company.

In view of the above natural hedges and the group's presence in various countries with difference currencies, the currency risk is not considered material.

40.4 Interest rate risk

The group adopts a policy of ensuring adequate hedging against its exposure to charges in interest bearing borrowings by entering into financial arrangement subject to fixed rates of interest whenever possible.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +10% and -10% with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the group's financial instruments held at each balance sheet date. All other variables are held constant.

	The Group		CPHCL	
	€000	€000	€000	€000
Interest payable	+10%	-10%	+10%	-10%
31 December 2011	(2,238)	2,238	(862)	862
31 December 2010	(2,202)	2,202	(845)	845
31 December 2009	(2,006)	2,006	(737)	737
Interest receivable				
31 December 2011	84	(84)	66	(66)
31 December 2010	72	(72)	47	(47)
31 December 2009	174	(174)	91	(91)

40.5 Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See notes 5.18 for explanations about how the category of financial instruments affects their subsequent measurement.

The Group

	2011	2010	2009
	€000	€000	€000
Non-current assets			
Loans and receivables			
- Amounts due from related companies	36,625	7,091	1,711
- Cash and cash equivalents	83	9,793	7,233
	36,708	16,884	8,944
Current assets			
Assets held for sale	-	5,932	-
Loans and receivables			
- Amounts due from related companies	19,789	15,161	12,854
- Trade receivables	24,904	17,790	14,537
- Other receivables	9,267	3,603	2,542
- Derivative financial instrument	-	-	124
- Cash and cash equivalents	48,425	27,520	56,322
	102,385	70,006	86,379
Non-current liabilities			
Financial liabilities measured at amortised cost			
- Bank and other borrowings	408,790	389,226	340,715
- Long term payables	5,072	5,045	4,718
- Derivative financial instruments	6,404	6,863	7,117
	420,266	401,134	352,550
Current liabilities			
Financial liabilities measured at amortised cost			
- Bank and other borrowings	52,257	36,593	73,410
- Amounts due to related companies	553	1,348	1,905
- Trade payables	12,631	12,759	10,893
- Other payables	3,838	4,594	6,695
- Accruals	19,778	15,578	16,456
	89,057	70,872	109,359

CPHCL

	2011	2010	2009
	€000	€000	€000
Non-current assets			
Loans and receivables			
- Amounts due from related companies	29,540	28,672	22,419
- Cash and cash equivalents	3	4,393	933
	29,543	33,065	23,352
Assets held for sale	7,194	13,274	7,194
Current assets			
Loans and receivables			
- Amounts due from related companies	10,646	8,913	10,241
- Trade receivables	1,188	1,398	1,289
- Other receivables	7,153	910	1,544
- Derivative financial instrument	-	-	124
- Cash and cash equivalents	234	783	6,183
	19,221	12,004	19,381
Non-current liabilities			
Financial liabilities measured at amortised cost			
- Bank and other borrowings	131,586	147,730	128,311
- Long term payables	915	1,536	1,646
- Tax indemnity	22,432	22,831	23,171
	154,933	172,097	153,128
Current liabilities			
Financial liabilities measured at amortised cost			
- Bank and other borrowings	8,305	13,524	24,204
- Amounts due to related companies	8,299	4,344	6,188
- Trade payables	1,164	1,193	948
- Other payables	431	653	1,598
- Accruals	965	1,095	1,858
	19,164	20,809	34,796

40.6 Financial instruments measured at fair value

Financial assets and liabilities measured at fair value in the balance sheet are grouped into three levels of fair value hierarchy.

This grouping is determined based on the lowest level of significant input to the fair value measurement, as follows:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: information for the asset or liability that is not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

	Level 2	
	2011 €000	2010 €000
The Group		
Liabilities		
Interest rate swaps	(6,404)	(6,863)
Net fair value	(6,404)	(6,863)

There have been no transfers between levels in the reporting period.

Measurement of fair value

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

41 Ultimate controlling parties

The parent company is ultimately controlled by the Libyan Foreign Investment Company, which owns 50% of the issued share capital, and members of the Pisani family, who collectively own the other 50% shareholding.

42 Comparative figures

Following the decision to sell the associate company, Tekirova Turizm Yetrimilari a.s, the income statement of the group has been re-presented to distinguish results of this associate from continuing operations.

43 Events after the balance sheet date

In March 2012 Corinthia Finance plc successfully issued €7,500,000 6% bonds on the Malta Stock Exchange prior to redeeming the 6.75% 2012 bonds which fell due on 8 April 2012.

In January 2012 CPHCL transferred its investment in Marina San Gorg Limited to IHI plc for a consideration of € 10.4 million.

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

44 Authorisation of financial statements

The group and company financial statements for the year ended 31 December 2011 (including comparatives) were approved and authorised for issue by the board of directors on 26 April 2012.

Independent auditors' report

To the shareholders of

Corinthia Palace Hotel Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Corinthia Palace Hotel Company Limited and the consolidated financial statements of its group set out on pages 6 to 72, which comprise the balance sheets of the company and the group as at 31 December 2011 and their income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 group's consolidated financial statements and the company's financial statements give a true and fair view of their financial position as at 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386.

Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- the information given in the directors' report is not consistent with the financial statements.
- the company has not kept proper accounting records.
- the company's financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations we require for our audit.
- certain information required by the Act regarding directors' remuneration is not disclosed in the financial statements, in which case we are required to include the required particulars in a statement in our report.

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

26 April 2012