INTERNATIONAL HOTEL INVESTMENTS p.l.c.

2017 Annual Report & Financial Statements

International Hotel Investments p.l.c.
is a hotel and real estate developer and operator.

Our focus is the establishment of Corinthia Hotels as a global luxury hotel brand.

To do this, we acquire, develop, own and operate Corinthia hotels. The Company also develops and manages hotels on behalf of partner owners and investors, and builds, owns and develops for sale – office, retail and residential property.

IHI has an issued capital of €615 million and an asset valuation of €1.6 billion. Listed on the Maltese Stock Exchange, IHI was established in 2000 as the public arm of the founding Corinthia business – CPHCL (established in 1962).

Principal Milestones and Achievements

For the year ended 31 December 2017

International Hotel Investments p.l.c.
22, Europa Centre Floriana FRN 1400, Malta.
www.ihiplc.com

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We have delivered a net profit of close to €15 million, off a record performance in all our operating hotels.

Our Group's adjusted EBITDA has climbed to €61 million, from a total revenue of €242 million, derived principally from our owned and managed hotel operations, with contributions from catering activities and third party service fees in project management.

We have established important new banking relationships for the funding of the Group's debt.

We have commenced construction on our flagship Corinthia Hotel in Brussels, with 126 bedrooms set in a historic, listed palace.

Construction at the Corinthia Hotel in Dubai is underway, further cementing our Brand's positioning in the luxury segment worldwide.

We are successfully executing important refurbishment projects at several of our owned hotels, in Lisbon, St Petersburg, Malta, Budapest and London.

Our management structure continues to be reinforced by the addition of seasoned senior-level international hoteliers, both in our corporate offices and in our hotel operations.

GROUP STRUCTURE

IHI is a luxury hospitality and real estate group focused on the market-leading Corinthia brand. From concept to acquisition, design and development through to successful operation, the IHI Group is uniquely positioned in the industry. The Group is determined to build on the success of its iconic Corinthia hotel brand, pursue related real estate opportunities, and explore opportunities with like-minded third parties in key locations around the world.

The Group comprises a number of key subsidiary entities:

CORINTHIA HOTELS

Corinthia Hotels Limited is a hotel, resort and catering management company which manages hotels under the Corinthia brand, worldwide.

CDI DEVELOPMENTS

Corinthia Developments International Limited (CDI) is a development company which originates, plans, structures, transacts and manages the Group's ongoing developments.

MANAGEMENT

QP Management Limited is a project management company which supports the Group and third parties with architectural, engineering, management and technical construction services.

OUR PORTFOLIO

Hotels: Owned & Managed

	ROOMS	HOLDING
BRUSSELS		
CORINTHIA HOTEL (OPENING 2020)	126	50%
BUDAPEST		
CORINTHIA HOTEL	439	100%
LISBON		
CORINTHIA HOTEL	518	100%
LONDON		
CORINTHIA HOTEL	284	50%
MALTA		
CORINTHIA PALACE HOTEL – ATTARD (AS FROM APRIL 2018)	150	100%
CORINTHIA HOTEL – ST GEORGE'S BAY	250	100%
RADISSON BLU RESORT & SPA – GOLDEN SANDS	329	50%
MARINA HOTEL – ST GEORGE'S BAY	200	100%
RADISSON BLU RESORT – ST JULIAN'S	252	100%
PRAGUE		
CORINTHIA HOTEL	551	100%
ST PETERSBURG		
CORINTHIA HOTEL	385	100%
TRIPOLI		
CORINTHIA HOTEL	300	100%

Hotels: Managed

	ROOMS
BUCHAREST	
CORINTHIA HOTEL (OPENING 2019)	50
BUDAPEST	
ACQUINCUM HOTEL	310
DOHA	
CORINTHIA HOTEL & RESIDENCES (OPENING 2021)	118
DUBAI	
CORINTHIA AT MEYDAN BEACH (OPENING 2020)	360
MEYDAN HOTEL	284
BAB AL SHAMS DESERT RESORT	115
KHARTOUM	
CORINTHIA HOTEL	230
PRAGUE	
PANORAMA HOTEL	440
TUNIS	
RAMADA PLAZA	309

Land & Commercial Properties

BUDAPEST	ROYAL RESIDENCES
LONDON	10, WHITEHALL PLACE RESIDENCES
MALTA	OASIS AT ĦAL FERĦ
ST PETERSBURG	NEVSKIJ PLAZA SHOPPING & OFFICE CENTRE
TRIPOLI	CORINTHIA COMMERCIAL CENTRE

OUR VISION IS TO BUILD CORINTHIA WORLDWIDE, NOT ONLY WITHIN EUROPE AND THE MIDDLE EAST, BUT EQUALLY IN THE WORLD'S MAIN GATEWAY CITIES AND RESORTS.

BOARD OF DIRECTORS


1.


2.


3.


4.


5.


6.


7.


8.


9.


10.


11.

1. Alfred Pisani
Chairman of IHI. He founded the Corinthia Group in 1962 and has guided the Group and IHI ever since, spearheading investment and growth across three continents over five decades.

2. Khaled Algonsel
Joined the Libyan Foreign Investment Company (LAFICO) in 1993. He was Manager of the Treasury and Financial Planning Department and was appointed Managing Director in 2012. He is also Chairman of the Libya Investment Company in Egypt since 2013 and Vice Chairman of the Arab Petroleum Investments Corporation in Saudi Arabia since 2012.

3. Hamad Buamim
President and CEO of the Dubai Chamber of Commerce and Industry and serves as the Deputy Chairman of the World Chambers Federation – ICC – in Paris. He is a member of the Board of Directors of the UAE Central Bank, Chairman of National General Insurance and Board Member of Union Properties.

4. Abdulnaser Ahmida
Head of the Risk Management Department at LAFICO. He is a director of ASRY, Arab Shipbuilding and Repair Yard in Bahrain. He is a graduate in computer engineering from Naser University and holds a Masters in Finance, Accounting and Management from Bradford University.

5. Abuagila Almahdi
Vice Chairman of Corinthia Palace Hotel Company Limited, nominated by LAFICO. He is a graduate in accounting from the University of Tripoli and holds a Masters in Finance, Accounting and Management from Bradford University.

6. Douraid Zaghouani
Chief Operating Officer of the Investment Corporation of Dubai (ICD). Previously, he was with Xerox for over 25 years, holding a number of senior management, sales and marketing posts in Europe and North America. Was Board Chairman of several Xerox companies; his last appointment was Corporate Officer and President, Channel Partner Operations for Xerox in New York.

7. Joseph Pisani
Founder director and member of the main board of Corinthia Palace Hotel Company Limited (CPHCL) as from 1962, and has served on a number of boards of subsidiary companies. From 2000 to 2014 he has served as Chairman of the Monitoring Committee of IHI.

8. Joseph J. Vella
Partner in a leading law practice, and a director on the boards of several major companies. He is also Chairman of the Nomination and Remuneration Committee.

9. Frank Xerri de Caro
Joined the Board of IHI in 2005, having previously been the General Manager of Bank of Valletta p.l.c., besides serving on the boards of directors of several major financial, banking and insurance institutions. He is also Senior Independent Director and Chairman of the IHI Audit Committee.

10. Winston V. Zahara
Founded Island Hotels Group Holdings p.l.c. now owned by IHI. He was Managing Director of the IHG Group until 2009 and prior to 1987, he was the co-founder of one of the leading tourism-oriented companies in Malta. Mr Zahra has served on various boards and committees related to the tourism industry. Mr Zahra is also a director of Caritas.

11. Alfred Fabri
Company Secretary since IHI's inception. He joined the Corinthia Group in 1989 and has occupied various senior positions in the private and public sectors.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2017

Għas-sena li għalqet fil-31 ta' Diċembru 2017

'This has been a successful and record year for IHI. As we start reaping the results of our Group's long-term strategy, not only have we increased our earnings significantly, but we have also delivered profit after tax of €14.9 million.'

'Din kienet sena rekord u ta' suċċess għal IHI. Hekk kif il-Grupp tagħna jibda jaħsad ir-riżultati ta' l-istrateġija fit-tul, mhux biss żiedna b'mod sinifikanti l-qligħ tagħna, imma wkoll ksibna profitt wara t-taxxa ta' €14.9 miljun.'

ALFRED PISANI

CHAIRMAN

Dear Shareholders

I AM PLEASED TO REPORT ANOTHER RECORD YEAR FOR IHI IN 2017.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) has increased to €61 million, up from €53 million in 2016, driven by improved profits in all our businesses in Europe, the Mediterranean and beyond. More importantly, our profit after tax for the year under review has risen to €14.9 million, compared to a loss after tax of €7.7 million the previous year.

This is truly an outstanding result, especially when one considers the challenges we continue to face in Tripoli, where a significant portion of our capital is deployed in our Corinthia Hotel and Commercial Centre. Notwithstanding this, our investment is operating at break-even prior to depreciation. In addition, we have more than made up for these challenges by achieving better results elsewhere in our portfolio. This has resulted in a healthy net profit for the Group which has spurred us to accelerate, in 2018, the process to flow cash dividends and other payments from several of our subsidiaries up to the Group's parent company from where, in turn, dividends may be declared to you, as shareholders.

Whilst it is not technically possible to recommend dividends on the basis of the 2017 parent company balance sheet, notwithstanding net profits on a group basis, I am pleased to inform you that your Board is considering the issue of an interim dividend to all shareholders later this year, as soon as this process of rationalizing the parent company balance sheet is completed to a point that the issue of such a dividend becomes permissible from an accounting and cash flow point of view. The necessary announcements will be issued in due course.

Allow me to share some highlights for 2017.

In reviewing our results for the year, when compared to 2016, one must first take note of a significant accounting development in that we are, as of 2017, fully consolidating into our Financial Statements, the performance of our Corinthia Hotel & Residences in London, where we own 50 per cent. This is due to changes we have effected to the Governance structure of this company, in full agreement with our co-shareholders LAFICO, which grants us the control required for us to be able to consolidate the hotel's results in our financial statements. However, it is pertinent to note that in view of our 50% ownership of the Corinthia Hotel & Residences in London only that proportion of the hotel's results are ultimately reflected in the profit for the year attributable to the parent company.

Across the Group, we have traded at improved levels of performance in all our operations. Our business principally comprises twelve owned Corinthia hotels that we have acquired and developed over the years since our inception in April 2000, as well as another nine hotels that we manage, through our Hotel Management Company, Corinthia Hotels Limited, on behalf of third party owners. Four of these hotels are under varying stages of development in Brussels, Dubai, Bucharest and Doha.

- Furthermore, four of the hotels owned by IHI have a commercial or residential real estate component, these being the apartments in London, the offices in Tripoli, the apartments in Budapest and the offices and commercial outlets in St Petersburg, from which we derive substantial rental income.

- We also own a development company, Corinthia Developments International (CDI) that generates fees from real estate projects we originate and execute on behalf of third party owners.

- We also own Quality Projects Limited (QP) that provides design and construction oversight services and project management to third party investors.

- Very recently, following our acquisition of the Island Hotels Group in Malta, we have re-established ourselves as a major player in the catering industry, trading as Corinthia Caterers.

Għeżież Azzjonisti

GĦANDI PJAĊIR NIRRAPPORTA LI L-IHI KELLHA SENA OĦRA REKORD FL-2017.

Id-Dħul Aġġustat qabel l-Imgħax, it-Taxxi, id-Deprezzament u l-Amortizzament (l-EBITDA) tela' għal €61 miljun mit-€53 miljun tal-2016. Din iż-żieda kienet misjuqa mit-titjib fil-profitti li kellna f'kull element tan-negozju tagħna fl-Ewropa, fil-Mediterran u lil hinn. Aktar importanti minn hekk, il-profitt wara t-taxxa għas-sena li qed nitkellmu fuqha tela' għal €14.9 miljun, meta mqabbel ma' telf ta' €7.7 miljun fis-sena ta' qabel.

Dan huwa riżultat tassew notevoli, speċjalment meta nqisu l-isfidi li għadna niffaċċaw fi Tripli, fejn parti sostanzjali mill-kapital tagħna hija marbuta mal-lukanda Corinthia u ċ-Ċentru Kummerċjali. Minkejja kollox, l-investiment tagħna qed jopera b'mod li niġu f'tagħna, mingħajr qligħ u mingħajr telf qabel id-deprezzament. Barra minn hekk, dawn l-isfidi pattejna għalihom sew għaliex ksibna riżultati aħjar f'inħawi oħra tal-portafoll tagħna. Bħala riżultat il-profitt nett tal-Grupp kien wieħed tajjeb, u dan xprunana biex, fl-2018, ngħaġġlu aktar il-proċess biex ngħaddu dividendi fi flus u ħlasijiet oħra minn għadd ta' sussidjarji 'l fuq għall-kumpanija prinċipali, u minn hemm, imbagħad, inqassmu dividendi lilkom, l-azzjonisti.

Waqt li teknikament mhuwiex possibbli li nirrakkmandaw dividendi abbażi tal-*balance sheet* tal-2017 tal-kumpanija prinċipali, minkejja l-profitti netti li kien hemm fuq bażi ta' grupp, għandi pjaċir ninfurmakom li l-Bord tagħkom se jkun qed jikkunsidra l-ħruġ ta' dividend interim lill-azzjonisti kollha aktar tard din is-sena, malli dan il-proċess ta' razjonalizzazzjoni tal-*balance sheet* tal-kumpanija prinċipali jkun tlesta hekk li, mil-lat tal-kontabilità u tal-*cash flows*, ikun sar permissibbli li niddikjaraw dan id-dividend. L-avviżi f'dan ir-rigward jinħarġu aktar 'il quddiem.

Ippermettuli naqsam magħkom ftit mill-avvenimenti ewlenin tal-2017.

Qabel ma nħarsu lejn ir-riżultati tas-sena u nqabbluhom ma' tal-2016, irridu l-ewwel ninnotaw li kien hemm żvilupp kontabilistiku importanti: mill-2017 qegħdin nikkonsolidaw b'mod sħiħ fir-Rapporti Finanzjarji tagħna r-riżultati tal-Corinthia Hotel & Residences ta' Londra, fejn aħna għandna sehem ta' 50 fil-mija. Dan jirriżulta minn tibdil fil-governanza korporattiva ta' din il-kumpanija, li wettaqna bi qbil sħiħ mal-azzjonisti konġunti tagħna LAFICO. Dawn qed jagħtu f'idejna l-kontroll meħtieġ biex ir-riżultati tal-lukanda jkunu jistgħu jiġu konsolidati fir-rapporti finanzjarji tagħna. Madankollu huwa pertinenti li ngħidu li, ladarba aħna sidien ta' 50% tal-Corinthia Hotel & Residences ta' Londra, fl-aħħar mill-aħħar huwa dak il-proporzjon biss tar-riżultati tal-lukanda li huwa rifless fil-profitti tal-2017 attribwibbli lill-kumpanija prinċipali.

Fuq il-medda kollha tal-Grupp il-prestazzjoni tan-negozju fl-operazzjonijiet kollha tagħna laħqet livelli aqwa. In-negozju tagħna jikkonsisti prinċipalment fi tnax-il lukanda Corinthia li huma proprjetà tagħna, li akkwistajniehom u żviluppajniehom fuq numru ta' snin minn mindu bdejna f'April tal-2000, kif ukoll minn disa' lukandi oħra li namministraw għan-nom ta' sidien terzi permezz tal-kumpanija tagħna li tieħu ħsieb it-tmexxija tal-lukandi, il-Corinthia Hotels Limited. Erbgħa minn dawn il-lukandi jinsabu fi stadji varji ta' żvilupp fi Brussell, Dubai, Bukarest u Doha.

- Barra minn dan, erbgħa mil-lukandi proprjetà tal-IHI għandhom komponent ta' proprjetà kummerċjali jew residenzjali – dawn huma l-appartamenti f'Londra, l-uffiċċji fi Tripli, l-appartamenti f'Budapest u l-uffiċċji u l-ħwienet kummerċjali f'St Petersburg, li minnhom indaħħlu introjtu sostanzjali ta' kera.
- Għandna wkoll kumpanija ta' żvilupp, il-Corinthia Developments International (CDI), li tiġġenera d-dħul minn proġetti ta' proprjetà li toriġina u teżegwixxi f'isem sidien terzi.
- Tagħna wkoll hija l-Quality Projects Limited (QP) li toffri servizzi ta' sorveljanza fuq il-kostruzzjoni u mmaniġġjar ta' proġetti għal investituri terzi.
- Ftit ilu, wara l-akkwiżizzjoni tal-Island Hotels Group f'Malta, erġajna ksibna l-post ta' attur ewlieni fl-industrija tal-*catering*, bl-isem kummerċjali ta' Corinthia Caterers.

The combined revenue in all these businesses rose to €240 million in 2017, of which 81 percent was driven by our 12 owned hotels, and the rest by way of a combination of management fees from third parties as also real estate property rentals and catering income.

The report from our co-CEOs will provide more details on each of our operating businesses, and in it one can note the significant financial improvements made over recent years to our core hotel business as also other services. This is not only the result of buoyant markets, but also because we are getting better and better at marketing our Corinthia brand globally and operating our hotels more efficiently. We cannot however rest on our laurels. Staying at the top of the game requires a constant focus from our management teams. Over recent years, we have invested heavily in our sales strategies, and nurtured a team of general managers whose appreciation of cost efficiencies is second to none in our industry.

Going forward, however, we must now focus in equal measure on the quality of our service, staying true to the values of our brand, Corinthia. Having come thus far, the way to register better results is to charge higher rates to guests who stay with us, and for this to happen, our service must continue to match the expectations of a more discerning clientele.

In this respect, our investment is twofold: in our people, and in our product.

On the human resources front, I am proud of our various management teams across the Company, and to these, our Chief Executive Officers are adding an array of new positions, both at a corporate level as also in our operating company Corinthia Hotels Limited. Here we have recently recruited a Chief Operating Officer, a Director for Quality, a Director for Marketing and a Director for Learning & Well-Being. Other senior positions covering our multiple hotel restaurant operations as well as our use of technology and innovation are nearing completion.

On this latter score, the impact of technology on our hotel industry is critical to our survival, not only on sales channels, social media and marketing but increasingly in the day-to-day management of operations and guest interaction. Our participation as members in the Global Hotel Alliance which groups 29 similarly sized hotel brands has served us in good stead as we are now able to front and resolve technology and distribution issues as a combined force when facing competing industry giants.

On the product side, we continue to invest heavily to stay at the forefront in our respective markets.

- In Lisbon, we are refurbishing the entire hotel over a span of five years at a cost of €13 million. Thus far, we have completed 175 of our 518 bedrooms, with the rest coming on stream without ever closing the hotel over the next four years.

- In Budapest, we are improving the product in our 439 bedrooms over the next two years, at a cost of €4.2 million.

- In St Petersburg, we have completed the refurbishment of 280 rooms in the original hotel we acquired in 2002, spending €4 million over three years. These rooms are in addition to the 105 bedrooms we had newly built some years ago in an adjoining property we acquired separately and linked to the main hotel in 2009.

- In London, our flagship hotel, we are nearing completion of the conversion of 20 bedrooms into 10 suites, which will enable us to target higher rated business. We are also converting one of our restaurants into a flagship operation with one of the United Kingdom's top restauranteur and celebrity chef Tom Kerridge.

- Earlier this month, we completed the acquisition of the Corinthia Palace Hotel in Attard. This was the last remaining Corinthia property not owned by IHI. In parallel, we are refurbishing the hotel and its spa, as well as upgrading back-of-house plant and equipment at a total cost of €5.5 million. This year marks the hotel's 50th anniversary and it is only fitting that the birth place of our Company's forerunner is now being brought back to its full glory.

Over and above, our hotel business continues to grow.

CORINTHIA PALACE HOTEL

Id-dħul kombinat ta' dawn in-negozji kollha flimkien tela' għal €240 miljun fl-2017, li minnu 81 fil-mija kien ġej mit-tnax-il lukanda li huma tagħna u l-kumplament mis-sorsi l-oħra ta' drittijiet ta' tmexxija mħallsa minn terzi, krejja ta' proprjetajiet, u dħul minn servizzi ta' catering.

Ir-rapport tas-CEOs konġunti tagħna jagħti aktar tagħrif fuq kull fergħa tal-operat kummerċjali tagħna, u juri t-titjib finanzjarju sostanzjali li kien hemm f'dawn l-aħħar snin f'dak li hu n-negozju ċentrali tagħna, jiġifieri l-lukandi, kif ukoll fis-servizzi l-oħra. Dan mhuwiex biss riżultat ta' swieq mimlijin attività, imma wkoll mertu ta' kemm aħna qed insiru aktar kapaċi nbiegħu l-isem tal-Corinthia madwar id-dinja u noperaw il-lukandi b'aktar effiċjenza. Ma nistgħux madankollu nistrieħu fuq is-suċċessi tagħna. Biex nibqgħu fil-quċċata jeħtieġ li t-timijiet tal-*management* tagħna jkunu kontinwament ikkonċentrati. Matul dawn l-aħħar snin investejna bil-kbir fl-istrateġiji tal-bejgħ, u bnejna tim ta' *general managers* li ħadd ma jħabbatha magħhom għall-apprezzament tal-effiċjenza fl-infiq.

Jekk inħarsu 'l quddiem, għalhekk, issa rridu niffokaw daqstant ieħor fuq il-kwalità tas-servizz tagħna, u li nibqgħu leali lejn il-valuri tal-isem tal-Corinthia. Issa li wasalna s'hawn, it-triq biex niksbu riżultati aħjar hi li niċċarġjaw rati ogħla lill-klijenti fil-lukandi tagħna, u biex dan iseħħ, is-servizz tagħna jrid jibqa' jilħaq l-aspettattivi ta' klijentela li hi dejjem aktar eżiġenti.

F'dan ir-rispett l-investiment tagħna huwa indirizzat fuq żewġ linji: fin-nies tagħna u fil-prodott tagħna.

Fuq il-front tar-riżorsi umani, jiena kburi bit-timijiet varji tal-*management* li għandna fil-Kumpanija, u ma' dawn, il-Kapijiet Eżekuttivi tagħna qed iżidu għadd ta' pożizzjonijiet ġodda sew fil-livell korporattiv kif ukoll fil-kumpanija operattiva tagħna, il-Corinthia Hotels Limited. F'din għadna kif ingaġġajna ftit ilu Chief Operating Officer, Director for Quality, Director for Marketing u Director for Learning & Well-Being. U qed noqorbu biex nagħlqu wkoll fuq pożizzjonijiet għoljin oħra fl-operazzjonijiet varji tar-ristoranti fil-lukandi tagħna u fl-użu tat-teknoloġija u l-innovazzjoni.

Fuq din tal-aħħar, it-teknoloġija fl-industrija tal-lukandi għandha impatt kritiku biex aħna nibqgħu nżommu fil-wiċċ, u mhux biss fuq il-kanali tal-bejgħ, il-mezzi soċjali u l-*marketing* imma wkoll u dejjem iżjed fl-operat ta' kuljum u fl-interazzjoni mal-klijenti. Il-fatt li aħna nipparteċipaw bħala sħab fil-Global Hotel Alliance, li tiġbor 29 isem ta' lukanda minn gruppi ta' bejn wieħed u ieħor l-istess daqs, serviena tajjeb għaliex issa nistgħu niffaċċaw u nsolvu l-problemi tat-teknoloġija u d-distribuzzjoni bħala forza magħquda meta nsibu quddiemna l-kompetizzjoni tal-ġganti tal-industrija.

Mil-lat tal-prodott, aħna għadna ninvestu bil-qawwi biex nibqgħu fuq quddiem nett fis-swieq rispettivi tagħna.

CORINTHIA HOTEL BUDAPEST

- F'Lisbona, qed nirrinnovaw lukanda sħiħa fuq medda ta' ħames snin bi spiża ta' €13-il miljun. Sal-lum lestejna 175 mill-518-il kamra, u l-kumplament se nkomplu naħdmu sakemm inlestuhom mingħajr ma qatt nagħlqu l-lukanda fl-erba' snin li ġejjin.

- F'Budapest, qed inwettqu titjib fis-sentejn li ġejjin fil-prodott tal-439 kamra li għandna, bi spiża ta' €4.2 miljun.

- F'St Petersburg, lestejna t-tiġdid ta' 280 kamra tal-lukanda oriġinali li akkwistajna fl-2002, bi nfiq ta' €4 miljuni f'temp ta' tliet snin. Dawn il-kmamar jingħaddu mal-105 kmamar li konna bnejna ġodda ftit snin ilu fi proprjetà ġara li konna akkwistajna u għaqqadna mal-lukanda prinċipali fl-2009.

- F'Londra, fejn għandna l-lukanda ta' quddiem nett tagħna, qed naqilbu 20 kamra tas-sodda f'10 suites. Din il-biċċa xogħol, li wasalna biex inlestuha, se tgħinna biex nimmiraw lejn klijenti ta' kategorija ogħla. Qegħdin ukoll fil-kors li nikkonvertu wieħed mir-ristoranti tagħna f'operazzjoni li tkun il-fjur tagħna, f'kollaborazzjoni ma' wieħed mill-aqwa sidien ta' ristoranti fl-Ingilterra, ix-*chef* ċelebri Tom Kerridge.

- Iktar kmieni dan ix-xahar kkonkludejna l-akkwiżizzjoni tal-lukanda Corinthia Palace f'Ħ'Attard. Din kienet l-aħħar proprjetà tal- Corinthia li ma kinitx tal-IHI. Fl-istess ħin qed nirrinnovaw il-lukanda u l-ispa li hemm fiha, u nġeddu l-impjant u l-apparat li jintuża għat-tħaddim tagħha, bi spiża totali ta' €5.5 miljun. Din is-sena taħbat il-50 anniversarju tal-lukanda, u għalhekk jixraq li l-post fejn twieldet il-kumpanija li bdejna minnha nġibuh lura għall-glorja sħiħa tiegħu.

U 'l fuq minn dan kollu, in-negozju tal-lukandi tagħna jkompli jikber.

In 2017, we completed the permit process to redevelop the former Grand Hotel Astoria in Brussels, shortly to be known as the Corinthia Hotel Brussels. This hotel we acquired in 2016 via our investment in the NLI Group, the holding company of our London hotel. We are now about to commence works on the regeneration of this trophy asset into Belgium's foremost luxury hotel. Financing is organised, tenders are out, and we look forward to open the new hotel, as a Corinthia flagship property, by 2020, comprising 126 bedrooms and suites together with an array of dining, meeting rooms, retail and spa amenities.

In Dubai, the Corinthia Hotel and Residences, which we manage on behalf of the investors and owners, the Meydan Group, has broken ground and works on this 55-storey landmark on Jumeirah Beach Resort are expected to be completed in phases over a time frame between December 2019 and mid 2020. This will be a remarkable property which will no doubt open up more opportunities for our Brand and management services in the Gulf region in years ahead. Already, in Dubai, Corinthia Hotels Limited is providing management services to Meydan on two of their other hotels, the renowned Meydan at the Meydan Horse Racing Track, organizers of the prestigious Dubai World Cup, and the Bab al Shams Desert Resort, both of which we operate on behalf of the owners.

In Doha Qatar, design work on the equally impressive Corinthia Hotel & Residences is proceeding, with construction expected to commence in the foreseeable future. Here too, our role is to act as operators through our management company Corinthia Hotels Limited.

In Bucharest, we have recently signed another management agreement through Corinthia Hotels Limited, with the owners of the landmark Grand Hotel du Bulevard, the city's oldest luxury hotel, now programmed for a redevelopment under the brand name Corinthia. This property, which will have 50 bedrooms and suites, will open for business in 2019.

Other projects we are pursuing include property developments and management opportunities in cities and resorts as diverse as Cannes, Rome, Moscow, New York and Miami. Not all these projects will necessary materialize as some involve complex situations which our teams are aiming to resolve. What is sure however is that investors and developers worldwide are increasingly recognizing the potential of the valuable input of our operating companies, namely Corinthia Hotels Limited, Corinthia Developments Limited, and QP, our project management arm.

Our strategy, in fact, is focused on driving fees and profit sharing income from these operating companies providing services to other investors, rather than acting as investors ourselves. This is not to say we will not invest, whenever opportunities that match our cash flow cycles permit. However, we are now in a strong position to pursue any projects, at any time, given the confidence being shown by other investors to finance developments that we are pursuing.

Closer to home, in Tripoli, our hotel remains up and running. The Corinthia Hotel reopened its reservation system in August 2017, albeit bookings are still at a modest level reflecting the current business climate in the city. During the year under review, we have completed the leasing of the remaining 1,222m² office space at the hotel's Commercial Centre for an annual income of just over €1 million. This amount is over and above the €6 million rental income derived from leasing of the remaining part office areas to international blue-chip companies. This income effectively enables us to pay our bank interest and break even at operating level, a remarkable achievement considering the circumstances.

In Malta, our plans for the St George's Bay development are closer to reality. We look forward to start works in 2019, once all formalities on permits are completed. Our aim is to phase the project, firstly by adding two additional floors to Corinthia Hotel St George's. However, despite the two additional floors, we shall reduce the number of room keys from the current 250 to 234, as a result of increasing the size of each room to over 50 square metres. This will help the property achieve the status of the first six-star hotel on our island. We have decided to take this pioneering step, as we firmly believe that the time is ripe to invest in quality accommodation in Malta.

CORINTHIA HOTEL BRUSSELS

Fl-2017, lestejna l-proċess kollu għall-permess biex nerġgħu niżviluppaw dik li kienet il-Grand Hotel Astoria fi Brussell, li dalwaqt se ssir magħrufa bħala l-Corinthia Hotel Brussels. Din il-lukanda akkwistajnieha fl-2016 permezz tal-investiment tagħna fil-grupp NLI, il-kumpanija proprjetarja tal-lukanda tagħna f'Londra. Issa wasalna biex nibdew ix-xogħlijiet ta' riġenerazzjoni ta' dan il-ġmiel ta' bini biex isir l-aqwa lukanda ta' lussu fil-Belġju. Il-finanzjament diġà rranġat, is-sejħiet għall-offerti ħarġu, u aħna ħerqana biex niftħu l-lukanda l-ġdida, bħala waħda minn ta' fuq nett bl-isem tal-Corinthia, fl-2020. Il-lukanda se jkollha 126 kamra u *suites* flimkien ma' faċilitajiet li jinkludu ristoranti, kmamar għal-laqgħat, ħwienet u spa.

F'Dubai, ix-xogħol fuq il-Corinthia Hotel and Residences, li aħna namministraw f'isem l-investituri u s-sidien, il-Grupp Meydan, issa miexi ġmielu, u din il-proprjetà prominenti ta' 55 sular fil-Jumeirah Beach Resort mistennija li titlesta, fażi wara l-oħra, f'xi żmien bejn Diċembru 2019 u n-nofs tal-2020. Dan huwa proġett notevoli li bla dubju se jiftaħ aktar opportunitajiet għall-isem tagħna u għas-servizzi ta' tmexxija li nistgħu nagħtu fir-reġjun tal-Golf fis-snin li ġejjin. Diġà f'Dubai, il-Corinthia Hotels Limited qed tagħti servizzi ta' *management* lil Meydan fuq żewġ lukandi oħra tagħhom, il-famuża Meydan li hemm mal-Korsa taż-Żwiemel ta' Meydan, organizzaturi tal-avveniment prestiġjuż id-Dubai World Cup, u l-Bab al Shams Desert Resort. Dawn it-tnejn li huma noperawhom aħna f'isem is-sidien.

F'Doha fil-Qatar, proġett ieħor xejn inqas impressjonanti, il-Corinthia Hotel & Residences, miexi 'l quddiem bix-xogħol ta' disinn, u x-xogħol tal-bini mistenni jibda fil-futur mhux 'il bogħod. Hawn ukoll il-parti tagħna hi li naġixxu ta' operaturi permezz tal-kumpanija tal-*management* tagħna, il-Corinthia Hotels Limited.

F'Bukarest reċentement iffirmajna ftehim ieħor ta' management bejn il-Corinthia Hotels Limited u s-sidien tal-famuża Grand Hotel du Bulevard, il-lukanda ta' lussu l-aktar antika fil-belt, li issa se tidħol għal programm ta' żvilupp mill-ġdid taħt l-isem tal-Corinthia. Din il-proprjetà se jkollha 50 kamra u *suites* u se tibda tilqa' l-klijenti fl-2019.

Hemm proġetti oħra li qed insegwu, li jinkludu żvilupp ta' proprjetà u opportunitajiet ta' tmexxija fi bliet u f'lokalitajiet tal-vaganzi diversi bħal Cannes, Ruma, Moska, New York u Miami. Dawn il-proġetti mhux bilfors jimmaterjalizzaw kollha. Uħud minnhom jinvolvu ċirkostanzi komplessi li n-nies tagħna qed jipprovaw isolvu. Dak li hu ċert, però, hu li l-investituri u l-iżviluppaturi madwar id-dinja qegħdin aktar u aktar jagħrfu l-potenzjal tax-xogħol siewi li joffru l-kumpaniji operattivi tagħna, il-Corinthia Hotels Limited, il-Corinthia Developments Limited, u l-QP, il-fergħa li tieħu ħsieb l-immanniġġjar tal-proġetti.

CORINTHIA MEYDAN BEACH DUBAI

Infatti l-istrateġija tagħna hija ffokata fuq il-ġenerazzjoni ta' drittijiet u l-qsim ta' profitti li jiġu meta dawn il-kumpaniji operattivi jagħtu servizzi lil investituri oħrajn, pjuttost milli nidħlu għall-investiment aħna stess. Dan ma jfissirx li aħna ma ninvestux, meta l-opportunitajiet jiġu fi żmien meta d-disponibilità tal-flus tippermetti. Madankollu, issa qegħdin f'pożizzjoni soda biex insegwu kwalunkwe proġett fi kwalunkwe żmien, għax l-investituri l-oħra għandhom biżżejjed fiduċja fina li lesti jiffinanzjaw l-iżviluppi li aħna nkunu qed nimmiraw.

CORINTHIA HOTEL BUCHAREST

Aktar qrib tagħna, fi Tripli, il-lukanda tagħna għadha miftuħa u taħdem. Il-lukanda Corinthia reġgħet fetħet is-sistema ta' prenotazzjoni f'Awissu 2017, għalkemm il-prenotazzjonijiet għadhom f'livell modest, kif mistenni mill-klima ta' negozju li għad hemm bħalissa f'din il-belt. Fis-sena li qed nitkellmu fuqha, irnexxielna nikru l-aħħar 1,222 metru kwadru ta' spazju ta' uffiċini fiċ-Ċentru Kummerċjali tal-lukanda, għal dħul ta' ftit aktar minn miljun ewro fis-sena. Dan l-ammont irid jiżdied mas-€6 miljun li jidħlu mill-kiri tal-partijiet l-oħra tal-ispazju tal-uffiċini lil kumpaniji internazzjonali *blue-chip*. Dan id-dħul effettivament jippermettilna li nħallsu l-imgħaxijiet tal-bank u ma nġarrbux telf mill-operat, li f'dawn iċ-ċirkostanzi huwa suċċess notevoli.

F'Malta, il-pjani għall-iżvilupp fil-Bajja ta' San Ġorġ qed jieħdu aktar sura. Qed nimmiraw li nibdew ix-xogħlijiet fl-2019, wara li nkunu ħlisna l-formalitajiet kollha għall-permessi. Il-ħsieb hu li naqsmu l-proġett f'fażijiet, nibdew billi nżidu żewġ sulari oħra fil-lukanda Corinthia San Ġorġ. Madankollu, minkejja ż-żewġ sulari miżjuda, se nnaqqsu n-numru ta' kmamar mill-250 ta' issa għal 234, billi se nkabbru d-daqs ta' kull kamra għal aktar minn 50 metru kwadru. B'hekk, il-proprjetà tkun tista' tikseb l-istatus tal-ewwel lukanda ta' sitt stilel f'Malta. Iddeċidejna li nkunu l-ewwel li nieħdu dan il-pass għax nemmnu bil-qawwi li wasal iż-żmien li hawn Malta ninvestu f'akkomodazzjoni ta' kwalità.

In addition, we shall develop two serviced residential blocks on vacant land between Corinthia Hotel St George's and our Radisson Blu hotel next door. The immediate aim is to ensure Corinthia establishes itself as the leading hotel in Malta, to a standard that has become the hallmark of our brand internationally. Over the years ahead, we will take a view and continue with the rest of the masterplan comprising the redevelopment of the Marina Hotel and the Radisson Hotel.

We have also initiated feasibility studies and plans for the Ħal Ferħ development in the north of the Island, over a plot of land measuring 85,000m^2.

On a final note, I wish to highlight two other areas of growth for the Group. Firstly, we are looking to consolidate our various catering operations under the Corinthia Caterers brand. Over the coming years, we will wind down our Island Caterers, Papillon and Catermax brands, and replace these with the over-riding Corinthia brand, serving the airline and events catering from a central production unit. This process of consolidation has already started in earnest and we expect to see improved results over the years ahead. We also own the Costa Coffee franchise in Malta and Spain. In Spain, measures are being put into place aiming at reversing the negative results registered by this operation so far.

Our second area of growth outside the hotels sector, be it owning or hotel management services, lies with QP, our project management company, which has strongly established itself as a leader in its field in Malta's construction industry. In 2017, more than 90 percent of business generated by QP was from third party clients, and not from the Group's projects. QP is indeed now the most comprehensive architectural and interior design and project manager in Malta. Our next step is to see QP follow the rest of the Group internationally, with Libya as a potential market when the political situation stabilizes, as also supporting Corinthia Hotels Limited and Corinthia Developments Limited, on hotel projects being pursued by these companies internationally.

Dear Shareholders, my special thanks goes to all my colleagues who form part of our formidable team. Without their motivation, dedication and sterling work these results would not have been possible. While our team continues to grow, we will always strive to remain true to the core values that we treasure within the Spirit of Corinthia. We will keep paying attention to detail and delivering a unique personalised service to our esteemed clients around the world.

A final word of thanks must also go to my colleagues on the Board, our CEOs and our management teams worldwide. Our results in 2017 are very much the consequence of their hard work, perseverance and creativity. These principals are the foundations on which we celebrate a good performance in 2017, but equally important gives us the confidence to look forward to more successes in the years ahead.

Thank you.

ALFRED PISANI
CHAIRMAN

NEW CORINTHIA HOTEL LONDON SUITE

Barra minn dan, se niżviluppaw żewġ blokki residenzjali bis-servizzi fuq art battala li hemm bejn il-lukanda Corinthia San Ġorġ u l-lukanda l-oħra tagħna ħdejha, ir-Radisson Blu. L-għan immedjat hu li nassiguraw li l-Corinthia tkun stabilita bħala l-aqwa lukanda f'Malta, bi standard illi ormaj sar il-marka tipika tagħna internazzjonalment. Fis-snin li ġejjin naraw fejn inkunu u nissoktaw bil-pjan sħiħ li jinkludi l-iżvilupp mill-ġdid tal-lukandi Marina u Radisson.

Tajna bidu wkoll għall-istudji ta' fattibilità u l-pjani għall-iżvilupp ta' Ħal Ferħ fin-naħa ta' fuq tal-gżira, fuq medda art li tkopri 85,000m².

Fuq nota tal-aħħar, nixtieq niġbed l-attenzjoni fuq żewġ oqsma oħra ta' tkabbir għall-Grupp. L-ewwel, qed naħsbu biex nikkonsolidaw l-operazzjonijiet varji tal-*catering* taħt l-isem tal-Corinthia Caterers. Fis-snin li ġejjin se nżarmaw bil-mod il-marki tal-Island Caterers, Papillon u Catermax, u minflokhom indaħħlu l-isem tal-Corinthia biex ikoprihom kollha, u nibdew naqdu x-xogħol tal-ajruplani u tal-avvenimenti minn unità ta' produzzjoni waħda ċentrali. Dan il-proċess ta' konsolidazzjoni diġà beda bis-serjetà u nistennew li naraw titjib fir-riżultati fis-snin li ġejjin. Aħna għandna wkoll f'idejna l-liċenzja tal-Costa Coffee f'Malta u fi Spanja. Fi Spanja, qed indaħħlu l-miżuri li hemm bżonn biex indawru r-riżultati negattivi li din l-operazzjoni kellha s'issa.

It-tieni qasam ta' tkabbir barra s-settur tal-lukandi, sew jekk huma proprjetà tagħna jew noperawhom għal ħaddieħor, huwa fil-QP, il-kumpanija ta' tmexxija tal-proġetti, li issa ħadet postha sew fuq quddiem fil-qasam tal-industrija tal-kostruzzjoni f'Malta. Fl-2017, 'il fuq minn 90 fil-mija tax-xogħol ġenerat mill-QP ġie mingħand klijenti terzi u mhux minn proġetti tal-Grupp. Il-QP illum hija verament kumpanija bl-akbar diversifikazzjoni ta' servizzi f'Malta f'dak li huwa arkitettura, *interior design*, u immaniġjar ta' proġetti. Il-pass li jmissna nieħdu hu li naraw lill-QP issegwi l-kumpaniji l-oħra tal-Grupp u ssir internazzjonali. Il-Libja tista' tkun suq tajjeb ladarba s-sitwazzjoni politika toqgħod. Il-kumpanija tista' wkoll tgħin lill-Corinthia Hotels Limited u 'l-Corinthia Developments Limited fuq proġetti ta' lukandi li dawn qed jaħdmu fuqhom barra minn Malta.

Għeżież Azzjonisti, irrid nirringrazzja speċjalment lill-kollegi kollha tiegħi li huma parti minn dan it-tim formidabbli. Mingħajr il-motivazzjoni, dedikazzjoni u xogħol eċċellenti tagħhom dawn ir-riżultati ma setgħu qatt jinkisbu. Waqt li t-tim ikompli jikber, aħna nistinkaw dejjem biex inkunu leali lejn il-valuri tal-qalba li ngħożżu f'dak li hu l-Ispirtu tal-Corinthia. Nibqgħu dejjem attenti għad-dettall u nwasslu servizz uniku personalizzat lill-klijenti preġjati tagħna madwar id-dinja.

L-aħħar kelma ta' ringrazzjament trid tmur għall-kollegi tiegħi fil-Bord, għas-CEOs u għat-timijiet tal-*management* madwar id-dinja. Ir-riżultati li ġibna fl-2017 ġejjin l-aktar mix-xogħol iebes, mill-perseveranza u mill-kreattività tagħhom. Dawn il-prinċipji huma l-pedamenti li fuqhom niċċelebraw il-prestazzjoni tajba tagħna tal-2017, imma b'daqstant importanza huma jagħtuna l-fiduċja biex inħarsu 'l quddiem għall-kisba ta' aktar suċċessi fis-snin li ġejjin.

Grazzi.

ALFRED PISANI
CHAIRMAN

IMAGES SHOWING SELECTED INTERIORS FOR THE NEW CORINTHIA HOTEL ST GEORGE'S BAY

JOINT CEOs' REPORT

For the year ended 31 December 2017

Dear Shareholders

IT IS OUR PLEASURE TO REPORT TO YOU AS JOINT CEOS ON WHAT HAS BEEN A RECORD YEAR ON A NUMBER OF FRONTS AT IHI, FOLLOWING ON FROM ANOTHER RECORD PERFORMANCE THE PRIOR YEAR.

SIMON NAUDI
CHIEF EXECUTIVE OFFICER

JOSEPH FENECH
CHIEF EXECUTIVE OFFICER

As has been described by our Chairman in his report, our primary focus is the establishment of Corinthia Hotels as a global luxury hotel brand. To do this, we acquire, develop, own or operate Corinthia Hotels. In each facet of our involvement in the industry, be it as owners, as developers or as operators, we have registered important results throughout 2017. Our operating hotels have delivered a record financial performance, and we have taken significant steps forward in the growth of our portfolio with new hotels being signed up and others well underway with design and construction. Our report updates you on these fronts.

By way of a summary overview, IHI counts 21 hotels, of which 12 are owned or partially owned. The rest are owned by partner investors, some of who are shareholders in IHI itself. Four of our 21 hotels, in Dubai, Brussels, Doha and Bucharest are under various stages of design and construction.

The IHI Group also develops, owns and operates commercial and residential property on our own account, or acts as a developer or project manager on behalf of other investors.

In 2017, we have consolidated our diverse catering activity into one business.

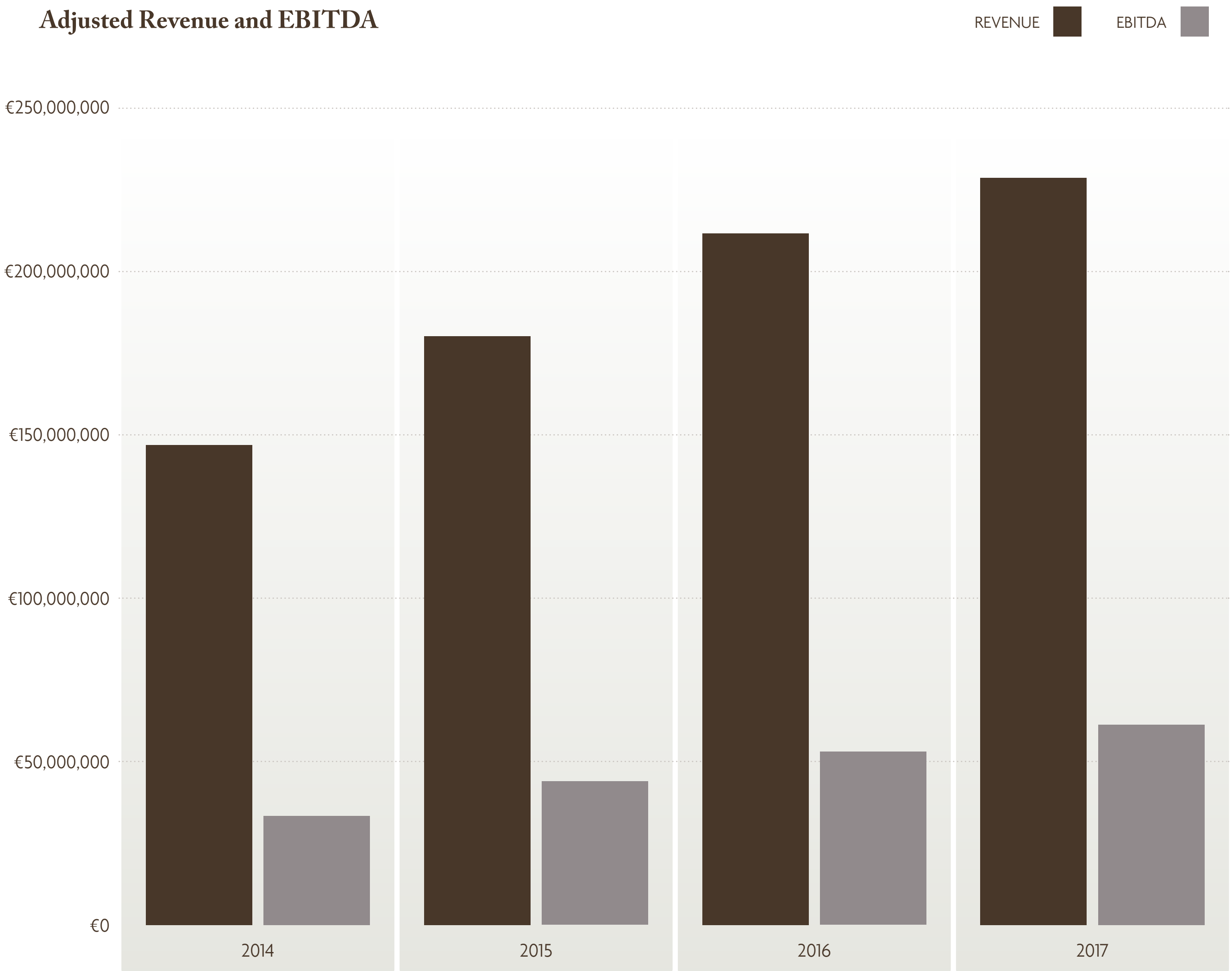
IHI has an issued capital of €615 million and our 2017 financial statements report total assets of €1.6 billion.

FINANCIAL REVIEW & KEY PERFORMANCE INDICATORS

Our performance in 2017 is a continuation of a growth trajectory.

In 2014, IHI's adjusted EBITDA stood at €33.3 million. By 2017, this figure had increased to €61.3 million as reported more fully in our financial statements, an almost doubling of profit achieved by way of higher revenues and efficiencies in our operating hotels and businesses, as well as incremental revenue derived from acquisitions and new projects.

Adjusted Revenue and EBITDA



IHI's EBITDA reflects our direct share of profits from hotels in our owned portfolio, fee income for our various management services to third parties, rental income from commercial and residential real estate as well as net income from our catering business. All numbers are translated into euro from their original functional currency, and deviations from one year to the next could therefore be severely impacted by exchange rate movements, particularly in currencies such as roubles and sterling which have seen significant variances in the last couple of years.

FINANCIAL REVIEW & KEY PERFORMANCE INDICATORS • CONTINUED

GROUP	AUDIT 2016	ILLUSTRATIVE* 2016	AUDIT 2017
Owned Hotels Revenue	116,122	181,198	195,990
Rental Income	10,105	12,143	13,449
Catering Income	20,972	20,972	23,114
Fee Income from third parties	10,702	5,361	9,861
TURNOVER	**157,901**	**219,674**	**242,414**
EBITDA	**37,785**	**53,755**	**63,895**
	23.93%	*24.47%*	*26.36%*
Adjusted EBITDA*		*52,996*	*61,244*
NET PROFIT BEFORE TAX	**(6,763)**	**(6,763)**	**9,609**
Tax	(895)	(895)	5,288
NET PROFIT AFTER TAX	**(7,658)**	**(7,658)**	**14,897**

* The illustrative numbers show the effect of consolidating NLI on the 2016 performance, had this consolidation been effective since 1.1.2016.
* Adjusted EBITDA includes consolidated EBITDA plus our share of associates and joint ventures less non-controlling interest in NLI.

The above numbers take into account the full consolidation of the London business as of 2017, which explains part, but only part, of the increase in revenues and EBITDA in 2017 versus 2016. This consolidation has been the result of changes in the governance structures of NLI Holdings, the company that owns the London hotel and residences, as also our Brussels development, in which IHI owns a 50% stake.

By way of a summary explanation, the costs below EBITDA include mostly;

- Depreciation [€31.1 million in 2017],
- Net finance costs [€21 million in 2017],
- Adjustments to the value of the Group's assets as per the board's policies [a net gain of €1.0m],
- Losses or gains on exchange rate fluctuations [a €3.2 million gain in 2017] and
- Tax and deferred tax [a gain of €5.3 million in 2017].

The above results clearly indicate a healthy business with sound efficiencies on conversion of revenue to profit. It is also worth noting that the 2017 performance, and net results, have been achieved in spite of continuing challenges in our investments in Tripoli, Libya, where a significant portion of our capital has been deployed for over 10 years at our hotel and commercial centre. Notwithstanding, this business in Libya breaks even at an operating level.

FINANCIAL REVIEW &
KEY PERFORMANCE INDICATORS • CONTINUED

Owned Hotels' Operating Profits and EBITDA

Four fifths of our revenue, is derived from our portfolio of owned or partially owned hotels. In all instances, as with hotels we manage for third parties, we have improved our performance year on year. The tables hereunder show the EBITDA performance of each of our owned hotels, indicating an improved year-on-year result in all operations. The results for the hotels in London and St Petersburg are shown in Sterling and rouble respectively, besides in euro, highlighting the impact of significant currency fluctuations.

CORINTHIA HOTEL BUDAPEST	2014 AUDITED € 000	2015 AUDITED € 000	2016 AUDITED € 000	2017 AUDITED € 000
GOP	6,498	8,364	8,728	9,601
EBITDA	5,591	6,671	7,100	7,988
EBITDA margin	26%	29%	30%	31%

CORINTHIA HOTEL TRIPOLI	2014 AUDITED € 000	2015 AUDITED € 000	2016 AUDITED € 000	2017 AUDITED € 000
GOP	(1,211)	(3,004)	(3,030)	(2,979)
Net rental income	5,863	5,088	4,553	4,874
EBITDA	4,227	1,076	1,198	1,605
EBITDA margin	29%	18%	11%	13%

CORINTHIA HOTEL LISBON	2014 AUDITED € 000	2015 AUDITED € 000	2016 AUDITED € 000	2017 AUDITED € 000
GOP	5,674	6,242	6,808	8,202
EBITDA	4,673	4,718	5,616	7,056
EBITDA margin	24%	23%	26%	29%

CORINTHIA HOTEL ST PETERSBURG	2014 AUDITED RBL 000	2015 AUDITED RBL 000	2016 AUDITED RBL 000	2017 AUDITED RBL 000
GOP	154,319	271,800	427,046	498,545
Net rental income	179,415	225,697	304,647	307,941
EBITDA	210,207	313,194	541,923	656,548
EBITDA – €	4,096	4,882	7,465	10,041
EBITDA margin	22%	30%	32%	37%

CORINTHIA HOTEL PRAGUE	2014 AUDITED € 000	2015 AUDITED € 000	2016 AUDITED € 000	2017 AUDITED € 000
GOP	4,064	4,931	5,155	5,920
EBITDA	3,278	3,947	4,191	4,905
EBITDA margin	21%	23%	25%	25%

CORINTHIA HOTEL LONDON	2014 AUDITED £ 000	2015 AUDITED £ 000	2016 AUDITED £ 000	2017 AUDITED £ 000
GOP (100%)	14,374	16,546	16,984	18,449
EBITDA (100%)	7,160	11,673	13,041	13,311
EBITDA (50%) – €	4,475	8,040	7,965	7,596
EBITDA margin	15%	22%	24%	22%

CORINTHIA HOTEL ST GEORGE'S BAY, MALTA	2014 AUDITED € 000	2015 AUDITED € 000	2016 AUDITED € 000	2017 AUDITED € 000
GOP	3,049	4,244	4,500	5,342
EBITDA	2,485	3,511	3,773	4,475
EBITDA margin	17%	23%	24%	27%

RADISSON BLU RESORT MALTA, ST JULIAN'S	2015* AUDITED € 000	2016 AUDITED € 000	2017 AUDITED € 000
GOP	2,809	4,373	4,692
EBITDA	1,872	4,492	4,241
EBITDA margin	27%	35%	31%

* 2015 : SIX MONTH SINCE ACQUISITION ON 1.7.2015

MARINA HOTEL CORINTHIA BEACH RESORT, MALTA	2014 AUDITED € 000	2015 AUDITED € 000	2016 AUDITED € 000	2017 AUDITED € 000
GOP	1,822	2,957	2,979	3,293
EBITDA	1,566	2,583	2,603	2,833
EBITDA margin	23%	27%	26%	28%

RADISSON BLU RESORT & SPA, MALTA GOLDEN SANDS	2015* AUDITED € 000	2016 AUDITED € 000	2017 AUDITED € 000
EBITDA – Timeshare	3,574	7,708	4,384
EBITDA – Hotel	3,940	6,743	5,503
Total EBITDA (100%)	7,514	14,451	9,887
EBITDA (50%)	3,757	7,226	4,944
EBITDA margin	38%	33%	24%

* 2015 : SIX MONTH SINCE ACQUISITION ON 1.7.2015

FINANCIAL REVIEW &
KEY PERFORMANCE INDICATORS • CONTINUED

Funding Highlights

During the year under review, our finance teams worked on several fronts in relation to various funding initiatives.

Most significantly, in London, we raised £138 million in senior debt from the Bank of China, at improved terms and conditions. The funds were raised on behalf of NLI Holdings, the company owning the London hotel and residential development, in which IHI owns a 50% shareholding. Proceeds from the loan were used principally to repay the original syndicate of banks that had financed our development and early years in operation and partly to release funds for use by NLI Holdings in relation to the initial 2016 acquisition costs of the vacant, historic property formerly known as the Grand Hotel Astoria in Belgium, and which is now soon to be redeveloped into the Corinthia Hotel Brussels.

In 2017, we also commenced discussions on behalf of NLI Holdings with ARES Bank of Spain, which have since been successfully concluded, to raise a €45 million loan to finance the construction programme and other opening costs for the redevelopment of the Grand Hotel Astoria.

During the year, we also redeemed two bonds in Malta valued at a combined €38.8 million maturing in 2017, using proceeds from a €40 million bond issued in December 2016. One of the bonds redeemed in 2017 was originally issued by the Island Hotels Group, which we acquired in 2015 and whose parent holding entity has now been formally merged into IHI p.l.c.

CORINTHIA HOTEL LONDON

Projects Underway

FOUR CORINTHIA HOTELS ARE UNDER VARIOUS STAGES OF DEVELOPMENT, IN BRUSSELS, DUBAI, BUCHAREST AND DOHA.


CONSTRUCTION WORKS UNDER WAY

Corinthia Hotel Brussels

In Brussels, via our 50% share in NLI Holdings, we own the former Grand Hotel Astoria, originally built as Belgium's flagship hotel in 1909, and acquired in a vacant state in 2016, together with an empty land plot adjoining the listed hotel on Rue Royale, and four vacant town houses at the rear of the original hotel. The acquisition was originated and executed by CDI Limited, our development company, that continues to lead and act as the owner's representative on all development, financing and business functions in the project. QP Limited, another IHI subsidiary, has since been appointed by CDI as project manager to coordinate and supervise the construction process. A planning permit was issued in December 2017, accepting our design proposals for the restoration of the historic ground floor and façade of the original hotel, as well as the reconstruction of all upper floors, adjoining land and town houses. The permit is a major gain in additional volumes and floors, for a total built up area of 18,000m^2. The new hotel will feature 126 luxury bedrooms and suites. It will offer unrivalled amenities for the city of Brussels including a fully restored grand ballroom, an 850m^2 spa, various dining venues, boutique meetings' facilities and high-end retail shops. Initial strip-out and demolition works have commenced and a tender for the main construction program has since also been issued. It is our plan to award the main contract by this summer and complete the works within two years.


HOTEL FOYER


ROYAL SUITE


PALM COURT


SPA THERMAL AREA

Projects Underway · *continued*

CONSTRUCTION WORKS UNDERWAY

Corinthia Hotel and Residences Meydan Beach Dubai

In Dubai, works on the 55-storey Corinthia Hotel & Residences at Meydan Beach are well underway. Our operating company, Corinthia Hotels Limited, is a party to two agreements with the Meydan Group, the property's investors, to provide technical services and once built, to operate the hotel and residences as a Corinthia flagship for the Gulf region. Corinthia Hotels Limited's technical and operating teams have provided the design brief for the allocation of spaces within the property to various functions, as well as the programming of 300 bedrooms and suites, and 60 serviced apartments. Works are well underway on the 55 floor complex. A full opening is expected by mid 2020. Other amenities include spectacular cascading beachfront pools, several dining and leisure venues, a grand ballroom, meeting facilities and a 4,500m² spa.

BEACHFRONT CONSTRUCTION

SAMPLE BEDROOMS & SUITES

Projects Underway · *continued*

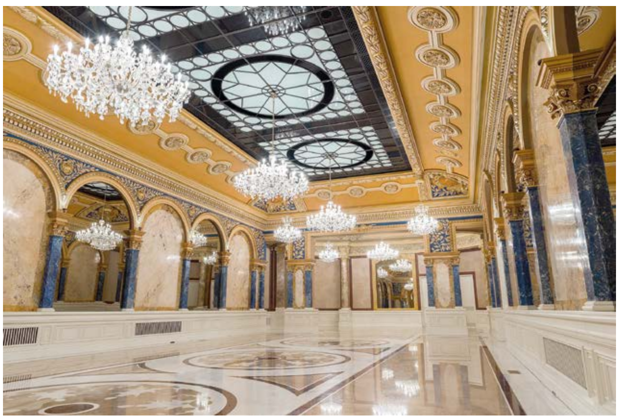
THE HISTORIC 1867 LANDMARK

Corinthia Hotel Bucharest

In Bucharest, Romania, discussions commenced in 2017 for the signature by Corinthia Hotels Limited of a technical services agreement and, once redeveloped, the management of the former Grand Hotel du Bulevard as the Corinthia Hotel Bucharest. QP Limited, another IHI subsidiary, has since also signed a construction management agreement for the redevelopment of this historic 1867 landmark. Design development of the regeneration of this listed property has commenced and works are expected to be completed by December 2019. The new hotel will feature 50 suites as well as the fully restored Grand Ballroom and various dining and leisure venues.

Corinthia Hotel Doha

In Doha, Corinthia Hotels Limited is a party to a technical services agreement with a Qatari investment house which is developing an iconic hotel and residential tower designed by the late renowned Zaha Hadid. During the year under review, Corinthia Hotels Limited's technical services team has provided support services to the architects in the programming and design brief for the property.



THE RESTORED GRAND BALLROOM

Highlights from across the Hotel Portfolio

New suites and restaurant at the Corinthia Hotel London

The Corinthia in London continues to be the mainstay and flagship of IHI's owned hotels. Management has worked hard to address significant challenges posed by exchange rate fluctuations and the availability of human resources.

In 2017, we took steps towards ensuring the property and style of service remains fresh and relevant, now that the hotel is in its sixth year of operation. Among other initiatives, we have started a project to convert 22 rooms into 11 suites, scheduled for completion by May 2018 at a cost of £3.75 million. The decision to introduce a higher number of suites versus standard bedrooms into the property is intended specifically to bolster our already successful presence in the lucrative market for high net worth visitors to London.

We have also entered into an agreement to appoint the renowned restaurateur and celebrity chef Tom Kerridge as the operator of one of restaurants. We will shortly be refurbishing the restaurant, aiming for a relaunch of what is currently Massimo's, by September.

Highlights from across the Hotel Portfolio · *continued*

Gearing up for our St George's Bay development

The first phase of our Malta project is expected to commence in the near future, with the upgrade and refurbishment of the Corinthia St George's Hotel to a level of luxury and service that will be a first for Malta. The project is undergoing final design and we are pursuing the necessary regulatory and planning processes prior to commencement. The project, in its initial phases, will also feature an element of serviced residential apartments to be constructed on unutilized land occupied by IHI in the St George's Bay complex. Our other hotels on the land, that is the Marina and Radisson Hotels will continue trading in their current form for the immediate term.

Caviar & Bull at the Corinthia Hotel Budapest

In Budapest, the Corinthia Hotel continues to operate at the upper end of the market. GOP is close to the €10 million mark. A refurbishment of the Hotel's bedrooms and corridors has commenced following signature of a €4.2 million contract to be expended over two years.

Following the successful lease partnership with the owners of Caviar & Bull Restaurant in Malta, we have entered into similar arrangements for the launch of Caviar & Bull Budapest. The restaurant was launched in August 2017 and has established itself among the finest and more popular dining venues in the city.

Highlights from across the Hotel Portfolio · *continued*

New bedrooms at the Corinthia Hotel St Petersburg

The hotel in St Petersburg is a major contributor to IHI's cash flows. The challenges posed by a significant devaluation of the rouble in 2016 have since been met, and the hotel trades at record results in rouble terms, increasing its share of business of visitors from within Russia itself.

The refurbishment of all 280 bedrooms and suites in the Hotel's original wing is nearing completion, at a total cost of €4 million. These bedrooms are now finished to the same standards as the 105 rooms and suites that had been newly built in an adjoining property owned by IHI acquired in 2002.

In St Petersburg, IHI owns five adjoining properties, of which two comprise the hotel and a further two are commercial centers fully leased out to third parties. A fifth property, which is currently vacant, is undergoing a design planning review, with the aim of upgrading the building into commercial premises for rent.

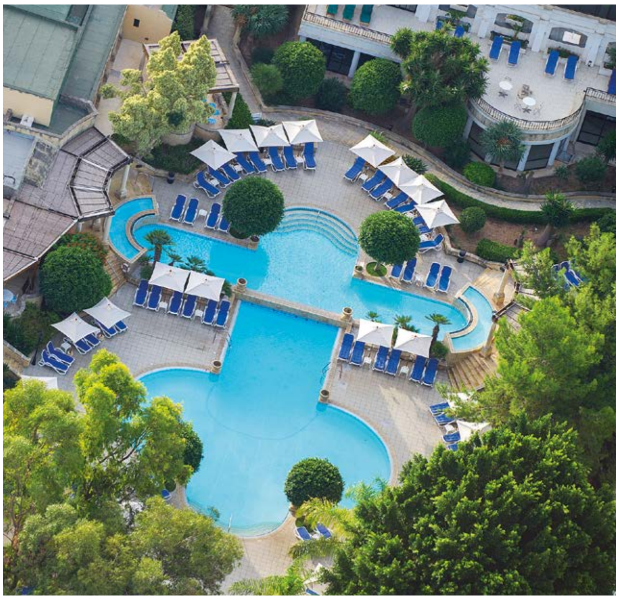
Renovation of the Corinthia Hotel Lisbon bedrooms and suites

The refurbishment of the Corinthia Hotel Lisbon's 518 bedrooms is well underway. 175 bedrooms on seven floors have been completed with works ongoing on a further 343 bedrooms on 14 floors between now and 2020. The program also covers plant, equipment, public amenities and corridors.

Highlights from across the Hotel Portfolio · *continued*

The Corinthia Palace Hotel rebirth

We have recently finalized the acquisition of the Corinthia Palace Hotel from its founding shareholder CPHCL, and in parallel commenced a significant upgrade of this flagship hotel, the birthplace of Corinthia. The refurbishment of the hotel's bedrooms, spa and various plant and equipment is ongoing, nearing completion for the most part, at a total cost of €5.5 million.



New Suites at the Radisson Blu Resort & Spa, Malta Golden Sands

Works are underway on nine new bedroom suites, which are being marketed for timeshare sales. The suites are being developed at a cost of €5 million, and sales have thus far generated £9 million in income.

Azure, our timeshare marketing company in which IHI has a 50% shareholding, has launched a sales strategy to sell a points-based membership system as opposed to specific rooms for specific weeks. The points-based system allows Azure to more readily procure products and inventory to sell, other than the Resort's own bedrooms. This could, eventually, include inventory in other resorts.

Highlights from across the Hotel Portfolio · *continued*

Corinthia Hotel Tripoli

A five-year lease worth €1.1 million per annum has been signed with an international oil company for the remaining vacant area in the Hotel's Commercial Centre. Other tenants have also renewed their contracts by a further year, at a combined rental of €1 million. The Commercial Centre is now fully leased at a total annual rental revenue of €6.1 million.

Highlights from Corinthia Hotels Limited

Corinthia Hotels continues to establish itself as a dynamic added-value operator of luxury hotels. Throughout 2017, we have commenced a strategic plan to build on the company's marketing and HR dimensions, with a renewed focus on quality and service in our Corinthia hotels. The company operates from offices in Malta and London. We are now bolstering senior management with the appointment of a COO, a Director of Rooms & Quality, a Director for Learning & Development, and a Director of Marketing, all recruited from some of the world's leading hotel groups.

In parallel, we are re-energizing our focus on technology. In this respect, we are dedicating a specific team to focus on all aspects of technology including IT, cyber security, corporate and back-end systems as well as all guest facing systems and processes. Technological innovation is critical to the future of any hotel management company.

We are also exploring the subscription to an offer to take up 10% of the company that owns the Global Hotel Alliance, of which we have been members for three years alongside 29 other hotel brands. The entity is currently owned by Omni Hotels and Kempinski Hotels, and Corinthia has been invited to join the shareholding of the company alongside two other regional hotel groups from Asia. The organization is aiming to become a global force not only in the provision of a loyalty program infrastructure for member brands such as Corinthia, but equally in pooling resources in areas such as technology, sales and marketing.

Highlights from across the Hotel Portfolio · *continued*

Highlights from QP Limited

2017 was a positive year for QP. During the 12 months, a number of projects were secured, with QP offering a host of professional building services including design, engineering and management. A number of engagements include significantly large projects where QP has been entrusted to deliver various services. Revenue for the 12 months amounted to just under €4 million, representing a significant increase over the revenue generated the previous year which stood at €2.9 million.

It is worthy to note that over 80% of the revenue generated came from third party owned projects, that are totally unrelated to Corinthia. Such projects range from infrastructure, airports, high rise buildings, warehouses, luxury hotels, hospitals, residential and commercial developments. Moreover, whilst international industry norms for similar companies providing professional building services is an EBITDA conversion of 15% on revenue generated, in 2017 QP has succesfully recorded an EBITDA of €900,000 or 22% of revenue.

Highlights from the Catering Division

During the year under review, we have taken steps to consolidate our various brands and catering operations under one entity. The new entity operates from one central production unit in Luqa, Malta, and provides event catering at several exclusive venues in Malta, as well as contract catering to institutions as varied as hospitals, the University of Malta and international airlines flying from Malta.

Highlights from CDI Limited

CDI has been highly active in 2017, its first full year of operations. CDI has originated various off-market projects, in cities and resorts such as New York, Miami, Moscow, Rome and Cannes. In all instances, CDI is working to put land and property deals together, raise funding by way of third party investors and debt, and execute acquisitions and developments that will lead to flagship Corinthia Hotels. Not all projects will of course be fully realized, but the ability of CDI to originate real estate projects and raise external funding from renowned institutional investors worldwide augurs well for the future of this company.

SIMON NAUDI
CHIEF EXECUTIVE OFFICER

JOSEPH FENECH
CHIEF EXECUTIVE OFFICER

Directors' and Other Statutory Reports

& FINANCIAL STATEMENTS

For the year ended 31 December

2017

CONTENTS

Directors' and Other Statutory Reports & Financial Statements 2017

Directors' Report
Year ended 31st December 2017

The directors present their report of International Hotel Investments p.l.c. (the "Company") and the Group of which it is the parent for the year ended 31 December 2017.

Principal activities
International Hotel Investments p.l.c. carries on the business of an investment company in connection with the ownership, development and operation of hotels, leisure facilities and other activities related to the tourism industry and commercial centres. The Company owns a number of investments in subsidiary and associate companies (as detailed in the notes to the financial statements), through which it furthers the business of the Group.

Review of business development and financial position
Total revenue for the year under review amounted to €242.4 million compared to €157.9 million the year before. The increase in revenue is mainly attributable to the consolidation of the Corinthia Hotel London which contributed €68.7 million of the increase, the remaining €15.8 million is the result of continuing performance improvements in the other operations of the Company.

EBITDA for 2017 excluding the consolidation of the results of jointly controlled companies amounted to €63.9 million compared to €37.8 million achieved in 2016. Again, €15.2 million is attributable to the Corinthia Hotel London operation, being consolidated for the first time this year. The remaining increase of €10.9 million is attributable to a marked performance improvement in all the Company's hotels. It is also worth noting that the year-on-year performance of the Corinthia Hotel St Petersburg was €2.6 million higher in 2017 relative to 2016, an exceptional improvement when considering that last year this operation achieved a similar result when compared to 2015. Similar marked improvements were achieved at the Corintha Hotel Lisbon and Corinthia Hotels Limited, our operating arm.

This year's performance was slightly dampened by the exchange losses recorded in St Petersburg on account of the weakened rouble compared to last year.

The Group's share of the associates and joint ventures now reflects the Golden Sands operation only as the Corinthia Hotel London operation is fully consolidated. This operation contributed €4.9 million to the Group's EBITDA.

On an adjusted basis, the EBITDA for the Group including our share of the joint venture's EBITDA is €61.2 million compared to € 53.1 million in 2016.

In 2017, the Group registered net property uplifts including our share of joint venture's uplifts, before tax, of €30.5 million on account of the continuing improved trading performance of the Group's assets located in Europe. This amount included a full reversal of all impairments previously recorded on St Petersburg.

On account of the weakened Sterling and Rouble, the Group recorded a combined currency conversion loss of €22.8 million. This negative movement was offset by the onetime release of all deferred tax recorded to date on the Corinthia Hotel London as now it is a subsidiary.

During the year, the Group refinanced the bank facilities of the London operation, therefore releasing €23 million in cash earmarked to finance the Corinthia Hotel Brussels.

At 31 December 2017, the Group is again reporting a positive working capital of €48.1 million compared to €15.3 million in 2016. This improvement in working capital is the result of the improved performance as reported above and the refinancing initiatives undertaken during the year.

Future developments
IHI's business as a developer and operator of hotels and real estate has evolved and its dependence on any single hotel is now marginal. The outlook for 2018 in all the Company's hotels, excluding Libya, remains better than that for 2017.

Work on the redevelopment of the Corinthia Hotel Brussels is progressing at a good pace with construction tenders issued. Works on the property to be branded as a Corinthia Hotel & Residences Meydan Beach in Dubai are well underway with the substructure completed and expected to open in mid-2020.

In March 2018 the Group through its subsidiaries, Corinthia Hotels Limited and QP Limited, entered into a technical services agreement, a construction management agreement for the redevelopment of the former Grand Hotel du Boulevard as the Corinthia Hotel Bucharest, and, once redeveloped, for the management of the hotel.

Going concern
The directors have reviewed the Company's and the Group's operational and cash flow forecasts. Based on this review, after making enquiries, and in the light of the current financial position, the existing banking facilities and other funding arrangements, the directors confirm, in accordance with Listing Rule 5.62, that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Principal risks and uncertainties
The Group started trading in 2000, undertaking a strategy of rapid expansion. The hotel industry globally is marked by strong and increasing competition and many of the Group's current and potential competitors may have longer operating histories, bigger name recognition, larger customer bases and greater financial and other resources than the companies within the Group.

Directors' Report

Year ended 31st December 2017

• continued

Principal risks and uncertainties

The Group is subject to general market and economic risks that may have a significant impact on the valuations of its properties (comprising hotels and investment property). A number of the Group's major operations are located in stable economies. The Group also owns certain subsidiaries that have operations situated in emerging or unstable markets. Such markets present different economic and political conditions from those of the more developed markets and present less social, political and economic stability. Businesses in unstable markets are not operating in a market-oriented economy as known in other developed or emerging markets. Further information about the significant uncertainties being faced in Libya are included in Note 5.

The Group is exposed to various risks arising through its use of financial instruments including market risk, credit risk and liquidity risk, which result from its operating activities. The most significant financial risks as well as an explanation of the risk management policies employed by the Group are included in Note 42 of the financial statements.

Subsequent events

In April 2018, the Group acquired the Corinthia Palace Hotel in Attard. Consequently, as from April 2018, the results of this operation will be reported with Group results. Further information about the Corinthia Palace Hotel are included in Note 41.

Reserves

The movements on reserves are as set out in the statements of changes in equity.

Board of directors

Mr Alfred Pisani (Chairman)
Mr Frank Xerri de Caro (Senior Independent Director)
Mr Khaled El Gonsol
Mr Abdulnaser Ahmida
Mr Hamad Buamim
Mr Abuagila Almahdi
Mr Douraid Zaghouani
Mr Joseph Pisani
Dr Joseph J Vella
Mr Winston V Zahra

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office. A resolution proposing the re-appointment of PricewaterhouseCoopers as auditors of the Company will be submitted at the forthcoming Annual General Meeting.

Approved by the board of directors on 27 April 2018 and signed on its behalf by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Senior Independent Director

Registered Office
22 Europa Centre,
Floriana FRN 1400,
Malta

Statement by the Directors

On the Financial Statements and other information included in the Annual Report

Pursuant to Listing Rule 5.68, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the annual report and prepared in accordance with the requirements of International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company and its undertakings included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and position of the Company and its undertakings together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the board of directors on 27 April 2018 by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Senior Independent Director

Statement by the Directors on Non-Financial information

Introduction

This report details the various actions taken by International Hotel Investments p.l.c. (the 'Company') as the parent company and its subsidiaries (the 'Group') to enhance sustainability in terms of its operations and its activities related to corporate responsibility.

As described in more detail elsewhere in the annual report, the Group is a hotel and real estate developer and operator.

The Group strives for sustainability in what it considers the three pillars of Corporate Social Responsibility (CSR):
- Environmental sustainability;
- Personal sustainability; and
- Community sustainability.

To the Group, creating value is not limited to its shareholders but also to its guests and the community at large, by ensuring that the highest standards are delivered in the most sustainable way possible.

The Group expects to further integrate and generate awareness on sustainability practices throughout its operations in the countries it operates, engraining the concept of sustainability in each of its employees for it to become an integral part of its business. This also provides a framework to manage and monitor the Group's performance, mitigating, as much as possible, the environmental or social risks that it faces.

Governance

The Group believes that strong sustainability governance is the foundation for delivering on performance with sustainability topics integrated and not separate from the business.

The Board plays an essential role in determining strategic priorities and considers sustainability issues as an integral part of the business oversight. The Audit Committee assists the Board in providing more focused oversight for the Group's policies, programmes and related risks that concern key public policy and sustainability matters.

The Chairman of the Audit Committee oversees the implementation of the established agendas for the year. Regular meetings with functional committees and employee representatives are carried out to ensure that agreed upon goals for the year are achieved.

Risk Management

The Group has set a Risk Management Committee, which is responsible for:
- Building a risk aware culture;
- Developing and recommending a Risk Management Framework to the Board;
- Coordinating and reviewing the risk assessment, evaluation and response processes; and
- Monitoring and reporting on risk performance.

The Risk Management Committee is composed of six members; Head of Engineering, Head of Finance, Head of Insurance, Head of IT, Head of Internal Audit and Head of Security. These members, including the Chairperson of the Committee are appointed by the Board.

In 2017 the Group introduced a Risk Management Policy to provide an effective structure for the management of risk across the Group and to formalise and communicate the approach towards risk management. The Group has adopted a standard methodology which is based on the guiding principles of the International Risk Management Standard ISO 31000:2009, and the COSO (Committee of Sponsoring Organisations of the Treadway Commission) standard for Enterprise Risk Management.

The Group proactively identifies, mitigates and manages principal business risks through an effective risk management framework, which includes key Group policies. It is working to incorporate sustainability risks in the Group Risk register, which is an assessment of the principal strategic and operational risks affecting the Group.

Ethical Conduct

Anti-Fraud and Whistleblower Policy

The Group's set of values underpins its high standards of ethical conduct. It respects human rights, embraces diversity and stands firm against corruption. In September 2014, the Group introduced The Anti-Fraud and Whistleblower Policy. This was drawn up by the Audit Committee with a purpose to minimise the risk of fraud and maintain integrity in the Group's business dealings. The Anti-Fraud and Whistleblower policy is implemented in the jurisdictions where the Group operates.

The primary objective of the policy is to:
- Provide a clear and unambiguous statement of the Group's position on theft, fraud and corruption;
- Minimise the risk of fraud;
- Enhance the Group's governance and related internal controls;
- Standardise business activities;
- Maintain integrity in the Group's business dealings; and
- Establish procedures and protections that allow employees of the Group and members of the public to act on suspected fraud or corruption with potentially adverse ramifications and to achieve the legitimate business objectives of the Group for the benefit of its shareholders.

The Policy also outlines the systems that facilitate reporting of misconduct and the procedures to investigation and resolution of malpractices. As a Group which values good governance, it remains committed to ensuring that its staff act within the utmost integrity through training and well-defined guidelines and procedures.

Statement by the Directors on Non-Financial information

• continued

Ethical Conduct *• continued*

Employee Handbook

To provide its employees with guidance on adhering to The Group's values of "Authenticity, Passion, Precision and Understanding in all we do", the Group's Employee Handbook was revised during 2017 to outline its approach to issues such as anti-fraud, anti-corruption, anti-bribery, whistleblowing, fair competition, equal opportunity, customer and employee data privacy and anti-slavery policies. All employees undergo training on codes of conduct so that they are familiar with the Group's expectations on ethical and professional conduct as well as its approach to equal opportunity and anti-fraud, data protection amongst others.

The Group encourages and enables employees, staff and external parties, such as agents, advisors and representatives, to raise serious concerns within the Group rather than overlooking a problem or blowing the whistle to the media or other external bodies.

Social and Employee Matters

Employees

As at 31 December 2017, the Group employed 2,567[1] full-time staff across its businesses worldwide. Of these 1,476 were males and 1,091 were females. Agency services are used for part-time employees across all jurisdictions. Employees in the various jurisdictions are represented by in-house union representatives who liaise with sectorial unions covering the various industry trades. During 2017, a total of 32% of the work force was represented by an organised union which is autonomous of management.

The Group provides its employees with the right development opportunities, to cultivate their abilities and enable them to grow within the Group. Employees can gain experience via cross exposure programmes and job rotations in different aspects of the Group's business and are provided with training programmes that help refine and build on their expertise. These programmes are catered towards the operational know-how and long-term professional development of the Group's employees. Despite challenging economic circumstances in some of the markets, the Group remains committed to the growth of its people and does not compromise on training and development initiatives.

Diversity

The Group is committed to providing an inclusive and harmonious workplace to its employees regardless of gender, age, nationality, religion, sexual orientation, disability, or other aspects of diversity.

In total circa 43%[2] of the Group's workforce is female, with the highest participation rate experienced in Russia (62%) and the Czech Republic (57%).

Health and safety

The Group ensures the health and safety of guests and employees at all its entities and on all its premises. It has and will continue to upgrade the physical security systems in all its properties. In fact, it has invested significantly in enhanced security systems and practices in those jurisdictions where the risk is considered to be higher.

To standardise procedures for handling any security concerns in the various jurisdictions where the Group operates, the Group has developed an operational emergency action plans to comply with local and international health and safety standards. These standards are being rolled out across its operations.

During 2017 the Group organised a Hotel Security Conference for all its security managers and other key executives.

Food Safety

The Group has always prioritised on food safety which is considered to be a major operational risk in the hospitality sector and has implemented robust systems to ensure compliance to its high standards. Where appropriate, the Group has sought to base its Food Safety Management Systems on Hazard Analysis and Critical Control Points (HACCP). HACCP is a tool to assess hazards in the food chain and establish control systems that focus on preventing these hazards thereby ensuring the safety of food.

Food service employees are trained in food hygiene, allergen management and HACCP commensurate to their responsibilities. Employees are trained and made responsible for ensuring strict adherence to Group food safety standards. Management assumes the role of supervision of all food service employees for compliance and conformance with the Group food safety policies and standards. Compliance with these standards is regularly monitored by third party auditors to ensure that clients are served and provided with safe and wholesome food.

Procurement Practices

The purchasing departments in the individual entities forming the IHI Group are responsible for the procurement of all food, beverage, printing, consumables, cleaning equipment and supplies for the respective entities, in sufficient quantities, at the desired quality standards, at the most competitive price, and within the required time frame.

1. The number of employees represents head count at the end of the financial period.
2. This is based on the number of full-time staff at the end of the financial period.

Statement by the Directors on Non-Financial information
• continued

Procurement Practices *• continued*
The primary role of the Central Purchasing Department is to source quality products at competitive prices, continuously liaising with the heads of department concerned, and to consistently maintain price quotations from several suppliers.

The Group has a process in place to screen suppliers. Suppliers are typically assessed against specific requirements and criteria, following which formal approval is required by the Central Purchasing Department. They may be approved in terms of product quality, brand, adherence to Health and Safety requirements, HACCP requirements, Group stability, reliability and reputation.

Environment
When it comes to environmental issues and practices, the hospitality industry is continuously evolving, resulting in the creation of the brands that prove to be eco-friendly.

Over the years, the Group has developed informal policies and procedures for energy and water conservation and waste management to help it instruct employees and standardise approaches on the effective management and conservation of these resources. All operations report on their energy and water performance on a regular basis, with these being constantly reviewed throughout the year.

Signed on behalf of the board of directors on 27 April 2018 by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Senior Independent Director

Case study:

Corinthia Hotel Lisbon

The Corinthia Hotel Lisbon has won numerous awards and distinctions, putting it at the forefront when it comes to sustainability practices across the Corinthia brand and enhancing its reputation with its guests and stakeholders alike. These included: the Tripadvisor Green Leaders Programme GreenLeader Platinum Hotel; the Portuguese Association of Hospitality and Restaurants (AHRESP) - Environmental Sustainability Project of the Year 2015; and the Association of Energy Engineers Washington, DC - Western Europe Region Energy Project of the Year 2013

The Corinthia Hotel Lisbon has been following an environmental agenda in terms of its energy and water consumption, with its objectives being: to enhance measures aimed towards energy reduction without compromising the comfort and well-being of the guests; and to develop renewable energy equipment and run the hotel using principally natural energy.

The hotel has in fact achieved great success in establishing sound environmental practices through its partnership with the Portuguese Oil and Gas Group, GALP, by developing the Energy Efficiency Project. This project consisted of upgrading, transforming and replacing old and high-energy consumption equipment, such as chillers, air handling units, lighting and boilers with new equipment, thereby substantially reducing energy consumption and improving the management of the building. The hotel is now managing to effectively reduce its carbon footprint and avoid unnecessary energy waste.

As a result of this project, the hotel was also able to implement its own renewable energy equipment by installing photovoltaic panels, reducing its dependence on third party energy providers.

This partnership has generated positive results, with the hotel registering a reduction of 22 per cent in energy consumption during the first phase of the project, with GALP making the investment and supporting the Project through a contract of energy performance.

In view of the positive results achieved from the partnership between Corinthia Hotel Lisbon and GALP, further work is being undertaken to keep identifying new opportunities to reduce the building's energy consumption. This experience in Portugal may lead to new projects across the Group that will create new measures and allow it to embrace more sustainable operations within the Group and its component companies. Similar initiatives are being studied for the Prague, Budapest and Russian properties although discussions are at an early stage.

Statement by the Directors

COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Listed companies are subject to The Code of Principles of Good Corporate Governance (the "Code"). The adoption of the Code is not mandatory, but listed companies are required under the Listing Rules issued by the Listing Authority to include a Statement of Compliance with the Code in their Annual Report, accompanied by a report of the independent auditors.

The board of directors (the "directors" or the "board") of International Hotel Investments p.l.c. ("IHI" or the "Company") restate their support for the Code and note that the adoption of the Code has resulted in positive effects to the Company.

The board considers that during the reporting period, the Company has been in compliance with the Code to the extent that was considered adequate with the size and operations of the Company. Instances of divergence from the Code are disclosed and explained below.

COMPLIANCE WITH THE CODE

Principles 1 and 4: The board

The board of directors is entrusted with the overall direction and management of the Company, including the establishment of strategies for future development, and the approval of any proposed acquisitions by the Company in pursuing its investment strategies.

Its responsibilities also involve the oversight of the Company's internal control procedures and financial performance, and the review of business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. All the directors have access to independent professional advice at the expense of the Company, should they so require.

Further to the relevant section in Appendix 5.1 to the Listing Rules the board of directors acknowledge that they are stewards of the Company's assets and their behaviour is focused on working with management to enhance value to the shareholders.

The board is composed of persons who are fit and proper to direct the business of the Company with the shareholders as the owners of the Company.

All directors are required to:

- Exercise prudent and effective controls which enable risk to be assessed and managed in order to achieve continued prosperity to the Company;
- Be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
- Determine the Company's strategic aims and the organizational structure;
- Regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the company;
- Acquire a broad knowledge of the business of the Company;
- Be aware of and be conversant with the statutory and regulatory requirements connected to the business of the Company;
- Allocate sufficient time to perform their responsibilities; and
- Regularly attend meetings of the board.

The Board strives to achieve a balance of ethnicity, age, culture and educational backgrounds in order to reflect the multicultural environment of its ownership and the environment in which it operates.

The Board comprises a number of individuals, all of whom have extensive knowledge of hotel operations and real estate development, in particular across the various jurisdictions in which IHI operates. Members of the Board are selected on the basis of their core competencies and professional background in the industry so as to ensure the continued success of IHI. There is no formal diversity policy in place however, the Board will be considering the need of issuing guidelines for the Group in this respect.

In terms of Listing Rules 5.117 – 5.134 the board has established an Audit committee to monitor the Company's present and future operations, threats and risks in the external environment and current and future strengths and weaknesses. The Audit committee ensures that the Company has the appropriate policies and procedures in place to ensure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards. The Audit committee has a direct link to the board and is represented by the Chairman of the Audit committee in all board meetings.

Principle 2: Chairman and Chief Executive

Mr Alfred Pisani occupies the position of Chairman. The role of CEO has been jointly held by Mr Joseph Fenech in charge of Corporate Affairs and Mr Simon Naudi in charge of Development. The Chairman is responsible to:

- Lead the Board and set its agenda;
- Ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company;
- Ensure effective communication with shareholders; and
- Encourage active engagement by all members of the board for discussion of complex or contentious issues.

Statement by the Directors Compliance with The Code of Principles of Good Corporate Governance • *continued*

COMPLIANCE WITH THE CODE • *continued*

Principle 3: Composition of the board

The board of directors consists of one executive director and nine non-executive directors. The present mix of executive and non-executive directors is considered to create a healthy balance and serves to unite all shareholders' interests, whilst providing direction to the Company's management to help maintain a sustainable organisation. The non-executive directors constitute a majority on the board and their main functions are to monitor the operations of the executive director and CEOs and their performance as well as to analyse any investment opportunities that are proposed by the executive director. In addition, the non-executive directors have the role of acting as an important check on the possible conflicts of interest of the executive director, which may exist as a result of his dual role as executive director of the Company and his role as officer of IHI's parent company, Corinthia Palace Hotel Company Limited ("CPHCL") and its other subsidiaries. For the purpose of Listing Rules 5.118 and 5.119, the non-executive directors are deemed independent. The board believes that the independence of its directors is not compromised because of long service or the provision of any other service to the Corinthia Group. Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the Company.

Each director declares that he undertakes to:

a) maintain in all circumstances his independence of analysis, decision and action;
b) not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
c) clearly express his opposition in the event that he finds that a decision of the Board may harm the Company.

The board is made up as follows:

Executive director	Date of first appointment
Mr Alfred Pisani, Chairman	29 March 2000
Non-executive directors	
Mr Khaled Algonsel	22 December 2014
Mr Hamad Buamim	31 December 2013
Mr Abdulnaser Ahmida	21 January 2014
Mr Abuagila Almahdi	16 October 2014
Mr Douraid Zaghouani	3 November 2014
Mr Joseph Pisani	22 December 2014
Dr Joseph J. Vella	29 March 2000
Mr Frank Xerri de Caro	2 July 2004
Mr Winston V. Zahra	9 June 2016

Mr Alfred Fabri acts as Secretary to the board of directors

Principle 5: Board meetings

The board met five times during the period under review. The number of board meetings attended by directors for the year under review is as follows:

Mr Alfred Pisani	5
Mr Khaled Algonsel	5
Mr Hamad Buamim	2
Mr Abdulnaser Ahmida	4
Mr Abuagila Almahdi	5
Mr Douraid Zaghouani	4
Mr Joseph Pisani	5
Dr Joseph J. Vella	5
Mr Frank Xerri de Caro	5
Mr Winston V. Zahra	5

Principle 6: Information and Professional Development

The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions. The Company is committed to provide adequate and detailed induction training to directors who are newly appointed to the Board. The Company pledges to make available to the directors all training and advice as required.

Statement by the Directors Compliance with The Code of Principles of Good Corporate Governance • *continued*

COMPLIANCE WITH THE CODE • *continued*

Principle 8: Committees

Audit committee

The primary objective of the Audit committee is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee, set up in 2002, is made up of non-executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audit and acts to facilitate communication between the board, management, the internal audit team and the external auditors.

During the year under review, the committee met 12 times. The internal and external auditors were invited to attend these meetings.

Mr Frank Xerri de Caro acts as Chairman, Mr Abdulnaser Ahmida and Dr Joseph J. Vella act as members, The Company Secretary, Mr Alfred Fabri acts as Secretary to the committee.

The board of directors, in terms of Listing Rule 5.118A, has indicated Mr Frank Xerri de Caro as the independent non-executive member of the Audit committee who is considered "… to be independent and competent in accounting and/or auditing" in view of his considerable experience at a senior level in the banking field.

The Audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the Company (as well as of the subsidiaries and associates of the Group) for the purpose of advising management and the board, through the Audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation. During 2017, the internal audit function continued to advise the Audit committee on aspects of the regulatory framework which affect the day-to-day operations of the hotels.

The directors are fully aware that the close association of the Company with CPHCL and its other subsidiaries is central to the attainment by the Company of its investment objectives and implementation of its strategies. The Audit committee ensures that transactions entered into with related parties are carried out on an arm's length basis and are for the benefit of the Company, and that the Company and its subsidiaries accurately report all related party transactions in the notes to the financial statements.

In the year under review the Audit committee oversaw the implementation of the necessary measures to ensure compliance in terms of the General Data Protection Regulation which comes into effect in 2018.

The Audit committee oversaw the introduction of risk management processes and the development of this function within the Company.

Pursuant to Articles 16 and 17 of Title III of the provisions of the Statutory Audit Regulations the Audit committee has been entrusted with overseeing the process of appointment of the statutory auditors or audit firms.

Nomination and Remuneration committee

The function of this committee is to propose the appointment and the remuneration package of directors and senior executives of IHI and its subsidiaries. The members of the committee are Dr Joseph J. Vella acting as Chairman and non-executive directors Mr Abuagila Almahdi and Mr Frank Xerri de Caro as members. Mr Alfred Fabri acts as Secretary to the committee.

The Nomination and Remuneration committee met six times in the course of 2017.

Principle 9: Relations with shareholders and with the market

The Company is highly committed to having an open and communicative relationship with its shareholders and investors. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of interim and annual financial statements, two Interim directors' statements and respective Company announcements, the Company seeks to address the diverse information needs of its broad spectrum of shareholders in various ways. It has invested considerable time and effort in setting up and maintaining its website and making it user-friendly, with a new section dedicated specifically to investors.

In the course of 2017, 14 company announcements were issued through the Malta Stock Exchange. Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout the year, and are given the opportunity to ask questions at the Annual General Meeting or to submit written questions in advance.

The Company holds an additional meeting for stockbrokers and institutional investors twice a year to coincide with the publication of its financial information. As a result of these initiatives, the investing public is kept abreast of all developments and key events concerning the Company, whether these take place in Malta or abroad.

Statement by the Directors Compliance with The Code of Principles of Good Corporate Governance • *continued*

COMPLIANCE WITH THE CODE • *continued*

Principle 9:
Relations with shareholders and with the market • *continued*

During 2017 the Company launched an IHI Insider newsletter which is available on the IHI website. The purpose of this newsletter is to keep stakeholders fully informed of developments in the Company.

The Company's commitment to its shareholders is shown by the special concessions which it makes available to them. In order to better serve the investing public, the board has appointed the Company Secretary to be responsible for shareholder relations.

Principle 10:
Institutional shareholders

The Company ensures that it is constantly in close touch with its principal institutional shareholders and bondholders (institutional investors). The Company is aware that institutional investors have the knowledge and expertise to analyse market information and make their independent and objective conclusions of the information available.

Institutional investors are expected to give due weight to relevant factors drawn to their attention when evaluating the Company's governance arrangements in particular those relating to board structure and composition and departure from the Code of Corporate Governance.

Principle 11:
Conflicts of interest

The directors are fully aware of their obligations regarding dealings in securities of the Company as required by the Listing Rules in force during the year. Moreover, they are notified of blackout periods prior to the issue of the Company's interim and annual financial information during which they may not trade in the Company's shares and bonds. Mr Alfred Pisani, Mr Abuagila Almahdi, and Mr Joseph Pisani have common directorships with the ultimate parent of the Corinthia Group. Commercial relationships between International Hotel Investments p.l.c. and Corinthia Palace Hotel Company Limited are entered into in the ordinary course of business.

As at year end, Mr Alfred Pisani had an indirect beneficial interest of 3,240,835 shares, Mr Winston V. Zahra had a beneficial ownership of 4,314 shares, and an indirect beneficial interest through a family company of 3,949,448 shares. Mr Frank Xerri de Caro had a beneficial interest of 10,927 shares, and Dr Joseph J. Vella had a beneficial interest of 67,742 shares. None of the other Directors of the Company have any interest in the shares of the Company or the Company's subsidiaries or investees or any disclosable interest in any contracts or arrangements either subsisting at the end of the last financial year or entered into during this financial year.

Principle 12:
Corporate social responsibility

The Company understands that it has an obligation towards society at large to put into practice sound principles of corporate social responsibility (CSR). It has embarked on several initiatives which support the community, its culture, as well as sports and the arts in the various locations where it operates. The Company recognizes the importance of good CSR principles within the structure of its dealings with its employees. In this regard, the Company actively encourages initiative and personal development, and consistently creates such opportunities. The Company is committed towards a proper work-life balance and the quality of life of its work force and their families, and of the environment in which it operates.

NON-COMPLIANCE WITH THE CODE

Principle 7:
Evaluation of the board's performance

Under the present circumstances, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the board's performance is always under the scrutiny of the shareholders.

Principle 9:
Conflicts between Shareholders

Currently there is no established mechanism disclosed in the Company's memorandum and articles of association to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. In any such cases should a conflict arise, the matter is dealt with in the Board meetings and through the open channel of communication between the Company and the minority shareholders via the Office of the Company Secretary.

Approved by the board of directors on 27 April 2018 and signed on its behalf by:

Frank Xerri de Caro
Senior Independent Director and
Chairman of the Audit Committee

Joseph J. Vella
Director

Other disclosures in terms of Listing Rules

Pursuant to Listing Rule 5.64.1

Share capital structure
The Company's issued share capital is six hundred and fifteen million and six hundred and eighty four thousand nine hundred and twenty (615,684,920) ordinary shares of €1 each. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank *pari passu* between themselves.

Pursuant to Listing Rule 5.64.3

Shareholders holding 5 per cent or more of the equity share capital as at 31 December 2017:

	SHARES	%
Corinthia Palace Hotel Company Limited	355,988,463	57.81
Istithmar Hotels FZE	133,561,548	21.69
Libyan Foreign Investment Company	66,780,771	10.85

There were no changes in shareholders holding 5 per cent or more of the equity share capital as at 27 April 2018.

Pursuant to Listing Rule 5.64.8

Appointment and replacement of directors
In terms of the Memorandum and Articles of Association of the Company, the directors of the Company shall be appointed through an election. All shareholders are entitled to vote for the nominations in the list provided by the nominations committee. The rules governing the nomination, appointment and removal of directors are contained in Article 19 of the Articles of Association.

Amendments to the Memorandum and Articles of Association
In terms of the Companies Act the Company may by extraordinary resolution at a general meeting alter or add to its Memorandum or Articles of Association.

Pursuant to Listing Rule 5.64.9

Powers of board members
The powers of directors are outlined in Article 21 of the Articles of Association.

Statement by the directors pursuant to Listing Rule 5.70.1
Pursuant to Listing Rule 5.70.1 there are no material contracts to which the Company, or anyone of its subsidiaries, was party to and in which anyone of the directors had a direct or indirect interest therein.

Pursuant to Listing Rule 5.70.2

Company Secretary and registered office
Alfred Fabri 22 Europa Centre,
Floriana FRN 1400, Malta
Telephone (+356) 2123 3141

Other disclosures in terms of Listing Rules • *continued*

Pursuant to Listing Rule 5.97.4

Internal Controls and Risk mitigation practices

Internal Control
The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls.

The key features of the Company's system of internal control are as follows:

Organisation
The Company operates through the CEOs with clear reporting lines and delegation of powers.

Control Environment
The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. Company polices and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives. Lines of responsibility and delegation of authority are documented. The Company has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and reviews by management, internal audit and the external auditors.

Risk Identification
Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. These risks are assessed on a continued basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

During the year under review a risk management function has been set up and training on risk management is being extended to all the Company's subsidiaries.

Information and communication
The Company participates in periodic strategic reviews including consideration of long-term financial projections and the evaluation of business alternatives.

Monitoring and corrective action
There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Audit committee met 12 times in 2017 and, within its terms of reference, reviews the effectiveness of the Company's system of internal financial controls. The Committee receives reports from management, internal audit and the external auditors.

Signed on behalf of the board of directors on 27 April 2018 by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Senior Independent Director

Remuneration Statement

Directors' fees

The directors' fees for 2017 including those for membership of board committees and other subsidiary boards are:

Mr Alfred Pisani	45,965
Mr Khaled Algonsel	13,500
Mr Hamad Buamim	13,500
Mr Abdulnaser Ahmida	39,750
Mr Abuagila Almahdi	18,500
Mr Douraid Zaghouani	13,500
Mr Joseph Pisani	13,500
Dr Joseph J. Vella	72,250
Mr Frank Xerri de Caro	99,750
Mr Winston V. Zahra	69,195

The foregoing amounts all comprise fixed remuneration. There are no variable remuneration considerations or share options.

Remuneration of executive directors and senior executives

The Executive Chairman, in his capacity as a director of the Company or any of its subsidiaries, is not entitled to profit sharing, share options or pension benefits. In terms of non-cash benefits, directors are entitled to a number of services offered by the Company.

For the purposes of this Remuneration Statement, references to senior management shall mean the CEOs, owner representatives, and senior executives of the parent company and the management company.

The Executive Chairman and members of senior management are each entitled to a fixed base salary together with a variable performance bonus. The Executive Chairman and CEOs' variable performance bonus is based on a predefined percentage of EBITDA, whereas the bonus of the owner representatives, and senior executives of the parent company and the management company is based on a discretionary percentage of the base salary determined in line with performance of the Company or the hotel they manage. These bonuses constitute the variable remuneration disclosed overleaf.

Senior management are entitled to non-cash benefits in terms of a number of services offered by the Group and to health insurance. None of the senior management are entitled to profit sharing, share options or pension benefits.

The remuneration of the Executive Chairman, senior executives of the management company, the Company and its subsidiaries and paid during 2017 amounted to a fixed portion of €6.7 million and a variable portion of €2.8 million. This amount includes an accrual that has been made for bonuses relating to 2017. Other than those bonuses that are contractual, the final amounts still need to be formally approved.

Signed on behalf of the board of directors on 27 April 2018 by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Senior Independent Director

Registered Office
22 Europa Centre,
Floriana FRN 1400,
Malta

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Independent auditor's report

To the Shareholders of International Hotel Investments p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- International Hotel Investments p.l.c.'s Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2017, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

International Hotel Investments p.l.c.'s financial statements, set out on pages FS28 to FS115, comprise:

- the Income statement for the Group for the year ended 31 December 2017;
- the Statement of comprehensive income for the Group for the year then ended;
- the Statement of financial position of the Group as at 31 December 2017;
- the Statement of changes in equity for the Group for the year then ended;
- the Statement of cash flows for the Group for the year then ended;
- the Statement of comprehensive income for the Company for the year then ended;
- the Statement of financial position of the Company as at 31 December 2017;
- the Statement of changes in equity for the Company for the year then ended;
- the Statement of cash flows for the Company for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent auditor's report · *continued*

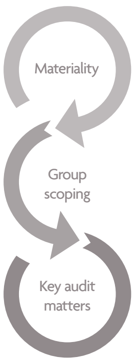
To the Shareholders of International Hotel Investments p.l.c.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the parent company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the group and its subsidiaries, in the period from 1 January to 31 December 2017 are disclosed in Note 7.1 to the financial statements.

Our audit approach

Overview



Overall group materiality: €2,300,000, which represents 1% of revenue.

We conducted a full scope audit of the most significant components and performed specified audit procedures on certain account balances.
The group engagement team performed oversight procedures on the work of component teams for all significant locations.

Significant political and economic uncertainties prevailing in Libya
Valuation and impairment of property, plant and equipment and investment properties
Estimates of future profitability

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Overall group materiality	€2,300,000 (2016: €1,500,000)
How we determined it	1% of revenue
Rationale for the materiality benchmark applied	We have applied revenue as a benchmark for determining materiality as we considered that this provides us with a consistent year-on-year basis for determining materiality, reflecting the group's growth and investment plans and levels of profitability, and which we believe is also a key measure used by the shareholders as a body in assessing the group's performance. We selected 1% based on our professional judgement, noting that it is also within the range of commonly accepted revenue related benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €230,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following key matters were identified at both a Group level and Company level (given their direct impact on the fair value of the subsidiaries).

Key audit matter	How our audit addressed the Key audit matter
Significant political and economic uncertainties prevailing in Libya Refer to Note 5 in the Group financial statements	
We focused on the Group's activities in Libya in view of the political instability continuing to prevail during the financial year ended 31 December 2017 and its negative effect on the Libyan hospitality and real estate sectors. The Group's assets in Libya principally comprise the Corinthia Hotel Tripoli with a carrying amount of €78.9 million and the adjoining investment property with a carrying amount of €97.7 million. The future performance of the hotel and the Commercial Centre and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside.	In addition to the procedures listed in the key audit matter below for the valuation of property, plant and equipment and investment properties, we also performed the following on the assets attributable to the Group's activities in Libya: - We reviewed the valuation assessments made by the directors in support of the carrying amount of the Group's properties in Libya and focused on assumptions about the impact of the political unrest in Libya. - We discussed the underlying assumptions including the projected cash flows (particularly the speed of recovery) and the discount rate (with particular emphasis on certain components including the country risk premium) with management and the Audit Committee.

Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Key audit matter	How our audit addressed the Key audit matter
The directors have continued to monitor the situation in Libya closely. They recognise the fact that the situation in Libya has not improved in line with their expectations and economic activity remains limited across all sectors in which the Group is involved. However, the directors also recognise that there is interest from a number of sources for short and long-term accommodation and have recently started accepting hotel bookings again. Oil production has increased and Libya plans to hold parliamentary elections in the foreseeable future. The Commercial Centre in Libya continued to operate with increased occupancy in 2017. The economic outlook largely depends on political unity and the extent of improvements in security. On the assumption that progress will be achieved and the economy will start recovering slowly, the valuation assessments supporting the carrying amount of the Group's principal properties in Libya is substantially in line with the assessments made last year. The assumptions underlying the valuation assessments are explained in more detail in Note 5. These assumptions are highly judgemental in view of the significant uncertainties surrounding the operations in Libya and, therefore, the projected cash flows from the relative operations as well as their timing. The economic conditions in Libya also create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2017, in addition to a current tax asset of €2.6 million, Corinthia Towers Tripoli Limited also had amounts due from Government related entities amounting to €3.4 million and other amounts receivable from embassies and corporate clients which are expected to return to Libya once the political situation improves. Provisions for impairment have been registered to reflect, what the directors believe to be, estimated net recoverable amounts in this respect.	- We have also analysed in detail the long outstanding debts of the company and held long detailed discussions about each of these debtors. In addition, we evaluated the adequacy of the disclosures made in the financial statements regarding the situation in Libya, including those regarding the key assumptions and sensitivities to changes in such assumptions. In particular, Note 5 to the financial statements highlights the significant political and economic uncertainties prevailing in Libya and their impact on the Group's results for 2017. The note also explains the significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya that have also a bearing on the projected cash flows from the relative operations, which are in turn influenced by the timing of a recovery in the country. *We believe that different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant manner. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya.*

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Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Key audit matter	How our audit addressed the Key audit matter
Valuation and impairment of property, plant and equipment and investment properties Refer to Note 15 of the Group's financial statements	
The Group's property comprises hotels, commercial centres and land for commercial use amounting to €1.2 billion. This represents the majority of the Group's assets as at 31 December 2017. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future revenues. The existence of significant estimation uncertainty as reflected by the sensitivity of the property valuations to possible shifts in key assumptions as described in Note 15 could result in material misstatement, and is therefore why we have given specific audit focus and attention to this area. Management has carried out assessments for its hotels classified as property, plant and equipment to determine whether a material shift in fair value would have occurred during 2017. This assessment was carried out by carrying out a number of procedures including comparing actual financial results to projections, review of events and circumstances or changed conditions impacting the property, and review of discount rate. Full revaluation assessments were obtained from third party qualified valuers where significant or volatile movements were identified. The valuations of investment properties are performed annually on the basis of valuation reports prepared by third party qualified valuers. The valuation reports of the third party valuers are based on both: - Information provided by the Group - Assumptions and valuation models used by the valuers, with assumptions being typically market related and based on professional judgement and market observation. The most significant judgements relate to the projected cash flows, the discount rate and growth rates (including the terminal rate).	Our procedures in relation to the valuation of the properties included: - Reviewing management's assessments to challenge assumptions and specific considerations being made with respect to each property; - Reviewing the methodologies used by the external valuers and by management to estimate the fair value for all properties. We confirmed that the valuation approach for each property was suitable for use in determining the carrying value of properties as at 31 December 2017. - Testing the mathematical accuracy of the calculations derived from each forecast model; - Assessing the key inputs in the calculations such as revenue growth and discount rate, by reference to management's forecasts, rental agreements for investment property, data external to the Group and our own expertise. - Considering the appropriateness of the fair values estimated by the external valuers based on our knowledge of the industry. We engaged our own in-house valuation experts to challenge the work performed and assumptions used by the valuers. - Considering the potential impact of reasonably possible changes in the key assumptions underlying the valuations. It was evident from our discussions with management and the valuers and our review of the valuation reports that attention had been paid to each property's individual characteristics and its geographic location. We challenged management, the Audit Committee and the directors on the significant movements in the valuations and found that they were able to provide explanations and refer to appropriate supporting evidence.

Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Key audit matter	How our audit addressed the Key audit matter
Fair value movements arising on these properties amounted to a net gain of €20.1 million, of which a gain of €4.3 million is accounted for in the Income Statement. The shifts in fair value determined during the year ended 31 December 2017 are analysed in Notes 14 and 15. The judgements relating to the carrying value of the properties located in Libya is dealt with separately above.	
Estimates of future profitability Refer to Note 12 in the Group financial statements	
Goodwill with a carrying amount of €13.5 million and intangible assets having a carrying amount of €37.9 million as at 31 December 2017, that are supported by the Group's forecasts of future profitability, are included on the Group's Statement of Financial Position as at 31 December 2017. An assessment is required annually to establish whether goodwill and intangible assets that have an indefinite useful life should continue to be recognised, or if any impairment is required. The assessment was performed at the lowest level at which the Group could allocate and assess goodwill, which is referred to as a cash generating unit ('CGU'). Goodwill and intangible assets arising from acquisitions have been allocated to the respective CGUs (refer to Note 12). The impairment assessment relied on the calculation of a value-in-use for each of the CGUs. This calculation was based on estimated future cash flows for each CGU, including assumptions around revenue growth, margins and EBITDA levels, discounted at an appropriate weighted average cost of capital. As the directors have described in the accounting policies, estimating future profitability requires the application of significant judgement. The key judgements made by the directors include estimating future taxable profits, long term growth and discount rates. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires judgement. The extent of judgement and the size of the goodwill and related assets, resulted in this matter being identified as an area of audit focus.	We evaluated the suitability and appropriateness of the impairment methodology applied and the discounted cash flow model as prepared by management. We assessed the methodology and assumptions used by utilising our independent valuation experts. The calculations used in the model were re-performed to check accuracy and the key inputs in the model were agreed to approved sources. Management's cash flow forecasts used in the model were assessed by: - testing that the forecasts agreed to the most recent business plan which had been approved by the Board of Directors; and - considering current year performance against plan and the reasons for any deviation also through discussion with management for each CGU. Our independent valuation experts critically challenged the revenue growth and margin assumptions and assessed the discount rate used in the models. The review of our valuation experts mainly focused on the underlying cash flows expected to be generated by the CGUs. Our experts also reviewed the valuation methodology adopted to determine the discount rates applied in the valuation of each CGU by reference to the overall cost of capital for the Group as well as assessing which benchmarks were the most appropriate in determining the terminal growth rate of the cash flows for each CGU. We concluded that the parameters utilised were reasonable, given economic outlook, and other relevant market data.

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Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Key audit matter	How our audit addressed the Key audit matter
Particular attention was given to the intangibles related to Costa Coffee - Spain CGU (carrying amount of €8.2 million including intangibles and related other assets), given that this CGU did not reach the budgeted activity levels and profitability in 2017. The Costa Coffee - Spain CGU reflects the franchise agreement that the Group has to operate the Costa Coffee brand in Spain (East Coast), the Canary and Balearic Islands. Given the negative results in 2017, the Costa Coffee - Spain CGU was subject to an impairment assessment that resulted in an impairment charge of €2.5m. In respect of the other CGUs no impairment indicators have been identified.	We held extensive discussions with management and the Audit Committee about the key assumptions underlying the assessment for the Costa Coffee – Spain CGU. We considered the sensitivity of the calculations to assess whether or not a reasonably possible change to the assumptions could result in an impairment. We concur with management that with the exception of Costa Coffee – Spain CGU, a material change in these assumptions would be required to trigger an impairment charge. For Costa Coffee – Spain CGU, the impairment assessment remains sensitive to a range in estimates, particularly if the forecast growth rate in revenue is not achieved or planned costs savings do not materialise. The appropriateness of disclosures made in relation to goodwill and intangible assets was also reviewed.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group includes a number of subsidiaries, mainly located in Malta, London, Portugal, Hungary, Russia, Czech Republic and Libya. It also holds a number of investments in associates and joint ventures, the main one being the Golden Sands Group that is engaged in the operation and management of a combined location ownership and hotel operation. The consolidated financial statements are a consolidation of all of these components.

We therefore assessed what audit work was necessary in each of these components, based on their financial significance to the financial statements and our assessment of risk and Group materiality. At the component, we performed a combination of full scope audits and specified audit procedures on certain account balances in order to achieve the desired level of audit evidence.

In establishing the overall audit approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or by component auditors. For the work performed by component auditors operating under our instructions, we determined the level of involvement we needed to have in the audit work at those locations to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion. We kept in regular communication with audit teams throughout the year with phone calls, discussions and written instructions and review of working papers where appropriate. Further, we visited certain overseas locations of respective subsidiaries this year and met with the local component audit team and management.

We ensured that our involvement in the work of our component auditors, together with the additional procedures performed at the Group level, were sufficient to allow us to conclude on our opinion on the Group financial statements as a whole.

The Group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Other information

The directors are responsible for the other information. The other information comprises reports on the Principal Milestones and Achievements, Group Structure, Our Portfolio, Board of Directors, Chairman's Statement, Joint CEOs' report, Directors' report, the Statement by the Directors on the financial statements and other information included in the annual report, statement by the Directors' on Non-Financial information and the Other disclosures in terms of the Listing Rules and the Remuneration Statement (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages FS09 to FS14 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Independent auditor's report · *continued*

To the Shareholders of International Hotel Investments p.l.c.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Appointment

We were first appointed as auditors of the Company on 11 June 2015. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 3 years.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

27 April 2018

Income statement – the Group

	NOTES	2017 €'000	2016 €'000
Revenue	6	**242,413**	157,901
Costs of providing services		**(132,015)**	(87,519)
		110,398	70,382
Marketing costs		**(10,835)**	(5,587)
Administrative expenses		**(35,265)**	(27,805)
Other (expenses)/income		**(403)**	795
		63,895	37,785
Depreciation and amortisation	12, 15	**(31,066)**	(23,307)
Other losses arising on property, plant and equipment		**(378)**	(1,044)
Impairment losses attributable to intangibles	12	**(3,000)**	–
Net changes in fair value of investment property	14	**278**	(19,712)
Net reversals of impairment losses attributable to hotel properties	15.2	**3,998**	2,960
Net changes in fair value of indemnification assets	13	**(210)**	(210)
RESULTS FROM OPERATING ACTIVITIES	6	**33,517**	(3,528)
Investment income		**136**	1,223
Finance income	9		
- interest and similar income		**1,387**	685
Finance costs	9		
- interest expense and similar charges		**(22,505)**	(16,721)
- net exchange differences on borrowings		**(3,236)**	9,917
Share of net profit of associates and joint ventures accounted for using the equity method	17	**2,119**	1,661
Reclassification of currency translation reserve to profit and loss upon obtaining control of NLI	38	**(1,809)**	–
PROFIT/(LOSS) BEFORE TAX		**9,609**	(6,763)
Tax income/(expense)	10	**5,288**	(895)
PROFIT/(LOSS) FOR THE YEAR		**14,897**	(7,658)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
- Owners of IHI		**12,047**	(7,658)
- Non-controlling interests		**2,850**	–
		14,897	(7,658)
EARNINGS PER SHARE	11	**0.02**	(0.01)

Statement of comprehensive income – the Group

	NOTES	2017 €'000	2016 €'000
PROFIT/(LOSS) FOR THE YEAR		**14,897**	(7,658)
OTHER COMPREHENSIVE INCOME:			
Items that will not be subsequently reclassified to profit or loss			
Gross surplus arising on revaluation of hotel properties	15,24	**15,853**	37,131
Deferred tax on surplus arising on revaluation of hotel property		**(733)**	(8,292)
Gross share of other comprehensive income of joint ventures and associates accounted for using the equity method			
- Surplus arising on revaluation of hotel property	24	**10,348**	6,598
- Deferred tax on surplus arising on revaluation of hotel property		**(3,623)**	–
Release of deferred tax recognised upon obtaining control of NLI	32	**23,996**	–
Items that may be subsequently reclassified to profit or loss			
Net changes in fair value of available-for-sale financial assets	26.1	**472**	167
Deferred arising on changes in fair value of available-for-sale financial assets	10.2	**(165)**	–
Currency translation differences	10.2	**(22,391)**	24,404
Deferred tax arising on currency translation differences		**(360)**	–
Release of deferred tax recognised upon obtaining control of NLI	32	**(339)**	–
Share of other comprehensive income of joint ventures and associates accounted for using the equity method			
- Currency translation differences		**(449)**	(21,629)
- Deferred tax relating to Group's share of currency translation differences	10.2	**–**	3,408
Items reclassified to profit or loss			
Reclassification of currency translation reserve to profit and loss upon obtaining control of NLI	38	**1,809**	–
Amounts reclassified to profit or loss upon disposal of available - for-sale financial assets	26.1	**–**	(1,223)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**24,418**	40,564
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**39,315**	32,906
ATTRIBUTABLE TO:			
- Owners of IHI		**37,825**	32,906
- Non-controlling interests		**1,490**	–
		39,315	32,906

Statement of financial position – the Group

	NOTES	**2017 €'000**	2016 €'000
ASSETS			
NON-CURRENT			
Intangible assets	12	**51,358**	56,769
Indemnification assets	13	**23,815**	24,025
Investment property	14	**205,238**	164,278
Property, plant and equipment	15	**1,108,251**	617,765
Investments accounted for using the equity method	17	**59,872**	250,913
Loans receivable	18	**1,598**	4,570
Deferred tax assets	32	**12,157**	–
Assets placed under trust arrangement	30	**2,168**	1,077
		1,464,457	1,119,397
CURRENT			
Inventories	19	**10,197**	6,727
Loans receivable	18	**17,984**	12,982
Trade and other receivables	20	**46,841**	42,151
Current tax asset		**3,318**	4,654
Available-for-sale investments	21	**8,603**	–
Cash and cash equivalents	22	**50,795**	29,382
Assets placed under trust arrangement	30	**122**	4,961
		137,860	100,857
TOTAL ASSETS		**1,602,317**	1,220,254

Statement of financial position – the Group • *continued*

	NOTES	2017 €'000	2016 €'000
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves attributable to owners of IHI:			
Issued capital	23	**615,685**	597,750
Revaluation reserve	24	**–**	102,842
Translation reserve	25	**(11,228)**	2,895
Reporting currency conversion difference	27	**443**	443
Other components of equity	26	**2,770**	2,617
Retained earnings	28	**76,379**	(60,323)
		684,049	646,224
Non-controlling interests		**200,583**	598
TOTAL EQUITY		**884,632**	646,822
LIABILITIES			
NON-CURRENT			
Bank borrowings	29	**321,201**	163,908
Bonds	30	**202,156**	201,896
Other financial liabilities	31	**4,612**	4,682
Deferred tax liabilities	32	**95,091**	113,982
Trade and other payables	33	**4,698**	3,177
Provisions		**206**	206
		627,964	487,851
CURRENT			
Bank borrowings	29	**28,211**	24,972
Bonds	30	**–**	9,706
Other financial liabilities	31	**52**	228
Current tax liabilities		**3,729**	1,767
Trade and other payables	33	**57,729**	48,908
		89,721	85,581
TOTAL LIABILITIES		**717,685**	573,432
TOTAL EQUITY AND LIABILITIES		**1,602,317**	1,220,254

The financial statements on pages FS28 to FS115 were approved by the board of directors, authorised for issue on 27 April 2018 and signed on its behalf by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Director

Statement of changes in equity – the Group

	Notes	SHARE CAPITAL €'000	REVALUATION RESERVE €'000	TRANSLATION RESERVE €'000	REPORTING CURRENCY CONVERSION DIFFERENCE €'000	OTHER EQUITY COMPONENTS €'000	RETAINED EARNINGS €'000	TOTAL ATTRIBUTABLE TO OWNERS €'000	NON-CONTROLLING INTERESTS €'000	TOTAL EQUITY €'000
Balance at 1 January 2016		573,636	85,012	(3,288)	443	4,552	(52,665)	607,690	598	608,288
Loss for the year		–	–	–	–	–	(7,658)	(7,658)	–	(7,658)
Other comprehensive income		–	35,437	6,183	–	(1,056)	–	40,564	–	40,564
Total comprehensive income		–	35,437	6,183	–	(1,056)	(7,658)	32,906	–	32,906
Transactions with owners in their capacity as owners:										
Bonus shares issued	23	17,211	(17,211)	–	–	–	–	–	–	–
Issue of ordinary shares related to business combination	23	6,903	(396)	–	–	(879)	–	5,628	–	5,628
Total transactions with owners, recognised directly in equity		24,114	(17,607)	–	–	(879)	–	5,628	–	5,628
BALANCE AT 31 DECEMBER 2016		**597,750**	**102,842**	**2,895**	**443**	**2,617**	**(60,323)**	**646,224**	**598**	**646,822**
Balance at 1 January 2017		597,750	102,842	2,895	443	2,617	(60,323)	646,224	598	646,822
Profit for the year		–	–	–	–	–	12,047	12,047	2,850	14,897
Other comprehensive income		–	39,748	(14,123)	–	153	–	25,778	(1,360)	24,418
Total comprehensive income		–	39,748	(14,123)	–	153	12,047	37,825	1,490	39,315
Transactions with owners in their capacity as owners:										
Non-controlling interest upon obtaining control of NLI	38	–	–	–	–	–	–	–	198,495	198,495
Bonus shares issued	23	17,935	(14,609)	–	–	–	(3,326)	–	–	–
Reclassification of revaluation reserve to retained earnings upon obtaining control of NLI	24, 38		(127,981)	–	–	–	127,981	–	–	–
Total transactions with owners, recognised directly in equity		17,935	(142,590)	–	–	–	124,655	–	198,495	198,495
BALANCE AT 31 DECEMBER 2017		**615,685**	**–**	**(11,228)**	**443**	**2,770**	**76,379**	**684,049**	**200,583**	**884,632**

Statement of cash flows – the Group

	NOTES	2017 €'000	2016 €'000
PROFIT/(LOSS) BEFORE TAX		**9,609**	(6,763)
Adjustments	35	**56,028**	44,627
Working capital changes:			
Inventories		**(312)**	(447)
Trade and other receivables		**774**	(4,543)
Advance payments		**2,935**	1,999
Trade and other payables		**(8,773)**	(6,494)
CASH GENERATED FROM OPERATIONS		**60,261**	28,379
Tax paid		**(248)**	(744)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**60,013**	27,635
INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		**(13,217)**	(8,572)
Payments to acquire investment property		**(425)**	(976)
Acquisition of subsidiary - QPM Limited, net of cash acquired	38	**–**	(4,661)
Acquisition of subsidiary - IHG Group, net of cash acquired		**–**	(16,999)
Acquisition of subsidiary - NLI Group, net of cash acquired	38	**9,222**	–
Acquisition of available-for-sale investments		**(8,131)**	–
Payments to acquire intangible assets		**(496)**	(1,083)
Advance of loan to parent company		**(4,848)**	–
Interest received		**1,337**	192
Dividend received		**979**	3,000
NET CASH USED IN INVESTING ACTIVITIES		**(15,579)**	(29,099)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**158,499**	12,000
Bank loan arrangement fees		**(1,882)**	–
Repayment of bank borrowings		**(145,925)**	(37,660)
Repayment of loans from parent company and its subsidiary companies		**(3,064)**	(9,162)
Proceeds from issue of bonds	30	**–**	65,953
Bond issue costs	30	**(75)**	(1,348)
Repayment of bonds	30	**(9,706)**	–
Interest paid		**(23,552)**	(14,058)
Dividends paid		**–**	(3,091)
Transfer of cash to trustee under trust arrangement		**(1,090)**	(3,365)
Proceeds from trustee following repayment of bond		**4,839**	1,363
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(21,956)**	10,632
NET CHANGE IN CASH AND CASH EQUIVALENTS		**22,478**	9,168
Cash and cash equivalents at beginning of year		**20,832**	11,664
Effect of translation of group entities to presentation currency		**(658)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**42,652**	20,832

Statement of comprehensive income – the Company

	NOTES	2017 €'000	2016 €'000 (AS RESTATED)
Interest income and similar income		**10,776**	13,915
Interest expense and similar charges		**(12,243)**	(11,923)
Administrative expenses		**(7,135)**	(7,315)
Reclassification of fair value losses on investments in subsidiaries to profit or loss on impairment		**(4,879)**	–
LOSS BEFORE TAX		**(13,481)**	(5,323)
Tax income	10	**5,792**	2,505
LOSS FOR THE YEAR		**(7,689)**	(2,818)
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss			
Net changes in fair value of investments in subsidiaries, associates and joint ventures	26.2	**45,479**	46,593
Net changes in fair value of available-for-sale financial assets	26.2	**–**	167
Income tax relating to components of other comprehensive income	26.2	**(15,672)**	(18,572)
Items reclassified to profit or loss			
Amounts reclassified to profit or loss upon disposal of available-for-sale financial assets	26.2	**4,879**	(1,223)
Income tax reclassified to profit or loss upon disposal of available-for-sale financial assets	26.2	**(1,707)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**32,979**	26,965
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25,290**	24,147

Statement of financial position – the Company

	NOTES	AS AT 31 DECEMBER 2017 €'000	AS AT 31 DECEMBER 2016 €'000 (AS RESTATED)	AS AT 1 JANUARY 2016 €'000 (AS RESTATED)
ASSETS				
NON-CURRENT				
Intangible asset	12	**19,674**	19,746	19,797
Indemnification asset	13	**1,997**	1,997	–
Property, plant and equipment	15	**80**	96	95
Investments in subsidiaries	16	**801,441**	560,324	499,904
Investments in associates and joint ventures	17	**12,604**	212,027	227,274
Loans receivable	18	**130,599**	127,631	100,816
Assets placed under trust arrangement	30	**2,168**	1,077	3,795
		968,563	922,898	851,681
CURRENT				
Loans receivable	18	**17,937**	12,937	6,920
Trade and other receivables	20	**17,517**	34,196	32,166
Current tax asset		**2,003**	1,934	244
Cash and cash equivalents	22	**6,538**	15,160	2,974
Assets placed under trust arrangement	30	**122**	4,961	–
		44,117	69,188	42,304
TOTAL ASSETS		**1,012,680**	992,086	893,985

Statement of financial position – the Company • *continued*

	NOTES	AS AT 31 DECEMBER 2017 €'000	2016 €'000 (AS RESTATED)	AS AT 1 JANUARY 2016 €'000 (AS RESTATED)
EQUITY				
Issued capital	23	**615,685**	597,750	573,636
Other reserves	26.2	**88,650**	73,606	65,127
Reporting currency conversion difference	27	**443**	443	443
Accumulated losses	28	**(13,454)**	(5,765)	(2,947)
TOTAL EQUITY		**691,324**	666,034	636,259
LIABILITIES				
NON-CURRENT				
Bank borrowings	29	**10,176**	12,217	2,500
Bonds	30	**202,156**	201,896	146,702
Other financial liabilities	31	**14,527**	20,569	24,369
Trade and other payables	33	**1,175**	1,175	–
Deferred tax liabilities	32	**75,246**	56,388	35,999
		303,280	292,245	209,570
CURRENT				
Bank borrowings	29	**2,537**	1,991	2,500
Bonds	30	**–**	9,706	–
Other financial liabilities	31	**5,836**	3,616	5,181
Trade and other payables	33	**9,504**	18,494	40,476
Current tax liabilities		**199**	–	–
		18,076	33,807	48,157
TOTAL LIABILITIES		**321,356**	326,052	257,726
TOTAL EQUITY AND LIABILITIES		**1,012,680**	992,086	893,985

The financial statements on pages FS34 to FS115 were approved by the board of directors, authorised for issue on 27 April 2018 and signed on its behalf by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Director

Statement of changes in equity – the Company

	NOTES	SHARE CAPITAL €'000	OTHER RESERVE €'000	REPORTING CURRENCY CONVERSION DIFFERENCE €'000	ACCUMULATED LOSSES €'000	TOTAL EQUITY €'000
BALANCE AT 1 JANUARY 2016						
As reported		573,636	65,127	443	(4,005)	635,201
Effect of merger	39	–	–	–	1,058	1,058
As restated		573,636	65,127	443	(2,947)	636,259
Loss for the year (as restated)		–	–	–	(2,818)	(2,818)
Other comprehensive income		–	26,965	–	–	26,965
Total comprehensive income		–	26,965	–	(2,818)	24,147
Transactions with owners in their capacity as owners:						
Bonus shares issued	23	17,211	(17,211)	–	–	–
Issue of ordinary shares related to acquisition of subsidiary	23	6,903	(1,275)	–	–	5,628
Total transactions with owners, recognised directly in equity		24,114	(18,486)	–	–	5,628
Balance at 31 December 2016 (as restated)		597,750	73,606	443	(5,765)	666,034
BALANCE AT 1 JANUARY 2017 (AS RESTATED)		**597,750**	**73,606**	**443**	**(5,765)**	**666,034**
Loss for the year		–	–	–	(7,689)	(7,689)
Other comprehensive income		–	32,979	–	–	32,979
Total comprehensive income		–	32,979	–	(7,689)	25,290
Transactions with owners in their capacity as owners:						
Bonus shares issued	23	17,935	(17,935)	–	–	–
Total transactions with owners, recognised directly in equity		17,935	(17,935)	–	–	–
BALANCE AT 31 DECEMBER 2017		**615,685**	**88,650**	**443**	**(13,454)**	**691,324**

Statement of cash flows – the Company

	NOTES	2017 €'000	2016 €'000
LOSS BEFORE TAX		**(13,481)**	(5,523)
Adjustments	35	**11,806**	4,770
Working capital changes:			
Trade and other receivables		**5,942**	1,346
Trade and other payables		**(1,785)**	190
CASH GENERATED FROM OPERATIONS		**2,482**	783
Interest received		**–**	52
Interest paid		**(13,134)**	(10,424)
NET CASH USED IN OPERATING ACTIVITIES		**(10,652)**	(9,589)
Tax refund		**85**	94
NET CASH GENERATED FROM OPERATING ACTIVITIES		**(10,567)**	(9,495)
INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		**(19)**	(33)
Payments to acquire intangible assets		**(6)**	(104)
Payments to acquire investments in subsidiaries		**(49)**	(21,631)
Loans granted to related parties		**–**	(25,050)
Loan repayments received from related parties		**12,950**	8,731
Advance of loan to parent company		**(5,000)**	(6,017)
Dividend received		**–**	3,310
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**7,876**	(40,793)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(1,994)**	(2,792)
Proceeds from bank borrowings		**–**	12,000
Proceeds of loans from related parties		**2,220**	11,022
Repayment of loan from related parties		**(623)**	(6,317)
Proceeds from issue of bonds		**–**	65,938
Repayment of bond		**(9,706)**	(10,866)
Bond issue costs		**(75)**	(1,347)
Dividends paid		**–**	(3,091)
Transfer of cash to trustee under trust arrangement		**(1,091)**	(3,436)
Proceeds from trustee following repayment of bond		**4,839**	1,363
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(6,430)**	62,474
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(9,121)**	12,186
Cash and cash equivalents at beginning of year		**15,160**	2,974
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**6,039**	15,160

Notes to the FINANCIAL STATEMENTS

For the year ended 31 December

2017

Notes to the financial statements

1. General information

International Hotel Investments p.l.c., (the 'Company'), is a public limited liability company incorporated and domiciled in Malta. The address of the Company's registered office and principal place of business is 22, Europa Centre, Floriana FRN 1400, Malta. The ultimate parent company is Corinthia Palace Hotel Company Limited (CPHCL) with the same registered office address.

2. Nature of operations

International Hotel Investments p.l.c. and subsidiaries' (the 'Group' or 'IHI') principal activities include the ownership, development and operation of hotels, leisure facilities and other activities related to the tourism industry. It also owns property held for rental.

3. Summary of significant accounting policies

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

3.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, the land and buildings class within property, plant and equipment and investment property – which are measured at fair value.

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

3.2 Merger by acquisition

On 29 December 2017, IHGH p.l.c. merged into International Hotel Investments p.l.c. ("the Company") in terms of the Maltese Companies Act (Cap. 386), as part of a restructuring exercise undertaken by the Group. IHGH p.l.c. ceased to exist on this date.

The merger meets the definition of a business combination between entities under common control, and accordingly, the transaction falls outside of IFRS 3 *Business Combinations'* scope. As disclosed in Note 3.8, the Company's policy is to account for mergers between entities under common control using the predecessor method of accounting. Under the predecessor method of accounting, the assets and liabilities of the merged entity (in this case, IHGH p.l.c.), are incorporated at the predecessor carrying values, which are its carrying amounts of assets and liabilities from its financial statements.

Having assessed the substance of the transaction, the directors considered it more meaningful to incorporate IHGH's results and financial position with those of the Company as if the post-merger structure was already in place at the commencement of the comparative period (i.e. 1 January 2016). The result is that the financial statements of the Company, including the comparative periods, reflect both entities' full year's results even though the merger occurred close to the end of the year. In this regard, the Company's primary statements and Notes have all been restated to reflect such transaction, and an opening balance sheet as at 1 January 2016 has been presented, as required by IAS 1 *Presentation of Financial Statements*.

Information regarding the assets and liabilities taken over by the Company as a result of this merger, is included in Note 39.

The merger did not have any impact on the consolidated financial statements for current and prior periods.

3.3 Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Group adopted amendments to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2017, comprising:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12; and
- Disclosure initiative – Amendments to IAS 7.

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies impacting the Group's financial performance and position. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities as disclosed in Note 35.2.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2017. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application, except for IFRS 9 'Financial instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases'.

3. Summary of significant accounting policies • *continued*

3.4 Standards, interpretations and amendments to published standards that are not yet effective • *continued*

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVTPL'). Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. IFRS 9 introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018.

Management have started assessing IFRS 9's impact on its financial assets and liabilities. The Group's financial assets mainly comprise loans and receivables (including trade receivables), available-for-sale investments, assets placed under trust arrangement and cash and cash equivalents. The Group's loans and receivables will continue to be measured at amortised cost under IFRS 9, and therefore the Group does not expect the new guidance to affect classification of these financial assets. For equity investments currently classified as available-for-sale financial assets, the Group will elect to measure such instruments at FVOCI. Although fair value movements will continue being recognised in reserves, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. Additionally, the Group will be unable to elect to measure funds and mutual funds, currently classified as available-for-sale financial assets under IAS 39, at FVOCI. Accordingly, €5.5 million will have to be reclassified from the available-for-sale category to financial assets at FVTPL. An immaterial amount representing fair value gains on these investments will be reclassified from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

The Company's financial assets comprise investments in subsidiaries, joint ventures and associates which are within measured at fair value and therefore in scope of IFRS 9. In addition to such investments, the Company's financial assets also comprise loans and receivables (including trade receivables), assets placed under trust arrangements and cash and cash equivalents. The classification and measurement under IFRS 9 is not expected to change when compared to IAS 39, such that all assets currently measured at amortised cost or at fair value through other comprehensive income, will continue to be classified and measured as such. However, for equity instruments (i.e. investments in subsidiaries, joint ventures and associates), gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. On transition to IFRS 9, the Company will reclassify an amount of €3.2 million from retained earnings to the available-for-sale reserve. The amount comprises €4.9 million recognised as an impairment in profit or loss, and €1.7 million recognised as tax income in profit or loss.

There will be no impact on the Group's and the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group and the Company do not have any such liabilities. The derecognition rules have been transferred from IAS 39 and have not been changed.

IFRS 9 also introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. This amendment impacts Group and the Company to the extent of their trade receivables, loans receivable, assets placed under trust arrangements and deposits held with credit institutions. Management has not yet been able to quantify the provision required as at the date of transition to IFRS 9. However, it does not expect a significant impact on the Group and the Company as a result of this amendment. This is after considering the following:

- Trade and lease receivables will qualify for the simplifications afforded by IFRS 9 and management will apply a provisions matrix in order to calculate the loss allowance on these assets. Different loss rates will be determined based on the different ageing buckets of receivables, and management will use historical experience (adjusted by more forward-looking information where relevant), in order to determine such loss rates. Based on the Group's and the Company's history of bad debts, the directors anticipate that the provision required on transition will not be significant.
- The Group and the Company will avail of the low credit risk exemption under IFRS 9 for the majority of its balances held with banks and assets placed under trust arrangement, and hence calculate their provision using 12-month expected credit losses. The provision emanating from this calculation is expected to be immaterial.

3. Summary of significant accounting policies • *continued*

3.4 Standards, interpretations and amendments to published standards that are not yet effective • *continued*

- Other debt instruments which do not qualify for the simplifications afforded by IFRS 9, as disclosed above, namely include loans receivable. With respect to such loans, due from related entities, IFRS 9's three-stage impairment model ("the general model") applies. At initial recognition, loans are generally within 'stage 1', which requires a 12-month expected credit loss to be calculated for each balance. The model then requires monitoring of the credit risk associated with each loan to consider if there has been a significant increase since initial recognition. If a significant increase in credit risk has occurred, lifetime expected credit losses must be recognised. In determining whether a significant increase in credit risk has occurred, management takes into account the related parties' performance and financial position, as well as expected future cash flows. With respect to these loans, on transition, management do not expect a significant increase in credit risk since initial recognition. On this basis, the Group and the Company expect an immaterial provision for impairment with respect to such loans.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations, and is effective for annual periods beginning on or after 1 January 2018.

Management has analysed the Group's and the Company's revenue streams in assessing the impact of IFRS 15 on their contracts with customers. The majority of the Group's revenue arises from the hotel and catering business. In view of the short-term nature of such contracts, management do not anticipate any changes between the accounting under IAS 18 and that under IFRS 15. It is also expected that hotel management revenue will meet continue to meet the criteria to be recognised over time, in line with IAS 18. Any variability in respect of such contracts, given that they are based on a percentage of revenues generated by the managed hotel, resets on a calendar year basis, and therefore, any uncertainty in respect of revenue to be recognised will be resolved by the end of the reporting period. The Group's final revenue stream within scope of IFRS 15 is the project management business. These are low quantity, high value contracts, the revenue from which accounted for circa 1.5% of total revenues for the year ended 31 December 2017. Management is currently analysing these contracts in order to assess the impact, if any, of the new standard.

IFRS 15 may also have impacts on revenue streams of jointly-controlled and associated undertakings. In particular, management are currently undergoing an assessment of how the new standard might impact the revenue from the timeshare business in the Azure group, from which the Group accounts for a 50% share of net profit and reserves. The Group's share of profit from the Azure group during the year ended 31 December 2017 amounted to approximately €1.5 million.

The Company's revenue streams comprise fees from management agreements and royalty fees, calculated as a percentage of revenues attributable to the Corinthia brand. Any variability in respect of such agreements resets each calendar year-end and therefore management expect to be able to continue recognising revenue consistently with IAS 18.

IFRS 16, 'Leases', was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted, subject to IFRS 15 also being adopted, however, both the Group and the Company will not be early adopting the standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The standard mainly impacts lessee accounting as it requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The Group's and the Company's non-cancellable operating leases as at 31 December 2017 amount to €30.8 million and €0.2 million respectively.

The present value of non-cancellable leases as at 1 January 2019 will be recognised as a lease liability, with a corresponding amount in right of use assets. However, management has not yet assessed what other adjustments, if any, are necessary, for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's and the Company's profit or loss and classification of cash flows going forward.

For all standards issued but not yet effective, the Group intends to apply the transitional simplifications afforded by each standard and will not restate comparative amounts for the year prior to first adoption.

3. Summary of significant accounting policies • *continued*

3.5 Principles of consolidation and equity accounting

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.8).

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

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

(ii) Associates

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

(iii) Joint arrangements

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

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

(iv) Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.14.4.

(v) Changes in ownership interests

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

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

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

3. Summary of significant accounting policies • *continued*

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

In the Company's stand-alone financial statements, investments in subsidiaries, associates and joint ventures are accounted for as available-for-sale financial assets, i.e. initially at fair value, and subsequently at fair value through other comprehensive income. The fair value of investments in subsidiaries, associates and joint ventures is established by using valuation techniques, in most cases by reference to the net asset backing of the investee taking cognisance of the fair values of the underlying assets.

Dividends received from investments in subsidiaries, associates and joint ventures are recognised in profit or loss when the Company's right to receive payments is established.

When investments in subsidiaries, associates and joint ventures are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

If there is objective evidence of impairment for investments in subsidiaries, associates and joint ventures the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that subsidiary, associate or joint venture previously recognised in profit or loss - is reclassified from equity to profit or loss as a reclassification adjustment.

Impairment losses on investments in subsidiaries, associates and joint ventures that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

3.7 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

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

3.8 Mergers between entities under common control

Mergers between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from their financial statements.

No goodwill arises in predecessor accounting, and any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity, is included in equity as a separate reorganisation reserve. In order to provide more meaningful information, the merged entity's results are incorporated into the financial statements of the Group/Company as if both entities had always been merged, with the result that the financial statements of the surviving company reflect both entities' full year's results even though the merger may have occurred part way through the year.

3. Summary of significant accounting policies • *continued*

3.9 Foreign currency translation

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

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

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

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

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

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

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

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

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

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

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

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

	Years
– Freehold buildings	50
– Hotel plant and equipment	3-15
– Furniture, fixture and fittings	3-10
– Motor vehicles	5

3. Summary of significant accounting policies • *continued*

3.10 Property, plant and equipment • *continued*

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

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

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (refer to Note 3.14.4). An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

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

3.11 Investment property

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

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

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

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

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

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

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

3.12 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 38. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

3. Summary of significant accounting policies • *continued*

3.12 Intangible assets • *continued*

(a) Goodwill • *continued*
Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 6).

(b) Brands
The brands comprise the 'Corinthia' brand name and the 'Island Caterers' brand name. The 'Corinthia' brand was acquired from CPHCL and represents the consideration paid on its acquisition. The 'Island Caterers' brand name was separately identified as part of the assets acquired on the acquisition of Island Hotels Groups Holdings p.l.c..

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

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

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

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

	Years
– Brand design fee and other rights	5 – 10
– Concessions	2 – 10
– Operating contracts	20
– Others	3

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

3.14 Financial assets

3.14.1 Classification
The Group classifies its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position (refer to accounting policies 3.15, 3.16, and 3.18).

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

3. Summary of significant accounting policies • *continued*

3.14 Financial assets • *continued*

3.14.2 Recognition and derecognition

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

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

3.14.3 Measurement

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

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

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

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

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

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

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

3.14.4 Impairment

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

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in Note 3.16.

3. Summary of significant accounting policies • *continued*

3.14 Financial assets • *continued*

3.14.4 Impairment

Assets carried at amortised cost • *continued*

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

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment.

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

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

3.15 Loans and advances

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

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

3.16 Trade and other receivables

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

3.17 Inventories

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

3.18 Cash and cash equivalents

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

3.19 Financial liabilities

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

3. Summary of significant accounting policies • *continued*

3.20 Trade and other payables

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

3.21 Borrowings

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

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

3.22 Offsetting financial instruments

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

3.23 Income tax

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

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

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

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

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

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

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

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

3.24 Provisions

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

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

3. Summary of significant accounting policies • *continued*

3.25 Contingent liabilities

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

3.26 Revenue recognition

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

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

(a) Sales of goods

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

(b) Sales of services

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

Operating lease rental income – refer to accounting policy 3.28 for 'Leases'.

Sales relating to long-term contracts – refer to accounting policy 3.27 for 'Long-term contracts'.

(c) Interest income

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

(d) Dividend income

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

(e) Rental income from investment property

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

3.27 Long-term contracts

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

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

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

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

3.28 Leases

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

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

3. Summary of significant accounting policies • *continued*

3.28 Leases • *continued*
Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

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

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

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

3.30 Employee benefits

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

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

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

3.31 Contributed equity
Ordinary shares are classified as equity.

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

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

3.33 Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company,
- by the weighted average number of ordinary shares outstanding during the financial year.

3.34 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of IHI has appointed a strategic steering committee which assesses the financial performance and position of the Group and makes strategic decisions and accordingly has been identified as being the chief operating decision maker.

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

The fair value of property, plant and equipment and investment properties is determined by using valuation techniques. Further details of the judgements and assumption made are disclosed in Note 15.

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

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

5. The Group's operations in Libya

The Group's activities in Libya principally comprise:

- The Corinthia Hotel Tripoli, a fully owned five-star hotel in Tripoli with a carrying amount of €78.9 million (2016: €81.2 million);
- An adjoining Commercial Centre to the above-mentioned hotel, with a carrying amount of €68.2 million (2016: €68.2 million);
- The ownership of a site surrounding the hotel, with a carrying amount of €29.5 million (2016: €29.5 million); and
- The development of the Medina Towers Project through an associated undertaking in which the Group holds a 25% share, which investment has a carrying amount of €12.6 million (2016: €13.6 million).

The first three activities are managed through the Group's investment in Corinthia Towers Tripoli Limited, a company registered in Malta with a branch in Libya.

Since 2014, Libya experienced severe political instability due to the collapse of the central government during the same year and the country has been going through difficult times ever since. The Group's hotel in Tripoli experienced a challenging year in 2015, with the hotel being the scene of an armed attack and civil strife dampening demand for hotel accommodation. Since the attack, the Hotel's management took all the necessary steps to bring back the Hotel to operational mode.

A United Nations-brokered ceasefire deal was reached in December 2015 and the Libyan Political Agreement to form a Government of National Accord was signed. On 31 March 2016, the leaders of the new UN-supported unity government arrived in Tripoli. It is not yet clear whether the new arrangement will succeed, as the unity government has not yet received the approval of the House of Representatives. The political instability in Libya and the state of economic uncertainty that continued to prevail during the financial year ended 31 December 2017 continued to have a negative effect on the Libyan hospitality and real estate sectors. This situation continues to impact the Group's financial results in Libya.

The turnover registered during 2017 by Corinthia Towers Tripoli Limited amounts to €7.5 million (2016: €6.1 million) representing 3.1% (2016: 3.9%) of the Group's Revenue, with a loss before tax of €1.2 million (2016: €2.8 million). Current year revenue includes €5.5 million (2016: €5.3 million) generated from rental contracts attributable to the Commercial Centre that remained in operation throughout since its opening, generating a steady income from the lease of commercial offices within the Centre. The existence of long-term leases has mitigated the impact of the continued political instability and state of uncertainty on the Commercial Centre. During 2017, the Group secured further lease agreements which result in the commercial centre being fully leased out as from the last quarter.

Accordingly, whilst the hotel sustained negative net financial results during 2017 and 2016 particularly in view of the relatively fixed nature of certain expenses, the net contribution from the Commercial Centre was positive. Management's objective for the hotel is to minimise operational losses and to ensure that payroll and other operating costs are managed in the context of the reduced operating income levels. At the same time, however, the company continues to invest significantly in maintenance and security costs to ensure that the hotel is kept in an intact condition that will allow it to resume operations once the situation improves.

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

The future performance of the hotel and the Commercial Centre and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside. The Group engaged a firm of independent third party valuers to assist it in establishing fair values of the Commercial Centre as at 31 December 2017. The directors recognise the fact that the situation in Libya has not improved in line with their expectations and economic activity remains limited across all sectors in which the Group is involved. The directors also believe that the outlook has not changed significantly over the past twelve months and therefore they have retained the same expectations of a gradual recovery. However, the directors also recognise that there is interest from a number of sources for short and long-term accommodation and have recently started accepting hotel bookings again. Catering income from the hotel also increased in 2017. Oil production has increased and Libya plans to hold parliamentary elections in the foreseeable future. As a result, the valuation assessments supporting the carrying amount of the Group's principal properties in Libya is substantially in line with the assessments made last year. In accordance with this assessment, no further impairment charges were deemed necessary in these financial statements after taking into account the impairment charges of €40.5 million recognised in 2014, although a depreciation charge of €2.6 million and €3.3 million was recognised on the Hotel in 2017 and 2016 respectively.

Further information on the key assumptions and judgements underlying the valuation of property assets is disclosed in Note 15, together with an analysis of sensitivity of the valuations to shifts or changes in the key parameters reflected.

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

The economic conditions in Libya create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2017, in addition to a current tax asset of €2.6 million (2016: €2.6 million), Corinthia Towers Tripoli Limited also had amounts due from Government related entities amounting to €3.4 million (2016: €3.5 million) and other amounts receivable from embassies and corporate clients which are expected to return to Libya once the political situation improves. Provisions for impairment have been registered to reflect estimated net recoverable amounts in this respect.

The Group's investment property also includes a site surrounding the hotel, with no determined commercial use, having a carrying amount of €29.5 million as at 31 December 2017, which is unchanged from the carrying amount as at 31 December 2016. This fair valuation is based on an independent real estate value of the site taking into account limited available market information.

In view of the prevailing circumstances in Libya, The Medina Towers Project carried out through an associate has slowed down considerably. The key assets within this company as at 31 December 2017 comprise the project site carried at €27.1 million (2016: €29.3 million), amounts capitalised in respect of the project amounting to €13.9 million (2016: €14.0 million) and cash balances amounting to €10.7 million (2016: €11.5 million).

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

	CARRYING AMOUNT AS AT	
	31 DECEMBER 2017 €'000	31 DECEMBER 2016 €'000
Corinthia Towers Tripoli Limited		
Property, plant and equipment	78.9	81.2
Investment property	97.7	97.7
Inventories	1.7	1.9
Trade receivables	3.5	3.5
Current tax receivable	2.6	2.6
Medina Towers J.S.C.		
Investment in associate accounted for using the equity method of accounting	12.6	13.6

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

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

6. Segment reporting

The 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 decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's board of directors.

An operating 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. Each hotel is considered to be an operating segment. Hotel ownership, development and operations is the dominant source of the Group's risks and returns. The Group is also engaged in the ownership and leasing of its investment property. Operations were based in six countries until 2016, however, during 2017, London was identified as an additional segment pursuant to Corinthia London's consolidation into the Group (Note 38). Malta is the jurisdiction of the parent and management companies.

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

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.

Information about reportable segments

HOTELS	MALTA		PORTUGAL		HUNGARY		RUSSIA	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000
Segment revenue	**40,770**	38,485	**24,747**	21,901	**26,041**	23,659	**16,537**	14,261
EBITDA	**11,549**	10,656	**7,056**	5,616	**7,988**	7,100	**5,332**	4,101
Depreciation and amortisation	**(3,220)**	(3,895)	**(2,123)**	(2,485)	**(1,465)**	(1,896)	**(3,004)**	(4,514)
Reversals of impairment losses recognised in profit or loss	**–**	–	**–**	–	**–**	–	**3,998**	2,960
Segment profit or loss	**8,329**	6,761	**4,933**	3,131	**6,523**	5,204	**6,326**	2,547

HOTELS	PRAGUE		LONDON		LIBYA		TOTAL	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000
Segment revenue	**19,310**	17,024	**66,587**	–	**1,998**	792	**195,990**	116,122
EBITDA	**4,905**	4,191	**13,644**	–	**(3,270)**	(3,355)	**47,204**	28,309
Depreciation and amortisation	**(1,646)**	(3,036)	**(13,205)**	–	**(2,565)**	(3,340)	**(27,228)**	(19,166)
Reversals of impairment losses recognised in profit or loss	**–**	–	**–**	–	**–**	–	**3,998**	2,960
Segment profit or loss	**3,259**	1,155	**439**	–	**(5,835)**	(6,695)	**23,974**	12,103

6. Segment reporting • *continued*

Information about reportable segments • *continued*

HOTELS	MALTA		PORTUGAL		HUNGARY		RUSSIA		PRAGUE		LONDON		LIBYA		TOTAL	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000
SEGMENT REVENUE															**195,990**	116,122
Rental income from investment property															**13,449**	10,105
Hotel management company revenue															**16,829**	14,208
Catering business revenue															**23,114**	20,972
Project management revenue															**3,940**	1,393
Development revenue															**786**	222
Holding company revenue															**21,401**	6,491
Elimination of intra-group revenue															**(33,096)**	(11,612)
GROUP REVENUE															**242,413**	157,901
SEGMENT PROFIT OR LOSS															**23,974**	12,103
Net rental income from investment property															**11,131**	8,749
Change in fair value of investment property															**278**	(19,712)
Catering business result															**228**	(871)
Impairment of catering related intangibles															**(3,000)**	–
Project management business result															**869**	(183)
Development business result															**(26)**	(380)
Unallocated items															**436**	(1,539)
Corporate office operating loss															**(16)**	(576)
Hotel management company operating profit															**5,837**	4,232
Depreciation															**(1,506)**	(1,331)
Amortisation															**(2,332)**	(2,810)
Movement in indemnification assets															**(210)**	(210)
Consolidation adjustments															**(2,146)**	(1,000)
															33,517	(3,528)
Share of profit from equity accounted investments															**2,119**	1,661
Investment income															**136**	1,223
Finance income															**1,387**	685
Finance costs															**(25,741)**	(6,804)
Amounts reclassified from other comprehensive income upon consolidation of NLI															**(1,809)**	–
PROFIT/(LOSS) BEFORE TAX															**9,609**	(6,763)
NON-CURRENT ASSETS																
HOTELS	**117,044**	118,664	**97,409**	93,428	**121,617**	122,458	**87,584**	87,040	**82,306**	83,006	**496,139**	–	**78,881**	81,206	**1,080,980**	585,802
INVESTMENT PROPERTIES															**205,238**	164,278
HOTEL MANAGEMENT															**39,928**	40,945
CATERING BUSINESS															**18,119**	16,284
PROJECT MANAGEMENT BUSINESS															**2,667**	2,727
DEVELOPMENT BUSINESS															**5**	5
HOLDING COMPANY															**77,783**	279,684
UNALLOCATED ITEMS															**39,737**	29,672
															1,464,457	1,119,397

During the current and comparative year there were no material inter-segment sale transactions.

7. Expenses by nature

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Loss on disposal of property, plant and equipment	**416**	36	**3**	–
Depreciation of property, plant and equipment	**28,159**	20,498	**32**	32
Amortisation of intangible assets	**2,907**	2,809	**78**	155
Operating lease costs	**4,510**	4,490	**118**	118
Net exchange differences	**(680)**	(775)	**–**	37
Professional fees	**2,968**	2,462	**488**	1,277
Cost of goods sold	**21,272**	13,894	**–**	–
Energy utilities	**7,615**	6,160	**–**	–

Director's remuneration charged in the income statements in 2017 amounted €0.9 million (2016: €0.6 million). This amount is net of a recharge of €0.3 million (2016: €0.3 million) to CPHCL, the Group's immediate parent entity. The gross amount includes a fixed portion of €0.8 million (2016: €0.7 million) and a variable portion of €0.4 million (2016: €0.2 million). Included in this remuneration are Directors' fees of €0.4 million (2016: €0.3 million).

7.1 Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2017 and 31 December 2016 are shown in the table below.

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Annual statutory audit	**473**	321	**96**	84
Tax compliance and advisory fees	**67**	34	**11**	2
Other non-audit services	**35**	28	**30**	22
	575	383	**137**	108

8. Personnel expenses

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Wages and salaries	**67,584**	44,103	**3,845**	3,468
Social security contributions	**6,677**	4,702	**317**	264
Other staff costs	**6,615**	4,305	**367**	25
	80,876	53,110	**4,529**	3,757

Weekly average number of employees:

	THE GROUP		THE COMPANY	
	2017 NO.	2016 NO.	**2017 NO.**	2016 NO.
Management and administrative	**668**	529	**24**	20
Operating	**2265**	1,486	**–**	–
	2933	2,015	**24**	20

9. Finance income and finance costs

	THE GROUP	
	2017 €'000	2016 €'000
FINANCE INCOME:		
Interest income on:		
Loans advanced to related companies	**780**	580
Other balances	**38**	12
Bank deposits	**569**	93
FINANCE INCOME	**1,387**	685
FINANCE COSTS:		
Interest expense on:		
Bank borrowings	**(10,251)**	(6,062)
Bonds	**(10,675)**	(9,866)
Capital and other creditors	**(307)**	(498)
Imputed interest on convertible bonds and amortisation of bond issue costs	**(1,241)**	(295)
Other costs	**(31)**	–
Net exchange differences	**(3,236)**	9,917
FINANCE COSTS	**(25,741)**	(6,804)

10. Tax income/(expense)

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

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Current taxation:				
Current year tax expense	**(3,444)**	(3,057)	**–**	(220)
Adjustment recognised in financial period for current tax of prior period	**(45)**	2,679	**(45)**	2,004
Deferred taxation:				
Deferred tax income	**9,016**	3,216	**5,017**	1,243
Adjustment recognised in financial period for deferred tax of prior period	**(239)**	(3,733)	**820**	(522)
	5,288	(895)	**5,792**	2,505

Refer to Note 32 for information on the deferred tax assets and liabilities.

10. Tax income/(expense) • *continued*

10.1 Tax income/(expense) reconciliation

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Profit/(loss) before tax	**9,609**	(6,763)	**(13,481)**	(5,324)
Income tax using the Company's domestic tax rate	**(3,363)**	2,367	**4,718**	1,863
Effect of income/losses subject to foreign/different tax rates	**2,092**	(377)	**350**	1,201
Non-tax deductible expenses	**(464)**	(2,271)	**(51)**	(566)
Effect of derecognising deferred tax liability upon obtaining control of NLI	**(1,272)**	–	**–**	–
Effect of reduction in foreign tax rates on opening temporary differences	**–**	–	**–**	529
Movement in unrecognised deferred tax	**8,788**	357	**–**	–
(Under)/over provision in respect of previous years	**(284)**	(1,054)	**775**	(522)
Other	**(209)**	83	**–**	
Tax income/(expense)	**5,288**	(895)	**5,792**	2,505

10.2 Tax recognised in other comprehensive income

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

	2017			2016		
	BEFORE TAX €'000	**TAX (CHARGE)/ CREDIT €'000**	**NET OF TAX €'000**	BEFORE TAX €'000	TAX (CHARGE)/ CREDIT €'000	NET OF TAX €'000
GROUP						
Fair valuation of land and buildings	**15,853**	**(733)**	**15,120**	37,131	(8,292)	28,839
Currency translation differences	**(22,391)**	**(360)**	**(22,751)**	24,404	–	24,404
Available-for-sale financial assets	**472**	**(165)**	**307**	(1,056)	–	(1,056)
Share of other comprehensive income of investments accounted for using the equity method	**9,899**	**(3,623)**	**6,276**	(15,031)	3,408	(11,623)
Release of deferred tax on unremitted earnings on obtaining control of NLI	**–**	**23,657**	**23,657**	–	–	–
Reclassification of currency translation reserve to profit or loss upon obtaining control of NLI	**1,809**	**–**	**1,809**	–	–	–
	5,642	**18,776**	**24,418**	45,448	(4,884)	40,564
COMPANY						
Fair value movements on investments in subsidiaries, associates and joint ventures	**50,358**	**(17,379)**	**32,979**	46,593	(18,572)	28,021
Available-for-sale financial assets	**–**	**–**	**–**	(1,056)	–	(1,056)
	50,358	**(17,379)**	**32,979**	45,537	(18,572)	26,965

11. Earnings per share

Basic earnings per share is calculated by dividing profit/loss attributable to equity holders of IHI by the weighted average number of ordinary shares in issue during the year.

	THE GROUP	
	2017 €'000	2016 €'000
Profit /(loss) from operations attributable to the owners of the parent	**12,047**	(7,658)
NUMBER OF SHARES:		
At 1 January	**597,750**	573,636
Effect of shares issued on acquisition of subsidiary	**–**	6,903
Effect of bonus share issue	**17,935**	17,211
At 31 December	**615,685**	597,750
WEIGHTED AVERAGE NUMBER OF SHARES:		
At 1 January	**597,750**	573,636
Effect of shares issued on acquisition of subsidiary	**–**	2,549
Effect of additional shares issued to previous owners of the IHG Group for no consideration	**–**	396
Effect of bonus share issue	**17,935**	35,146
	615,685	611,727

The earnings per share calculation for 2017 and 2016 has been adjusted to reflect retrospectively the bonus issue of shares during the year.

As at 31 December 2017 and 2016, the Group does not have any dilutive shares. Accordingly, the diluted earnings per share disclosure which would have otherwise been required by IAS 33, is not presented.

12 Intangible assets

	THE GROUP						
	GOODWILL €'000	BRANDS €'000	BRAND DESIGN FEE AND OTHER RIGHTS €'000	CONCESSIONS €'000	OPERATING CONTRACTS €'000	OTHERS €'000	TOTAL €'000
COST							
At 1 January 2016	26,156	22,721	9,254	463	23,334	1,944	83,872
Additions	–	–	945	–	–	138	1,083
Acquisition of subsidiary (Note 38)	2,458	–	–	–	–	48	2,506
At 31 December 2016	28,614	22,721	10,199	463	23,334	2,130	87,461
At 1 January 2017	28,614	22,721	10,199	463	23,334	2,130	87,461
Additions	–	–	483	–	–	13	496
AT 31 DECEMBER 2017	**28,614**	**22,721**	**10,682**	**463**	**23,334**	**2,143**	**87,957**
AMORTISATION							
At 1 January 2016	15,114	–	528	43	10,697	1,501	27,883
Amortisation for the year	–	–	1,306	144	1,167	192	2,809
At 31 December 2016	15,114	–	1,834	187	11,864	1,693	30,692
At 1 January 2017	15,114	–	1,834	187	11,864	1,693	30,692
Impairment	–	500	2,500	–	–	–	3,000
Amortisation for the year	–	–	1,586	103	1,167	51	2,907
AT 31 DECEMBER 2017	**15,114**	**500**	**5,920**	**290**	**13,031**	**1,744**	**36,599**
CARRYING AMOUNT							
At 1 January 2016	11,042	22,721	8,726	420	12,637	443	55,989
At 31 December 2016	13,500	22,721	8,365	276	11,470	437	56,769
AT 31 DECEMBER 2017	**13,500**	**22,221**	**4,762**	**173**	**10,303**	**399**	**51,358**

12 Intangible assets • *continued*

	THE COMPANY		
	BRAND €'000	OTHERS €'000	TOTAL €'000
COST			
At 1 January 2016	19,600	971	20,571
Acquisitions	–	104	104
At 31 December 2016	19,600	1,075	20,675
At 1 January 2017	19,600	1,075	20,675
Acquisitions	–	6	6
AT 31 DECEMBER 2017	**19,600**	**1,081**	**20,681**
AMORTISATION			
At 1 January 2016	–	774	774
Amortisation for the year	–	155	155
At 31 December 2016	–	929	929
At 1 January 2017	–	929	929
Amortisation for the year	–	78	78
AT 31 DECEMBER 2017	**–**	**1,007**	**1,007**
CARRYING AMOUNT			
At 1 January 2016	19,600	197	19,797
At 31 December 2016	19,600	146	19,746
AT 31 DECEMBER 2017	**19,600**	**74**	**19,674**

Intangible assets arising from hotel management

On the acquisition of Corinthia Hotels Limited, formerly known as CHI Limited, ("CHL") in 2006, the Group recognised goodwill amounting to €9.7 million, and operating contracts, amounting to €23.3 million, representing the assumed value attributable to the operation of hotel properties.

Further to the above, in December 2010, the Company purchased the Corinthia brand from its parent company (CPHCL) for €19.6 million. This value was determined by independent valuers on the basis of the projected income statements of existing hotels as at the end of 2009 and was subject to an adjustment following a similar valuation exercise based on 2010 figures. The agreement also provides for a 10-year period within which any addition of Corinthia branded rooms to the portfolio will result in an additional payment of €6,400 per room payable to CPHCL.

The goodwill, operating contracts and brand were tested for impairment in conjunction on the basis that these intangibles comprise one cash-generating unit. The impairment test was performed by virtue of an expert valuation of an independent party. The indicative valuation is based on the discounted cash flows derived from hotel operating projections as prepared by specialists in hotel consulting and valuations, and confirm that no impairment charge is required as at 31 December 2017 and 2016.

The discounted cash flow (value-in-use) calculation was determined by discounting the forecast future cash flows generated by CHL for a ten-year explicit period 2018 – 2027. The following are the key assumptions underlying the projections:

- revenue derived from IHI properties is based on operational projections. This accounts for 85.0% of the total revenue in the explicit period (2016 – 81.3%);
- revenue from other properties is assumed to increase by 2% per annum on 2017 budget (2016 – 2% on 2017 budget) (in-perpetuity growth rate of 2% per annum applied subsequently to the ten-year period covered by the explicit projections);
- the rates charged by CHL and the royalties payable to IHI and Ramada are assumed to remain unchanged at current levels; and
- a pre-tax discount rate of 11.0% was applied to the operating projections of CHL (2016 – 11.2%).

Goodwill on the acquisition of the IHGH Group

During the year ended 31 December 2015, IHI acquired the IHGH Group. The goodwill arising on this major acquisition was of €1.4 million. The goodwill is attributable to cost synergies expected from combining the operations of IHGH Group and the Group. Relative to the Group's total asset base, the goodwill arising on this acquisition is not material to warrant the disclosures that would have otherwise been required by IAS 36.

12 Intangible assets • *continued*

Goodwill on the acquisition of QPM Limited

During the year ended 31 December 2016, the Group acquired QPM Limited and its subsidiaries, as a result of which, the Group recognised goodwill amounting to €2.5 million. Relative to the Group's total asset base, the goodwill arising on this acquisition is not material to warrant the disclosures that would have otherwise been required by IAS 36.

Island Caterers Brand

As part of the acquisition of the IHGH Group, IHI identified and recognised an amount of €3.1 million attributable to the 'Island Caterers' brand name. The value of the brand was determined by independent experts.

In 2017, following an assessment of the fair value of the brand the directors impaired the value of the brand by €0.5 million. The value of the brand as at 31 December 2016 is deemed to be a good approximation of the fair value of the brand.

Brand design fee and other rights

The Group has franchise agreements with Costa International Limited to develop and operate the Costa Coffee brand in the Maltese Islands as well as in the territory of Spain (East Coast), the Balearic Islands and the Canary Islands. These intangibles arise from the acquisition of the IHGH Group in 2015 and the Group is identifying two cash-generating units ("CGUs") from this acquisition: Costa Coffee Spain and Costa Coffee Malta. The total amount of brand design fees and other rights recognised on acquisition amount to €8.7m, of which €6.1m relate to Costa Coffee Spain.

Costa Coffee Malta

This cash-generating unit includes the operation of the Costa Coffee retail brand in Malta. At 31 December 2016 and 2017, the Group operated ten outlets each enjoying a strategic location in areas popular for retail operations.

Costa Coffee Spain

The Group operates fifteen Costa Coffee outlets in the East Coast of Spain, the Canary and Balearic Islands.

The recoverable amount of these cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors. In relation to the Costa Coffee Spain CGU a fifteen-year explicit period has been adopted to reflect more accurately expected renewals of the operational arrangements. The discount rates are based on the group's weighted average cost of capital adjusted for specific industry risks and the group's optimal desired debt-to-equity ratio. The cash flow projections from the Costa Coffee Malta CGU are mainly based on the initial five-year period, also extrapolated to a fifteen year period to reflect expected renewal of operational agreements.

With respect to the Costa Coffee Spain CGU, given the negative results, this CGU was subjected to an impairment assessment that resulted in an impairment charge of €2.5 million in 2017.

The key assumptions utilised in determining the value of these CGUs as at 31 December 2017 and 2016 are reflected in the tables below:

Information about significant unobservable inputs in determining recoverable amount as at 31 December 2017

DESCRIPTION BY CLASS BASED ON HIGHEST AND BEST USE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS WEIGHTED AVERAGE			
	INCOME CAPITALISATION APPROACH (DCF)	EVOLUTION OF EBITDA	PRE-TAX DISCOUNT RATE (WACC) %	GROWTH RATE %	CAPITALISATION RATE %
Costa Coffee Malta		€1.5m – €0.9m initial five year period FY18 – FY22	14.35	2.00	12.35
Costa Coffee Spain		€0.2m – €0.8m – initial five year period FY18 – FY22 €1.0m – €1.8m second five year period FY23 – FY27	14.30	2.00	12.30

On this basis, as at 31 December 2017, the carrying amount of the Costa Coffee Spain CGUs exceeds the recoverable amount, resulting in an impairment of €2.5 million.

12 Intangible assets • *continued*

Brand design fee and other rights • *continued*

Sensitivity Parameters applied in valuation model are summarised below:

2017	
SENSITIVITY PARAMETER	RELATED IMPACT OF IMPAIRMENT:
Increasing projection risk factor by 50% (from 4% to 6%)	€0.5m

Information about significant unobservable inputs in determining recoverable amount as at 31 December 2016

DESCRIPTION BY CLASS BASED ON HIGHEST AND BEST USE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS WEIGHTED AVERAGE			
	INCOME CAPITALISATION APPROACH (DCF)	EVOLUTION OF EBITDA	PRE-TAX DISCOUNT RATE (WACC) %	GROWTH RATE %	CAPITALISATION RATE %
Costa Coffee Malta		€1m – €1.3m initial five year period FY17 – FY21	11.05	2.00	6.26
Costa Coffee Spain		€0m – €1.8m – initial five year period FY17 – FY21 €2.3m – €3.6m second five year period FY17 – FY21	14.05	2.00	10.86

As at 31 December 2016, the recoverable amount of the Costa Coffee Malta CGU exceeded the carrying amount with a reasonable headroom. In respect of the Costa Coffee Spain CGU, its carrying amount approximated the recoverable amount, with the level of headroom between the valuation assessment and the carrying amount being limited.

Sensitivity Parameters applied in valuation model:

2016	
SENSITIVITY PARAMETER	RELATED IMPACT OF IMPAIRMENT:
1) Stabilising revenue level at 2021 amounts and applying solely 2% inflationary growth thereafter	€1.7m
2) Stabilising EBIDTA margin at 2024 level throughout the projection period	€1.4m
3) Increasing projection risk factor by 50% (from 6% to 9%) giving rise of post-tax WACC of 15.11%	€1.5m

Others

Other intangible assets represent web-site development costs, a lease premium fee and licences.

13. Indemnification assets

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
At 1 January	**24,025**	22,238	**1,997**	–
Acquisition of subsidiary	**–**	1,997	**–**	1,997
Change in fair value	**(210)**	(210)	**–**	–
AT 31 DECEMBER	**23,815**	24,025	**1,997**	1,997

In view of Group tax relief provisions applicable in Malta, any tax due by Corinthia Palace Hotel Company Limited ("CPHCL") on the transfer of the shares in IHI Towers s.r.o ("IHIT") and Corinthia Towers Tripoli Limited ("CTTL") to IHI effected in 2007 was deferred. This tax will only become due in the eventuality that IHI sells the shares in IHIT and/or CTTL and/or their underlying properties outside the Group. In accordance with the indemnity agreement entered into at the time of the acquisitions, CPHCL has indemnified the Group for future tax it may incur should the Group sell the shares or the underlying properties outside the Group. This indemnity will be equivalent to the tax that will be due by IHI on the gain that was untaxed in the hands of CPHCL. The indemnity has no time limit and has a maximum value of €45.0 million.

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

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

On the sale of its shares in QP Management Limited ("QPM") during the year ended 31 December 2016, CPHCL provided a tax indemnity to IHI. The sales contract was exempt from taxation on the basis that CPHCL and IHI form part of the same ultimate group for tax purposes. Should IHI dispose of the shares, it may become liable to tax that it would not have become liable to pay had CPHCL not been a related party. The indemnity has been recognised as a separate asset of €1.9 million, representing the tax that will de due by IHI on the gain that was untaxed in the hands of CPHCL.

14. Investment property

	THE GROUP	
	2017	2016
	€'000	€'000
At 1 January	**164,278**	166,274
Change in fair value (a)	**278**	(19,712)
Additions	**426**	976
Acquisition of subsidiary (Note 38)	**46,874**	–
Currency translation differences	**(6,618)**	16,740
AT 31 DECEMBER	**205,238**	164,278

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

Disclosures required in terms of IFRS 13 in relation to fair value measurements attributable to investment property are presented in Note 15.1.

The carrying amount of each investment property is as follows:

	THE GROUP	
	2017	2016
	€'000	€'000
INVESTMENT PROPERTY		
Commercial Centre in St Petersburg	**61,805**	64,555
Commercial Centre in Tripoli	**68,243**	68,243
Commercial Centre in Lisbon	**2,300**	1,980
Site in Tripoli	**29,500**	29,500
Apartment in London	**43,390**	–
	205,238	164,278

b) All investment property is hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 29.

c) Rental income earned by the Group for the period from investment property amounted to €13.5 million (2016: €10.1 million) and direct expenses to €2.5 million (2016: €1.4 million).

d) All investment property is leased out on operating leases which are not non-cancellable.

15. Property, plant and equipment

	THE GROUP					
	LAND AND BUILDINGS €'000	PLANT AND EQUIPMENT €'000	FURNITURE, FIXTURES AND FITTINGS €'000	MOTOR VEHICLES €'000	ASSETS IN THE COURSE OF CONSTRUCTION €'000	TOTAL €'000
COST/REVALUED AMOUNT						
Balance at 1 January 2016	734,397	86,098	86,073	956	31,831	939,355
Revaluation surplus	37,131	–	–	–	–	37,131
Acquisition of subsidiaries (Note 38)	201	–	47	–	–	248
Additions	519	1,663	2,000	123	5,169	9,474
Reallocations	897	885	33	–	(1,815)	–
Disposals	–	(512)	(415)	(47)	(876)	(1,850)
Currency translation difference	20,954	1,516	1,801	25	158	24,454
Balance at 31 December 2016	794,099	89,650	89,539	1,057	34,467	1,008,812
Balance at 1 January 2017	794,099	89,650	89,539	1,057	34,467	1,008,812
Revaluation surplus	15,853	–	–	–	–	15,853
Acquisition of subsidiaries (Note 38)	455,522	18,505	23,481	–	14,583	512,091
Additions	1,497	2,013	180	–	9,544	13,234
Reallocations	(2,363)	6,689	(328)	–	(3,998)	–
Disposals	(464)	(302)	(939)	(28)	–	(1,733)
Currency translation differences	(25,885)	(2,390)	(2,663)	(12)	(967)	(31,917)
BALANCE AT 31 DECEMBER 2017	**1,238,259**	**114,165**	**109,270**	**1,017**	**53,629**	**1,516,340**
DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 January 2016	221,520	77,810	67,043	879	–	367,252
Depreciation for the year	13,445	3,445	3,542	66	–	20,498
Net impairment losses	(2,960)	–	–	–	–	(2,960)
Disposals	–	(502)	(202)	(41)	–	(745)
Currency translation differences	4,645	1,125	1,207	25	–	7,002
Balance at 31 December 2016	236,650	81,878	71,590	929	–	391,047
Balance at 1 January 2017	236,650	81,878	71,590	929	–	391,047
Depreciation for the year	12,556	6,953	8,620	30	–	28,159
Net impairment losses	(3,998)	–	–	–	–	(3,998)
Reallocations	717	(717)	–	–	–	–
Disposals	(86)	(326)	(770)	(4)	–	(1,186)
Currency translation differences	(2,564)	(1,629)	(1,732)	(8)	–	(5,933)
BALANCE AT 31 DECEMBER 2017	**243,275**	**86,159**	**77,708**	**947**	**–**	**408,089**
CARRYING AMOUNTS						
At 1 January 2016	512,877	8,288	19,030	77	31,831	572,103
At 31 December 2016	557,449	7,772	17,949	128	34,467	617,765
AT 31 DECEMBER 2017	**994,984**	**28,006**	**31,562**	**70**	**53,629**	**1,108,251**

15. Property, plant and equipment • *continued*

	THE COMPANY				
	LAND AND BUILDINGS €'000	PLANT AND EQUIPMENT €'000	FURNITURE, FIXTURES AND FITTINGS €'000	MOTOR VEHICLES €'000	TOTAL €'000
COST					
Balance at 1 January 2016	–	155	110	41	306
Additions	–	29	3	1	33
Disposals	–	(3)	–	–	(3)
Balance at 31 December 2016	–	181	113	42	336
Balance at 1 January 2017	–	181	113	42	336
Additions	4	9	6	–	19
Disposals	–	(3)	–	–	(3)
BALANCE AT 31 DECEMBER 2017	4	187	119	42	352
DEPRECIATION					
Balance at 1 January 2016	–	95	77	39	211
Depreciation for the year	–	19	11	2	32
Disposals	–	(3)	–	–	(3)
Balance at 31 December 2016	–	111	88	41	240
Balance at 1 January 2017	–	111	88	41	240
Depreciation for the year	–	21	10	1	32
Disposals	–	–	–	–	–
BALANCE AT 31 DECEMBER 2017	–	132	98	42	272
CARRYING AMOUNTS					
At 1 January 2016	–	60	33	2	95
At 31 December 2016	–	70	25	1	96
AT 31 DECEMBER 2017	4	55	21	–	80

15.1 Fair valuation of property

In 2017, management has carried out an assessment for those properties measured in accordance with the revaluation model under IAS 16, to determine whether a material shift in fair value had occurred. Where, on the basis of this assessment, management has concluded that there are no material changes in inputs, a full independent valuation was not obtained. For such properties, the fair value disclosures reported as at 31 December 2016 (disclosed further below), are still relevant as at 31 December 2017.

The Corinthia Hotel St Petersburg was the only hotel property subject to an independent valuation exercise as at 31 December 2017.

The revaluations in 2017 and 2016 were made by the directors, assisted by independent professionally qualified property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The book values of these properties was adjusted as at the respective year end date, as the directors had reviewed the carrying amount of the properties on the basis of assessments by the property valuers.

In addition to the revaluations carried out on hotel properties, the Group's investment properties are measured at fair value on an annual basis as required by IAS 40.

The resultant shift in value, net of applicable deferred income taxes, was reflected within the revaluation reserve in shareholders' equity (Note 24) or in profit or loss in accordance with the Group's accounting policies. Adjustments to the carrying amounts of the properties are disclosed in the tables below.

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

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

15. Property, plant and equipment • *continued*

15.1 Fair valuation of property • *continued*

The Group's land and buildings, within property, plant and equipment, consists principally of hotel properties that are owned and managed by companies forming part of the Group. The Group's investment property comprises property that is held for long-term rental yields or for capital appreciation or both, and principally comprise the Commercial Centre in St Petersburg, the Commercial Centre in Tripoli and a site forming part of the grounds of the Corinthia Hotel in Tripoli, an apartment block in Lisbon and an apartment in London. All the recurring property fair value measurements at 31 December 2017 and 2016, as applicable, use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

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

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial years, is reflected in the table above and in Note 14 for investment property.

Valuation processes

Where management, through its assessment, concludes that the fair value of properties differs materially from its carrying amount, an independent valuation report prepared by third party qualified valuers, is performed. These reports are based on both:

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

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

Valuation techniques

The external valuations of the Level 3 property as at 31 December 2017 and 2016, as applicable, have been performed using a multi-criteria approach, with every property being valued utilising the valuation technique considered by the external valuer to be the most appropriate for the respective property.

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

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

Earnings before interest, taxes, depreciation and amortisation (EBITDA)	based on projected income streams less operating expenditure necessary to operate the property, but prior to depreciation and financing charges;
Growth rate	based on management's estimated average growth of EBITDA levels, mainly determined by projected growth in income streams;
Discount rate	reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor. Estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

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

15. Property, plant and equipment • *continued*

15.1 Fair valuation of property • *continued*

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2017

DESCRIPTION BY CLASS BASED ON HIGHEST AND BEST USE	FAIR VALUE AT 31 DECEMBER 2017 €'000	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS			
CURRENT USE AS HOTEL PROPERTIES (CLASSIFIED AS PROPERTY, PLANT AND EQUIPMENT):		**INCOME CAPITALISATION APPROACH (DCF)**	**EVOLUTION OF EBITDA OVER INITIAL PROJECTED FIVE YEAR PERIOD**	**PRE-TAX DISCOUNT RATE (WACC)**	**GROWTH RATE**	**CAPITALISATION RATE**
			FY18 – FY22	%	%	%
Corinthia Hotel St Petersburg	**84,488**		RUB521m – RUB599m	13.25	5.00	8.25
Corinthia Hotel Tripoli	**78,881**		(€2.7m) – €9.7m	11.82	2.00	9.82
Corinthia Hotel London	**496,140**		£19.2 m – £25.7m	7.20	2.70	4.50
Commercial Centre in St Petersburg	**61,805**		RUB212m – RUB291m	13.00	5.00	8.25
Commercial Centre in Tripoli	**68,243**		€5.8m – €6.9m	11.08	3.00	8.08
CURRENT LAND FOR COMMERCIAL USE (CLASSIFIED AS INVESTMENT PROPERTY):						
		Adjusted sales comparison approach	Sales price per square metre			
Site in Tripoli	**29,500**		€2,300			
London Apartment	**43,390**		£29,986			

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

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

15. Property, plant and equipment • *continued*

15.1 Fair valuation of property • *continued*

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2016

DESCRIPTION BY CLASS BASED ON HIGHEST AND BEST USE	FAIR VALUE AT 31 DECEMBER 2016 €'000	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS			
CURRENT USE AS HOTEL PROPERTIES (CLASSIFIED AS PROPERTY, PLANT AND EQUIPMENT):		**INCOME CAPITALISATION APPROACH (DCF)**	**EVOLUTION OF EBITDA OVER INITIAL PROJECTED FIVE YEAR PERIOD**	**PRE-TAX DISCOUNT RATE (WACC)**	**GROWTH RATE**	**CAPITALISATION RATE**
			FY17 – FY21	%	%	%
Corinthia Hotel & Spa Lisbon	**93,428**		€5.9m – €7.6m	8.44	1.80	4.39
Corinthia Hotel Prague	**83,006**		€4.7m – €6.2m	7.79	1.80	4.87
Marina Hotel, St George's Bay, Malta	**31,115**		€2.9m – €3.1m	9.91	1.80	5.23
Corinthia Hotel St George's Bay, Malta	**40,477**		€4.1m – €4.5m	10.56	1.80	5.66
Corinthia Hotel St Petersburg	**85,710**		RUB433m – RUB599m	13.25	5.00	8.25
Corinthia Hotel Tripoli	**81,206**		€1.7m – €10.3m	12.24	2.50	6.50
Radisson Blue Resort, Malta	**39,628**		€3.9m – €4.3m	10.42	1.80	5.57
CURRENT USE AS HOTEL PROPERTIES (CLASSIFIED AS PROPERTY, PLANT AND EQUIPMENT):		Adjusted sales comparison Approach	Sales price per room			
Corinthia Hotel Budapest	**122,458**		€1,769			

The information disclosed above remains applicable in 2017 for those properties where the carrying amount as at 31 December 2017 was not materially different to the fair value as at 31 December 2016.

DESCRIPTION BY CLASS BASED ON HIGHEST AND BEST USE	FAIR VALUE AT 31 DECEMBER 2016 €'000	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS			
CURRENT USE AS COMMERCIAL CENTRES (CLASSIFIED AS INVESTMENT PROPERTY):		**INCOME CAPITALISATION APPROACH (DCF)**	**EVOLUTION OF EBITDA OVER INITIAL PROJECTED FIVE YEAR PERIOD**	**PRE-TAX DISCOUNT RATE (WACC)**	**GROWTH RATE**	**CAPITALISATION RATE**
			FY17 – FY21	%	%	%
Commercial Centre in St Petersburg	**64,555**		RUB182m – RUB274m	13.00	4.75	8.25
Commercial Centre in Tripoli	**68,243**		€4.9m – €7.1m	12.40	2.50	9.90
CURRENT LAND FOR COMMERCIAL USE (CLASSIFIED AS AS INVESTMENT PROPERTY):						
		Adjusted sales comparison approach	Sales price per square metre			
Site in Tripoli	**29,500**		€2,300			

15. Property, plant and equipment • *continued*

15.1 Fair valuation of property • *continued*

As evidenced in the tables above, the highest and best use of the Group properties is equivalent to their current use as at 31 December 2017.

As explained in Note 5 to the financial statements, the future performance of the Group's hotel and the commercial centre situated in Tripoli and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside.

In accordance with the fair valuations as at 31 December 2017 no further impairment charges were deemed necessary in these financial statements, after taking into account the impairment charges of €40.5 million recognised in 2014.

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

	SHIFT IN DISCOUNT RATE (+/- 0.5%)		SHIFT IN CASH FLOWS (EBITDA) (+/- 5%)	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Corinthia Hotel & Spa Lisbon	+/- 700	+/- 700	+/- 4,600	+/- 4,600
Corinthia Hotel Budapest	+/- 720	+/- 720	+/- 5,600	+/- 5,600
Corinthia Hotel Prague	+/- 600	+/- 600	+/- 4,100	+/- 4,100
Marina Hotel, St George's Bay, Malta	+/- 200	+/- 200	+/- 1,600	+/- 1,600
Corinthia Hotel St George's Bay, Malta	+/- 250	+/- 250	+/- 2,000	+/- 2,000
Corinthia Hotel St Petersburg	+/- 3,000	+/- 700	+/- 4,400	+/- 4,200
Corinthia Hotel Tripoli	+/- 3,000	+/- 800	+/- 4,000	+/- 4,000
Commercial Centre in St Petersburg	+/- 1,430	+/- 1,900	+/- 650	+/- 3,500
Commercial Centre in Tripoli	+/- 420	+/- 350	+/- 3,400	+/- 3,400
Radisson Blu Resort, Malta	+/- 250	+/- 250	+/- 2,000	+/- 2,000
Corinthia Hotel London	+/- 20,000	–	+/- 24,000	–

15.2 Adjustments to carrying amount of properties

Revaluation surplus and impairment charges recognised in other comprehensive income (within revaluation reserve), gross of deferred tax:

	THE GROUP		
	AT 1 JANUARY 2017 €'000	MOVEMENT €'000	AT 31 DECEMBER 2017 €'000
HOTEL PROPERTY			
Corinthia Hotel St George's Bay, Malta	12,169	–	12,169
Corinthia Hotel & Spa Lisbon	17,761	–	17,761
Corinthia Hotel Prague	3,415	–	3,415
Corinthia Hotel Budapest	25,129	–	25,129
Corinthia Hotel London	–	12,186	12,186
Marina Hotel, St George's Bay, Malta	9,206	–	9,206
Corinthia Hotel St Petersburg	–	3,667	3,667
Radisson Blu Resort, Malta	4,284	–	4,284
	71,964	**15,853**	**87,817**

15. Property, plant and equipment • *continued*

15.2 Adjustments to carrying amount of properties • *continued*

	AT 1 JANUARY 2016 €'000	MOVEMENT €'000	AT 31 DECEMBER 2016 €'000
HOTEL PROPERTY			
Corinthia Hotel St George's Bay, Malta	8,700	3,469	12,169
Corinthia Hotel & Spa Lisbon	12,059	5,702	17,761
Corinthia Hotel Prague	992	2,423	3,415
Corinthia Hotel Budapest	6,516	18,613	25,129
Marina Hotel, St George's Bay, Malta	6,566	2,640	9,206
Radisson Blu Resort, Malta	–	4,284	4,284
	34,833	37,131	71,964

Impairment charges/(reversals of impairment losses) recognised in profit or loss, gross of deferred tax:

	AT 1 JANUARY 2017 €'000	THE GROUP MOVEMENT €'000	AT 31 DECEMBER 2017 €'000
HOTEL PROPERTY			
Corinthia Hotel St George's Bay, Malta	522	–	522
Corinthia Hotel & Spa Lisbon	1,068	–	1,068
Corinthia Hotel Prague	3,642	–	3,642
Corinthia Hotel Tripoli	8,038	–	8,038
Corinthia Hotel Budapest	1,628	–	1,628
Corinthia Hotel St Petersburg	4,338	(3,998)	340
Marina Hotel, St George's Bay, Malta	121	–	121
	19,357	**(3,998)**	**15,359**

	AT 1 JANUARY 2016 €'000	MOVEMENT €'000	AT 31 DECEMBER 2016 €'000
HOTEL PROPERTY			
Corinthia Hotel St George's Bay, Malta	522	–	522
Corinthia Hotel & Spa Lisbon	1,068	–	1,068
Corinthia Hotel Prague	3,642	–	3,642
Corinthia Hotel Tripoli	8,038	–	8,038
Corinthia Hotel Budapest	1,628	–	1,628
Corinthia Hotel St Petersburg	7,298	(2,960)	4,338
Marina Hotel, St George's Bay, Malta	121	–	121
	22,317	(2,960)	19,357

The description of the hotel properties in the above tables indicate the segment to which each hotel property pertains.

The shifts in fair value determined in 2017 and 2016, reflected in the above tables, are principally attributable to changes in the projected financial performance and net operating cash inflows of the hotel properties and commercial centres. The increases in fair value of hotel properties reflect enhanced 2016 and 2017 results and the resultant impact of projected performance.
In 2017, the Group recognised a recovery of €1.7 million on the value of the property in St Petersburg, an increase of €0.3 million in Lisbon, absorbed by a loss of €1.7 million on the Apartment in London. In respect of the investment property in Russia, the Group recognised a fair value loss of €19.7 million during 2016, primarily attributable to the current oversupply of rental property and therefore a reduction in rental rates.

The impairment charges recognised are attributable to reductions in the carrying amount of property so as to reflect the recoverable amount based on computing value in use determined at individual asset level.

15. Property, plant and equipment • *continued*

15.3 Carrying amounts of hotel properties

Following the adjustments to revision of the hotel property carrying amounts to reflect the outcome of the fair valuation process referred to above at each reporting period, the carrying amount of each hotel property is as follows:

	THE GROUP	
	2017 €'000	2016 €'000
HOTEL PROPERTY		
Corinthia Hotel St George's Bay, Malta	**39,773**	40,477
Corinthia Hotel & Spa Lisbon	**97,409**	93,428
Corinthia Hotel Prague	**82,306**	83,006
Corinthia Hotel Tripoli	**78,881**	81,206
Corinthia Hotel Budapest	**121,617**	122,458
Corinthia Hotel St Petersburg	**84,488**	85,710
Corinthia Hotel London	**496,140**	–
Marina Hotel, St George's Bay, Malta	**30,957**	31,115
Radisson Blu Resort, Malta	**38,791**	39,628
	1,070,362	577,028

15.4 Historic cost basis of properties

If the cost model had been used the carrying amounts of the revalued properties would be €966.8 million (2016: €511.3 million). The revalued amounts include a revaluation surplus of €87.7 million before tax (2016: €71.9 million), which is not available for distribution to the shareholders of IHI.

15.5 Use as collateral

All tangible fixed assets owned by the Group are hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 29.

16. Investments in subsidiaries

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

	THE COMPANY	
	2017 €'000	2016 €'000
Share in subsidiary companies (Note 16.3)	**628,271**	383,320
Loans to subsidiary companies	**173,170**	177,004
	801,441	560,324

16. Investments in subsidiaries • *continued*

16.1 Principal subsidiaries

The Group had the following subsidiaries as at 31 December 2017 and 31 December 2016:

SUBSIDIARY COMPANY	REGISTERED OFFICE	NATURE OF BUSINESS	PERCENTAGEOF OWNERSHIP AND VOTING RIGHTS HELD DIRECTLY BY THE COMPANY		PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD BY THE GROUP		PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS	
			2017	2016	**2017**	2016	**2017**	2016
Alfa Investimentos Turisticos Lda	Avenida Columbano Bordalo Pinheiro, 105 Lisboa 1099 – 031 Portugal	Owns and operates the Corinthia Hotel & Spa Lisbon Portugal	**72**	72	**100**	100	**–**	–
Corinthia Hotels Limited (formerly, CHI Limited)	1, Europa Centre Floriana Malta	Hotel management company	**100**	100	**100**	100	**–**	–
Corinthia Company Limited	22, Europa Centre Floriana Malta	Investment company	**100**	100	**100**	100	**–**	–
Corinthia Towers Tripoli Limited	22, Europa Centre Floriana Malta	Owns and operates the Corinthia Bab Africa Hotel and Commercial Centre Libya	**100**	100	**100**	100	**–**	–
Five Star Hotels Limited	22, Europa Centre Floriana Malta	Owns and operates the Corinthia Hotel St George's Bay, Malta	**100**	100	**100**	100	**–**	–
IHI Benelux B.V.	Frederick Roeskestraat 123,1076 EE Amsterdam PO Box 72888 1070 AC Amsterdam The Netherlands	Owns and operates the Corinthia Hotel St Petersburg	**100**	100	**100**	100	**–**	–
IHI Benghazi Limited	22 Europa Centre Floriana Malta	Investment company	**75**	75	**75**	75	**25**	25
IHI Hungary Zrt	Erzsebet Krt 43-49 H-1073, Budapest Hungary	Owns and operates the Corinthia Hotel Budapest	**100**	100	**100**	100	**–**	–
IHI Lisbon Limited	22, Europa Centre Floriana Malta	Investment company holding an equity stake in Alfa Investimentos Turisticos Lda	**100**	100	**100**	100	**–**	–

16. Investments in subsidiaries • *continued*

16.1 Principal subsidiaries • *continued*

SUBSIDIARY COMPANY	REGISTERED OFFICE	NATURE OF BUSINESS	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD DIRECTLY BY THE COMPANY		PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD BY THE GROUP		PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS	
			2017	2016	**2017**	2016	**2017**	2016
IHI St Petersburg LLC	57, Nevskij Prospect St Petersburg 191025 Russian Federation	Investment company	**100**	100	**100**	100	**–**	–
IHI Towers s.r.o.	Kongresová 1655/1 1406 / 69 Praha 4 Czech Republic	Owns and operates the Corinthia Hotel Prague Czech Republic	**100**	100	**100**	100	**–**	–
IHI Zagreb d.d.	Centar Kaptol Nova Ves 11 10000 Zagreb Croatia	Investment company	**100**	100	**100**	100	**–**	–
Libya Holding Development Inc. JSC	Benghazi Libya	Owns the Benghazi hotel project	**–**	–	**55**	55	**45**	45
Marina San Gorg Limited	22, Europa Centre Floriana Malta	Owns and operates the Marina Hotel in St George's Bay, Malta	**100**	100	**100**	100	**–**	–
Island Hotels Group Holdings p.l.c.	22, Europa Centre Floriana Malta	Holding company (struck off following merger into IHI p.l.c.)	**–**	100	**100**	100	**–**	–
Island Resorts International Limited	First Name House, Victoria Residence, Douglas Isle of Man	Investment company	**100**	–*	**100**	100	**–**	–
Corinthia (Malta) Staff Services Limited (formerly, Island Hotels Group Limited)	22, Europa Centre Floriana Malta	Holding and management company	**100**	–*	**100**	100	**–**	–
Bay Point Hotel Limited	22, Europa Centre Floriana Malta	Owner and operator of hotel	**–**	–	**100**	100	**–**	–
Bay Point Properties Limited	22, Europa Centre Floriana Malta	Non-operating	**100**	–*	**100**	100	**–**	–

*IHGH p.l.c. was the legal owner of these entities until 29 December 2017, being the date it merged into IHI p.l.c. On this date, IHGH p.l.c. ceased to exist and IHI p.l.c. became the legal shareholder of these entities.

16. Investments in subsidiaries • *continued*

16.1 Principal subsidiaries • *continued*

SUBSIDIARY COMPANY	REGISTERED OFFICE	NATURE OF BUSINESS	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD DIRECTLY BY THE COMPANY		PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD BY THE GROUP		PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS	
			2017	2016	**2017**	2016	**2017**	2016
Bay Point Collection Limited	First Name House, Victoria Residence, Dougles Isle of Man	Vacation ownership company	**100**	–*	**100**	100	**–**	–
Island Caterers Limited	22, Europa Centre Floriana Malta	Event catering company	**100**	–*	**100**	100	**–**	–
Catering Holding Limited (formerly, Buttigieg Holdings Limited)	22, Europa Centre Floriana Malta	Retail catering and holding company	**100**	–*	**100**	100	**–**	–
Catering Operations Limited (formerly, RJC Caterers Limited)	22, Europa Centre Floriana Malta	Contract catering company	**–**	–	**100**	100	**–**	–
The Heavenly Collection Limited	22, Europa Centre Floriana Malta	Owner of tract land in Golden Bay	**–**	–	**100**	100	**–**	–
The Coffee Company Malta Limited	22, Europa Centre Floriana Malta	Franchise retail catering company	**–**	–	**100**	100	**–**	–
The Coffee Company Spain S.L.	COSTA Diagonal, Avinguda Diagonal, 566, Barcelona 08021	Franchise retail catering company	**–**	–	**100**	100	**–**	–
QPM Limited	22, Europa Centre Floriana Malta	Project management	**100**	100	**100**	100	**–**	–
QPM Africa Limited	22, Europa Centre Floriana Malta	Non-trading company	**–**	–	**100**	100	**–**	–
D.X. Design Consultancy Ltd	22, Europa Centre Floriana Malta	Project management services	**–**	–	**100**	100	**–**	–

*IHGH p.l.c. was the legal owner of these entities until 29 December 2017, being the date it merged into IHI p.lc. On this date, IHGH p.l.c. ceased to exist and IHI p.lc. became the legal shareholder of these entities.

16. Investments in subsidiaries • *continued*

16.1 Principal subsidiaries • *continued*

SUBSIDIARY COMPANY	REGISTERED OFFICE	NATURE OF BUSINESS	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD DIRECTLY BY THE COMPANY		PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD BY THE GROUP		PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS	
			2017	2016	**2017**	2016	**2017**	2016
QPM (UK) Ltd	The Corinthia Hotel London Whitehall Place London SW1 2BD England	Project management services	**–**	–	**100**	100	**–**	–
NLI Holding Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a Group that owns and operates the Corinthia Hotel London and 10 Whitehall Place in London, UK	**50**	50	**50**	50	**50**	50
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owns the Corinthia Hotel London, UK	**50**	50	**50**	50	**50**	50
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owns apartment 12, 10 Whitehall Place	**50**	50	**50**	50	**50**	50
NLI Finance Limited	CTV House La Pouquelaye St Helier Jersey	Provision of finance to companies within the NLI Holdings Limited Group structure.	**50**	50	**50**	50	**50**	50
IHI Brussels Limited	22, Europa Centre Floriana Malta	Holding company of Hotel Astoria SA	**50**	–	**50**	–	**50**	–
NLI Operator Limited	Corinthia Hotel London, Whitehall Place, London SW1A 28D	Operates Corinthia Hotel London, a five star luxury hotel	**50**	50	**50**	50	**50**	50
IHI Malta Limited	22, Europa Centre Floriana Malta	Operator of Corinthia Hotel Attard	**100**	–	**100**	–	**–**	–

As disclosed in Note 38, the Group obtained control of the NLI Holdings Limited and its subsidiaries (collectively, "the NLI Group") during 2017. The NLI Group was previously recognised as a joint venture. The summarised financial information required by IFRS 12 in respect of the NLI Group's interest as at 31 December 2016 is disclosed in Note 17.

All subsidiary undertakings are included in the consolidation.

16. Investments in subsidiaries • *continued*

16.2 Subsidiaries with material non-controlling interests

Set out below is summarised financial information for the NLI Holdings Group. The amounts disclosed for are before inter-company eliminations.

SUMMARISED BALANCE SHEET	2017 €000
Current assets	41,651
Current liabilities	(18,931)
CURRENT NET ASSETS	**22,720**
Non-current assets	539,529
Non-current liabilities	(162,299)
NON-CURRENT NET ASSETS	**377,230**
NET ASSETS	**399,950**
ACCUMULATED NCI	**199,975**

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME	2017 €000
Revenue	68,664
PROFIT FOR THE PERIOD	**5,700**
Other comprehensive income	(2,720)
TOTAL COMPREHENSIVE INCOME	**2,980**
PROFIT ALLOCATED TO NCI	**2,850**

SUMMARISED CASH FLOWS	2017 €000
Cash flows from operating activities	17,022
Cash flows from investing activities	(12,413)
Cash flows from financing activities	11,128
Net increase in cash and cash equivalents	15,737

The total non-controlling interest for as at 31 December 2016 amounted to €0.6 million. The directors assessed that the non-controlling interest as at that date was not material for the purposes of presenting the additional disclosure in terms of IFRS 12.

16.3 Share in subsidiary companies

	THE COMPANY	
	2017 €'000	2016 €'000
AT 1 JANUARY	**383,320**	315,673
Additions	**49**	5,807
Transfer of carrying amount of investment in joint venture following stepped acquisition	**198,460**	–
Transfer of carrying amount of investment in associate following stepped acquisition (Notes 17.3, 38)	**–**	1,005
Change in fair value	**46,442**	60,835
AT 31 DECEMBER	**628,271**	383,320

16. Investments in subsidiaries
• *continued*

16.3 Share in subsidiary companies
• *continued*

As disclosed in Note 38, IHI obtained control of NLI Holdings Limited as of 1 January 2017. The Company's investment in NLI Holdings Limited and its subsidiary undertakings (made up of NLI Hotels Limited, NLI Penthouse Limited, NLI Finance Limited and NLI Operator Limited). Together these companies own and operate the Corinthia London Hotel.

During the year, the Company set up IHI Malta Hotel Limited, for an amount of €0.1 million. The newly-formed entity will be used for the running of the Corinthia Hotel Attard operations, pursuant to the acquisition described in Note 41.

On 1 July 2016, IHI acquired 80% of the shares in QPM Limited, over which the Company already held a 20% interest. Accordingly, QPM Limited is now a wholly-owned subsidiary of IHI. The amounts disclosed in the reconciliation above represent the transfer of the previous carrying amount of QPM from an investment in associate to an investment in subsidiary, as well as the additional consideration to acquire the remaining 80% interest. Details of this acquisition are disclosed in Note 38.

16.3.1 Investments in subsidiaries at fair value through other comprehensive income

The fair values of the Company's investments in its subsidiaries, accounted for at fair value through other comprehensive income (as explained further in Note 3.2), have been determined by reference to the fair values of the underlying properties held by the respective subsidiaries and, in the case of CHL Limited and QPM Limited, by reference to its enterprise value. Specific to the fair value of these investments, account has been taken of the deferred tax liabilities arising as a result of the revaluation to fair value of such properties, on the basis that the directors will pursue a sale of the shares held by IHI in its subsidiary companies, notwithstanding that, as the tax rules stand today, it may be more tax efficient to sell the underlying properties.

17. Other investments

17.1 Investments accounted for using the equity method

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

	THE GROUP	
	2017 €'000	2016 €'000
Associates	**12,604**	13,567
Joint ventures	**47,268**	237,346
AT 31 DECEMBER	**59,872**	250,913

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

	THE GROUP	
	2017 €'000	2016 €'000
Associates	**38**	(139)
Joint ventures	**2,081**	1,800
At 31 December	**2,119**	1,661

Until 31 December 2016, the Group, through the parent company, held 50% of the ordinary shares and voting rights of NLI Holdings Limited ("NLI"), and was classified as an investment in joint venture, since all decisions required the unanimous consent of the parties involved for all relevant activities. In accordance with IFRS 11, the investment was equity accounted for.

As disclosed in Notes 16 and 38, on 1 January 2017, the Group obtained control of NLI and accordingly, the NLI Group is consolidated in these financial statements as from that date.

17. Other investments • *continued*

17.2 Investments in associates and joint ventures

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

	THE COMPANY	
	2017 €'000	2016 €'000
Associates	**12,604**	13,567
Joint ventures	**–**	198,460
AT 31 DECEMBER	**12,604**	212,027

Fair value movements recognised in the Company's other comprehensive income are as follows:

	THE COMPANY	
	2017 €'000	2016 €'000
Associates	**(963)**	(308)
Joint ventures	**–**	(13,934)
AT 31 DECEMBER	**(963)**	(14,242)

17.3 Investments in associates

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
AT 1 JANUARY	**13,567**	14,877	**13,567**	14,880
Additions		–		–
Derecognition of investment in associate following stepped acquisition (Note 38)	**–**	(1,005)	**–**	–
Transfer of carrying amount of investment in associate following stepped acquisition (Notes 16.2, 38)	**–**	–	**–**	(1,005)
Share of results	**38**	(139)	**–**	–
Share of currency translation	**(1,001)**	(166)	**–**	–
Fair value movements	**–**	–	**(963)**	(308)
AT 31 DECEMBER	**12,604**	13,567	**12,604**	13,567

During 2016, the Group acquired 80% of the shares in QPM Limited from CPHCL. As a result of the acquisition, the Group now owns 100% of QPM Limited. Detailed information on the stepped acquisition is disclosed in Note 38.

17. Other investments • *continued*

17.3 Investments in associates • *continued*

Set out below are the associates of the Group as at 31 December 2017 and 31 December 2016. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

COMPANY NAME	REGISTERED OFFICE	NATURE OF BUSINESS	% OF OWNERSHIP INTEREST HELD BY THE GROUP AND THE COMPANY	
			2017	2016
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building, 6018, Larnaca, Cyprus	Investment company	**50**	50
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building, 6018, Larnaca, Cyprus	Investment company	**50**	50
Medina Towers J.S.C.	Suite 107, Tower 2 Tripoli Tower, Tripoli, Libya	Owns the Medina Towers project in Tripoli	**25**	25

The Group, through the Company held 20% of the shares in QPM as at 31 December 2015. As disclosed above, during the year, QPM became a fully-owned subsidiary and its information is disclosed in Note 16. All associates are private companies and there is no quoted market price available for its shares.

Refer to Note 5 for a summary of a contingent liability relating to Medina Towers J.S.C. (Libya), an associate of the Group.

17.3.1 Summarised financial information for material associates

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

	MEDINA TOWERS J.S.C.	
	2017	2016
	€000	€000
Non-current assets	**40,160**	43,250
Current assets	**10,726**	11,536
TOTAL ASSETS	**50,886**	54,786
Current liabilities	**474**	522
TOTAL LIABILITIES	**474**	522
PROFIT/(LOSS) FOR THE YEAR	**153**	(556)
OTHER COMPREHENSIVE INCOME	**(4,005)**	(664)
TOTAL COMPREHENSIVE INCOME	**(3,852)**	(1,220)

17. Other investments • *continued*

17.3 Investments in associates • *continued*

17.3.2 Reconciliation of summarised financial information

Reconciliation of the summarised information presented to the carrying amount of its interest in the associate:

	MEDINA TOWERS J.S.C.	
	2017 €000	2016 €000
1 JANUARY	**54,264**	55,484
Profit/(loss) for the period	**153**	(556)
Other comprehensive income	**(4,005)**	(664)
CLOSING NET ASSETS	**50,412**	54,264
Interest in associate (25%)	**12,604**	13,567
CARRYING VALUE	**12,604**	13,567

17.4 Investments in joint ventures

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
AT 1 JANUARY	**237,346**	252,168	**198,460**	212,394
Derecognition of investment in joint venture following stepped acquisition (Note 38)	**(198,495)**	–	**–**	–
Transfer of carrying amount of investment in joint venture following stepped acquisition (Note 16.3)	**–**	–	**(198,460)**	–
Share of results	**2,081**	1,800	**–**	–
Share of other comprehensive income	**7,277**	(14,865)	**–**	–
Dividend distribution	**(979)**	(1,757)	**–**	–
Fair value movements	**–**	–	**–**	(13,934)
Other movements	**38**	–	**–**	–
AT 31 DECEMBER	**47,268**	237,346	**–**	198,460

The significant joint ventures of the Group as at 31 December 2017 and 2016 are set out below. Information on the registered office and share ownership of NLI Holdings Limited and its subsidiaries, which were recognised as joint ventures as at 31 December 2016, is disclosed in Note 16.1. The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

COMPANY NAME	REGISTERED OFFICE	NATURE OF BUSINESS	% OF OWNERSHIP INTEREST HELD BY THE GROUP % OWNERSHIP **2017**	2016
Golden Sands Resort Limited	The Radisson SAS Golden Sands Resort & Spa Golden Bay l/o Mellieha, Malta	A five star luxury hotel	**50**	50
Azure Services Limited	Level 1, LM Complex Brewery Street Mriehel, Malta	Marketing and promotional services	**50**	50
Azure Ultra Limited	Level 1, LM Complex Brewery Street Mriehel, Malta	Luxury yacht leasing	**50**	50

17. Other investments • *continued*

17.4 Investments in joint ventures • *continued*

COMPANY NAME	REGISTERED OFFICE	NATURE OF BUSINESS	% OF OWNERSHIP INTEREST HELD BY THE GROUP % OWNERSHIP 2017	2016
Azure XP Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickhams Cay Road Town Tortola, British Virgin Islands	Financing of vacation ownership	**50**	50
Heathfield Overseas Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickhams Cay Road Town Tortola, British Virgin Islands	Payment solutions	**50**	50
Azure Resorts Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickhams Cay Road Town Tortola, British Virgin Islands	Vacation ownership selling agent	**50**	50
Brooksfield Overseas Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickhams Cay Road Town Tortola, British Virgin Islands	Marketing and promotional services	**50**	50
Medi International Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickhams Cay Road Town Tortola, British Virgin Islands	Internal financing	**50**	50
MKIC Limited	Montekristo Estates Hal Farrug Road Luqa, Malta	Non-trading	**50**	50
Quality Catering & Retail Services Ltd	Miller House Airport Way Tarxien Road Luqa, Malta	Catering company	**50**	50

17. Other investments • *continued*

17.4 Investments in joint ventures

• *continued*

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

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

The directors consider Golden Sands Resort to be a material joint venture of the Group.

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

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

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

17.4.1 Summarised financial information for material joint ventures

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

	NLI GROUP	GOLDEN SANDS RESORT GROUP	
	2016 €000	**2017 €000**	2016 €000
Cash and cash equivalents	9,222	**4,579**	4,461
Non-current assets	558,880	**80,193**	63,018
Current assets	10,137	**5,746**	15,306
TOTAL ASSETS	578,239	**90,518**	82,785
Current financial liabilities (excluding trade and other payables and provisions)	13,887	**2,382**	4,664
Current liabilities	32,908	**12,610**	17,402
Non-current financial liabilities (excluding trade and other payables and provisions)	147,576	**14,488**	30,367
Non-current liabilities	148,378	**30,588**	30,367
TOTAL LIABILITIES	181,286	**43,198**	47,769
REVENUE	67,114	**41,214**	40,197
EBITDA	15,930	**9,889**	14,451
DEPRECIATION AND AMORTISATION	(13,132)	**(3,329)**	(3,303)
INTEREST INCOME	4	**13**	34
INTEREST EXPENSE	(6,068)	**(1,725)**	(1,087)
INCOME TAX EXPENSE	(1,451)	**(687)**	(1,777)
(LOSS)/PROFIT FOR THE YEAR	(4,717)	**4,161**	8,318
OTHER COMPREHENSIVE INCOME	13,150	**14,556**	(3,285)
TOTAL COMPREHENSIVE INCOME	8,432	**18,717**	5,033
DIVIDENDS RECEIVED	–	**979**	1,757

18. Loans receivable

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
NON-CURRENT				
Ultimate parent company	**1,368**	1,368	**1,368**	1,368
Group companies	**–**	–	**129,231**	123,343
Joint venture	**–**	2,920	**–**	2,920
Other related parties	**230**	282	**–**	–
TOTAL NON-CURRENT LOANS RECEIVABLE	**1,598**	4,570	**130,599**	127,631
CURRENT				
Ultimate parent company	**17,937**	12,937	**17,937**	12,937
Other related parties	**47**	45	**–**	–
TOTAL CURRENT LOANS RECEIVABLE	**17,984**	12,982	**17,937**	12,937

The carrying amount of loans receivable is considered to be a reasonable approximation of fair value on the basis of discounted cash flows.

Terms
€54.0 million (2016: €54.0 million) of the Company's loans to Group companies are unsecured, bear interest at Euribor + 3.25% and are subordinated to bank loans.

€6.3 million (2016: €16.0 million) of the Company's loans to Group companies are unsecured, bear interest at 0.1% and are subordinated to bank loans.

€26.0 million (2016: €26.0 million) of the Company's loans to Group companies are unsecured, bear interest at 0.25% and are subordinated to bank loans.

€22.7 million of the Company's loans to Group companies are unsecured, interest free and are subordinated to bank loans.

€7.4 million (2016: €6.9 million) of the Company's loans to Group companies are unsecured, interest free and are subordinated to bank loans and repayable on demand with twelve months' notice to be given by the company.

€12.3 million (2016: €20.6 million) of the Company's loans to Group companies are unsecured, bear interest at 6.25% and are subordinated to bank loans and repayable on demand with twelve months' notice to be given by the company.

€0.5 million of the Company's loans to Group companies are unsecured, bear interest at 5% and are subordinated to bank loans and repayable on demand with twelve months' notice to be given by the company.

The Group's and Company's current loan to the ultimate parent company is unsecured, bears interest at 5% and is repayable on demand. The non-current portion is due by September 2019 and bears interest at 5%.

In 2016 the Group's and Company's non-current loan to joint venture of €2.9 million bore interest at 3%, was unsecured and subordinated to bank debt.

The Group's loans to other related parties bear interest at 5% and are unsecured.

19. Inventories

	THE GROUP	
	2017 €'000	2016 €'000
Food and beverages	**1,804**	1,201
Consumables	**842**	681
Goods held for resale	**198**	40
Others	**7,353**	4,805
	10,197	6,727

20. Trade and other receivables

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Trade receivables	**14,248**	11,279	**2**	–
Amounts owed by:				
Parent company	**11,735**	8,182	**7,411**	4,893
Subsidiary companies	**–**	–	**7,965**	25,902
Associate companies	**49**	157	**19**	19
Joint ventures	**1,081**	4,372	**2**	1,117
Other related companies	**8,150**	6,377	**2**	–
Other receivables	**2,854**	2,592	**133**	224
Accrued income	**2,367**	4,003	**1,836**	1,869
FINANCIAL ASSETS	**40,484**	36,962	**17,370**	34,024
Advance payments in respect of capital creditors	**1,160**	1,741	**–**	–
Prepayments	**5,197**	3,448	**147**	172
TOTAL RECEIVABLES – CURRENT	**46,841**	42,151	**17,517**	34,196

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

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

21. Available-for-sale investments

	THE GROUP	
	2017 €'000	2016 €'000
At 1 January	**–**	–
Additions	**8,131**	–
Fair value movements recognised in other comprehensive income	**472**	–
AT 31 DECEMBER	**8,603**	–

Available-for-sale financial assets include the following:

	THE GROUP	
	2017 €'000	2016 €'000
Listed securities:		
Equity securities	**3,116**	–
Funds	**943**	–
Mutual funds	**4,544**	–
TOTAL	**8,603**	–

None of these financial assets are impaired at year-end.

22. Cash and cash equivalents

Cash and cash equivalents include the following components:

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Cash and bank balances:				
Current	**50,795**	29,382	**6,538**	15,160
Cash and cash equivalents in the statement of financial position	**50,795**	29,382	**6,538**	15,160
Bank overdraft (Note 29)	**(8,143)**	(8,550)	**(499)**	–
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	**42,652**	20,832	**6,039**	15,160

The bank balances include amounts of €5.0 million (2016: €1.0 million) set aside by the Group for debt servicing requirements of which €0.5 million (2016: €0.1 million) are set aside by the Company and €2.1 million (2016: €1.4 million) set aside for capital expenditure purposes.

23. Share capital

23.1 Authorised share capital

The authorised share capital consists of 1,000 million ordinary shares with a nominal value of €1 each.

23.2 Issued share capital

The issued share capital consists of 615.7 million (2016: 597.8 million) ordinary shares of €1 each, fully paid up.

	THE GROUP AND COMPANY	
	2017 €'000	2016 €'000
AT 1 JANUARY	**597,750**	573,636
Acquisition of subsidiary (Note 38)	**–**	6,903
Bonus issue (Note 23.4)	**17,935**	17,211
AT 31 DECEMBER	**615,685**	597,750

23.3 Acquisition of subsidiary

The Group issued a further 6.9 million shares (1.2% of the total ordinary share capital issued) on 10 August 2016 in addition to 2.7 million shares issued on 10 August 2015 to the shareholders of Island Hotels Group Holdings p.l.c. as part of the purchase consideration for 100% of its ordinary share capital (Note 38). 0.4 million shares were issued in order to ensure the previous owners of the IHG Group were not diluted by the bonus shares issued by IHI during the period between date of acquisition of the IHG Group and the settlement of the deferred consideration arrangement. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued during 2016 and 2015 amounted to €5.6 million and €2.3 million (€0.865 per share). The difference between the fair value of the issued shares and the nominal value of shares, amounting to €0.9million (2015: €0.4 million) was recognised in other reserves (Note 26.1).

23.4 Bonus shares

During 2017, the shareholders approved the capitalisation of an amount of €17.9 million (2016: €17.2 million) from the reserves of the Company and to issue such number of fully paid-up bonus shares of a nominal value of €1 each out of this reserve. The bonus shares were issued and allotted in a ratio of one bonus share for every 33.33 ordinary shares in issue as at 30 June 2017.

23.5 Shareholder rights

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

24. Revaluation reserve

Revaluation reserve relating to movements in property, plant and equipment of entities forming part of the Group:

	THE GROUP		
	REVALUATION SURPLUS €'000	DEFERRED TAXATION €'000	NET €'000
At 1 January 2016	34,833	(8,897)	25,936
Revaluation surplus arising during the year			
Corinthia Hotel St George's Bay, Malta	3,469	(1,214)	2,255
Corinthia Hotel & Spa Lisbon	5,702	(1,283)	4,419
Corinthia Hotel Prague	2,423	(460)	1,963
Corinthia Hotel Budapest	18,613	(1,675)	16,938
Marina Hotel, St George's Bay, Malta	2,640	(924)	1,716
Radisson Blu Resort, Malta	4,284	(1,499)	2,785
	37,131	(7,055)	30,076
At 31 December 2016	71,964	(15,952)	56,012
Analysed as follows:			
Corinthia Hotel St George's Bay, Malta	12,169	(4,259)	7,910
Corinthia Hotel & Spa Lisbon	17,761	(3,997)	13,764
Corinthia Hotel Prague	3,415	(648)	2,767
Corinthia Hotel Budapest	25,129	(2,327)	22,802
Marina Hotel, St George's Bay, Malta	9,206	(3,222)	5,984
Radisson Blu Resort, Malta	4,284	(1,499)	2,785
	71,964	(15,952)	56,012

	THE GROUP		
	REVALUATION SURPLUS €'000	DEFERRED TAXATION €'000	NET €'000
At 1 January 2017	71,964	(15,952)	56,012
Revaluation surplus arising during the year:			
Corinthia Hotel London:			
– Gross of non-controlling interests' share	12,186	–	12,186
– Share attributable to non-controlling interests	(6,093)	–	(6,093)
– Share attributable to owners of the parent	6,093	–	6,093
Corinthia Hotel St Petersburg	3,667	(733)	2,934
	9,760	(733)	9,027
AT 31 DECEMBER 2017	**81,724**	**(16,685)**	**65,039**
Analysed as follows:			
Corinthia Hotel St George's Bay, Malta	12,169	(4,259)	7,910
Corinthia Hotel & Spa Lisbon	17,761	(3,997)	13,764
Corinthia Hotel Prague	3,415	(648)	2,767
Corinthia Hotel Budapest	25,129	(2,327)	22,802
Marina Hotel, St George's Bay, Malta	9,206	(3,222)	5,984
Radisson Blu Resort, Malta	4,284	(1,499)	2,785
Corinthia Hotel St Petersburg	3,667	(733)	2,934
Corinthia Hotel London	6,093	–	6,093
	81,724	**(16,685)**	**65,039**

24. Revaluation reserve • *continued*

Share of joint ventures' revaluation reserve relating to movements in property, plant and equipment:

	THE GROUP		
	REVALUATION SURPLUS €'000	DEFERRED TAXATION €'000	NET €'000
At 1 January 2016	121,383	(22,759)	98,624
Group's share of revaluation surplus arising during the year:			
Corinthia Hotel London	6,598	(1,237)	5,361
At 31 December 2016	127,981	(23,996)	103,985
At 1 January 2017	127,981	(23,996)	103,985
Group's share of revaluation surplus arising during the year:			
Golden Sands Resort	10,348	(3,623)	6,725
Reclassification of Group's share of revaluation reserve to retain earnings upon obtaining control of NLI (Note 38)	(127,981)	–	(127,981)
Release of deferred tax upon obtaining control of NLI	–	23,996	23,996
AT 31 DECEMBER 2017	**10,348**	**(3,623)**	**6,725**

The revaluation reserve is non-distributable.

The tax impacts relating to this component of other comprehensive income is presented in the tables above.

During the current and previous years the Group has capitalised the revaluation reserve by issuing bonus shares and upon the issuance of additional shares to previous owners of the IHG Group. Movements relating to bonus share issues are included in the table below:

	THE GROUP	
	2017 €'000	2016 €'000
Aggregate amounts disclosed in tables above:	**71,764**	159,997
Bonus and other similar share issues:		
Opening balance	**(57,155)**	(39,548)
Movement for the year (Note 23.4)	**(14,609)**	(17,211)
Shares issued to previous owners of IHG Group for no consideration (Note 23.3)	**–**	(396)
Closing balance	**(71,764)**	(57,155)
Total revaluation reserve	**–**	102,842

25. Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. Translation reserve movements are presented within the statement of changes in equity. During the year ended 31 December 2017, an amount of €1.8 million was reclassified from translation reserve to profit and loss, upon the stepped acquisition of NLI.

26. Other reserves and equity components

26.1 Other equity components

THE GROUP	AVAILABLE-FOR-SALE INVESTMENTS €'000	STEPPED ACQUISITION OF SUBSIDIARY €'000	OTHER €'000	TOTAL €'000
AT 1 JANUARY 2016	1,056	3,859	(363)	4,552
Issuance of share capital in a business combination	–	–	(879)	(879)
Fair value movements on available-for-sale financial assets, net of tax	167	–	–	167
Reclassification of realised gains on available-for-sale financial assets	(1,223)	–	–	(1,223)
AT 31 DECEMBER 2016	–	3,859	(1,242)	2,617
Fair value movements on available-for-sale financial assets, net of tax	153	–	–	153
AT 31 DECEMBER 2017	**153**	**3,859**	**(1,242)**	**2,770**

As disclosed in Note 23.3, the Group issued 2,687,960 shares on 10 August 2015 (0.5% of the total ordinary share capital issued) to the shareholders of Island Hotels Group Holdings p.l.c. as part of the purchase consideration for 100% of its ordinary share capital (Note 38). During 2016, the Group issued a further 6,903,494 shares (1.2% of the total ordinary share capital issued). The fair value of the shares issued amounted to €5.6 million (€0.865 per share). The difference between the fair value of the issued shares and the nominal value of shares amounting to €0.9 million was recognised in other reserves.

The stepped acquisition of subsidiary reserve relates to the increase in value of original shareholding in Corinthia Hotels Limited, pursuant to independent valuation carried out on acquisition of further shareholding in 2006, net of deferred tax.

Available-for-sale financial assets, in 2016 relate to holdings of Malta Government bonds, which were realised in 2016 and reclassified from other comprehensive income to the income statement. In 2017, a subsidiary has invested cash earmarked for a project in available-for-sale financial assets. The reserve includes fair value movements, net of deferred tax, on these investments.

26.2 Other reserves

THE COMPANY	AVAILABLE-FOR-SALE RESERVE €'000	BONUS SHARES €'000	OTHER €'000	TOTAL €'000
AT 1 JANUARY 2016	114,351	(39,548)	(9,676)	65,127
Issuance of share capital for the acquisition of subsidiary	–	(396)	(879)	(1,275)
Fair value movements on investments in subsidiaries, associates and joint ventures, net of tax	28,021	–	–	28,021
Fair value movements on available- for-sale financial assets, net of tax	167	–	–	167
Reclassification of realised gains on available-for-sale financial assets	(1,223)	–	–	(1,223)
Issue of bonus shares	–	(17,211)	–	(17,211)
AT 31 DECEMBER 2016	141,316	(57,155)	(10,555)	73,606
AT 1 JANUARY 2017	141,316	(57,155)	(10,555)	73,606
Fair value movements on investments in subsidiaries, associates and joint ventures, net of tax	32,979	–	–	32,979
Issue of bonus shares	–	(17,935)	–	(17,935)
AT 31 DECEMBER 2017	**174,295**	**(75,090)**	**(10,555)**	**88,650**

27. Reporting currency conversion difference

The reporting currency conversion difference represents the excess of total assets over the aggregate of total liabilities and funds attributable to the shareholders, following the re-denomination of the paid-up share capital from Maltese lira to euro in 2003.

28. Retained earnings

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

29. Bank borrowings

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Bank overdraft	**8,143**	8,550	**499**	–
Bank loans	**341,269**	180,330	**12,214**	14,208
	349,412	188,880	**12,713**	14,208
COMPRISING:				
NON-CURRENT BANK BORROWINGS				
Bank loans due within 2 – 5 years	**156,676**	99,814	**6,414**	5,932
Bank loans due later than 5 years	**164,525**	64,094	**3,762**	6,285
	321,201	163,908	**10,176**	12,217
CURRENT BANK BORROWINGS				
Bank overdraft	**8,143**	8,550	**499**	–
Bank loans due within 1 year	**20,068**	16,422	**2,038**	1,991
	28,211	24,972	**2,537**	1,991

Bank borrowings are subject to variable interest rates linked to Euribor, other reference rates or bank base rates with a weighted average interest rate of 2.94% annually at 31 December 2017 (2016: 3.2% annually).

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

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

30. Bonds

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Bond IV	**–**	6,572	**–**	6,572
Bond V	**19,770**	19,722	**19,770**	19,722
Bond VI	**9,912**	9,899	**9,912**	9,899
Bond VII	**44,220**	44,137	**44,220**	44,137
Bond VIII	**–**	3,134	**–**	3,134
Bond IX	**34,530**	34,457	**34,530**	34,457
Bond X	**54,297**	54,230	**54,297**	54,230
Bond XI	**39,427**	39,451	**39,427**	39,451
	202,156	211,602	**202,156**	211,602
Non-current	**202,156**	201,896	**202,156**	201,896
Current	**–**	9,706	**–**	9,706
	202,156	211,602	**202,156**	211,602

30. Bonds • *continued*

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

	YEAR OF ISSUE	NOMINAL AMOUNT €'000	RATE OF INTEREST%	MATURITY DATE
Bond V	2012	20,000	5.8	21 December 2021
Bond VI	2013	10,000	5.8	14 November 2023
Bond VII	2015	45,000	5.75	13 May 2025
Bond IX	2014	35,000	6	15 May 2024
Bond X	2016	55,000	4	29 July 2026
Bond XI	2016	40,000	4	20 December 2026

In the case of bond IV and VIII the Company has exercised its early redemption rights. During the year ended 31 December 2017, the Group settled the amount due in respect of Bond IV.

(ii) Interest

Interest is payable annually in arrears on the due date.

(iii) Security

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

(iv) Sinking funds

The prospectus for bond V provides for the setting up of sinking funds administered independently to cover 50% of the repayment of the bonds on maturity. The required contributions to the sinking funds as deposited under a trust arrangement as at 31 December 2017 amounted to €2.3 million (2016: 6.0 million).

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

	IV €'000	V €'000	VI €'000	VII €'000	VIII €'000	IX €'000	X €'000	XI €'000
At 1 January 2016	24,695	19,676	9,887	44,060	14,000	34,384	–	–
Allocation to new bond issue	(18,180)	–	–	–	(10,866)	–	–	29,046
Proceeds from issue	–	–	–	–	–	–	55,000	10,953
Amortisation of transaction costs	57	46	12	77	–	73	29	–
Issue costs	–	–	–	–	–	–	(799)	(548)
At 31 December 2016	6,572	19,722	9,899	44,137	3,134	34,457	54,230	39,451
Cash settlement	(6,572)	–	–	–	(3,134)	–	–	–
Amortisation of transaction costs	–	48	13	83	–	73	67	51
Issue costs	–	–	–	–	–	–	–	(75)
AT 31 DECEMBER 2017	**–**	**19,770**	**9,912**	**44,220**	**–**	**34,530**	**54,297**	**39,427**

The carrying amount of bonds is considered a reasonable approximation of fair value.
The market price of bonds in issue is as follows:

	2017 €	2016 €
Bond IV	**–**	102.0
Bond V	**105.0**	108.5
Bond VI	**107.5**	107.5
Bond VII	**107.5**	110.8
Bond VIII	**–**	102.0
Bond IX	**107.5**	107.3
Bond X	**103.0**	102.0
Bond XI	**102.0**	102.0

31. Other financial liabilities

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Amounts owed to:				
Group companies	**–**	–	**20,363**	24,185
Related companies	**4,500**	4,697	**–**	–
Obligations - lease	**164**	213	**–**	–
	4,664	4,910	**20,363**	24,185
NON-CURRENT LIABILITIES				
Amounts owed to:				
Group companies	**–**	–	**14,527**	20,569
Obligations - lease	**112**	182	**–**	–
Other liabilities	**4,500**	4,500	**–**	–
	4,612	4,682	**14,527**	20,569
CURRENT LIABILITIES				
Amounts owed to:				
Group companies	**–**	–	**5,836**	3,616
Related companies	**–**	197	**–**	–
Obligations - lease	**52**	31	**–**	–
	52	228	**5,836**	3,616

The carrying amount of other financial liabilities is considered a reasonable approximation of fair value on the basis of discounted cash flows.

The terms of the amounts owed by the Group and the Company, as applicable, are as follows:

	€'000	INTEREST	REPAYABLE BY
AT 31 DECEMBER 2017			
Group companies	**6,900**	4.95%	Due by 4 August 2025
Group companies	**13,463**	0%	Due within 12 months from written notice
Other liabilities	**4,500**	3.7%	Due by the 15 February of 2019
Obligations - lease	**164**		
	25,027		
AT 31 DECEMBER 2016			
Group companies	6,900	4.95%	Due by 4 August 2025
Group companies	17,285	0%	Due within 12 months from written notice
Other liabilities	4,500	3.7%	Due by the end of 2018
Related companies	197	6.0%	On demand
Obligations - lease	213		
	29,095		

None of the loans are secured.

32. Deferred tax assets and liabilities

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

The balance at 31 December represents temporary differences attributable to:

THE GROUP	ASSETS		LIABILITIES		NET	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000
Depreciation of property, plant and equipment	**–**	–	**(37,383)**	(38,282)	**(37,383)**	(38,282)
Fair valuation of land and buildings	**–**	–	**(50,952)**	(49,875)	**(50,952)**	(49,875)
Fair valuation of investment property	**–**	–	**(13,903)**	(13,886)	**(13,903)**	(13,886)
Intangible assets	**–**	–	**(11,547)**	(10,355)	**(11,547)**	(10,355)
Investment in subsidiaries	**–**	–	**(7,147)**	(7,147)	**(7,147)**	(7,147)
Investment in joint ventures	**–**	–	**–**	(24,441)	**–**	(24,441)
Investment in associates	**101**	101	**–**	–	**101**	101
Unrelieved tax losses and unabsorbed capital allowances	**36,629**	28,832	**–**	–	**36,629**	28,832
Exchange differences	**–**	473	**(368)**	–	**(368)**	473
Provision on trade receivables	**1,267**	960	**–**	–	**1,267**	960
Other	**369**	–	**–**	(362)	**369**	(362)
Tax assets/(liabilities) – before offsetting	**38,366**	30,366	**(121,300)**	(144,348)	**(82,934)**	(113,982)
Offset in the statement of financial position	**(26,209)**	(30,366)	**26,209**	30,366	**–**	–
Tax assets/(liabilities) – as presented in statement of financial position	**12,157**	–	**(95,091)**	(113,982)	**(82,934)**	(113,982)

THE COMPANY	ASSETS		LIABILITIES		NET	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000	**2017 €'000**	2016 €'000
Depreciation of property, plant and equipment	**–**	166	**(25)**	–	**(25)**	166
Intangible assets	**–**	–	**(5,488)**	(4,802)	**(5,488)**	(4,802)
Investment in subsidiaries	**–**	–	**(72,956)**	(34,560)	**(72,956)**	(34,560)
Investment in associates	**253**	–	**–**	(83)	**253**	(83)
Investment in joint ventures	**–**	–	**–**	(22,388)	**–**	(22,388)
Unrelieved tax losses and unabsorbed capital allowances	**2,972**	5,418	**–**	–	**2,972**	5,418
Exchange differences	**–**	–	**(2)**	(139)	**(2)**	(139)
Tax assets/(liabilities)	**3,225**	5,584	**(78,471)**	(61,972)	**(75,246)**	(56,388)
Offset in the statement of financial position	**(3,225)**	(5,584)	**3,225**	5,584	**–**	–
Tax assets/(liabilities) – as presented in statement of financial position	**–**	–	**(75,246)**	(56,388)	**(75,246)**	(56,388)

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period. The deferred tax assets and liabilities reflected in other comprehensive income relate to fair valuation of property, plant and equipment and investments in subsidiaries, associates and joint venture which have been measured as available-for-sale financial assets.

32. Deferred tax assets and liabilities • *continued*

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

THE GROUP	BALANCE 01.01.2016 €'000	RECOGNISED IN PROFIT OR LOSS €'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME €'000	ACQUISITION OF SUBSIDIARY €'000	INDEMNIFICATION ASSET €'000	BALANCE 31.12.2016 €'000	RECOGNISED IN PROFIT OR LOSS €'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME €'000	ACQUISITION OF SUBSIDIARY €'000	INDEMNIFICATION ASSET €'000	BALANCEM 31.12.2017 €'000
Property, plant and equipment	(83,087)	4,656	(9,749)	23	–	**(88,157)**	(520)	342	–	–	**(88,335)**
Investment property	(17,523)	5,460	(1,823)	–	–	**(13,886)**	(406)	389	–	–	**(13,903)**
Intangible assets	(5,961)	(4,394)	–	–	–	**(10,355)**	(1,192)	–	–	–	**(11,547)**
Investments in subsidiaries	(5,150)	–	–	–	(1,997)	**(7,147)**	–	–	–	–	**(7,147)**
Investments in associates	101	–	–	–	–	**101**	–	–	–	–	**101**
Investments in joint ventures	(27,385)	774	2,170	–	–	**(24,441)**	784	23,657	–	–	**–**
Unrelieved tax losses and capital allowances	31,132	(6,201)	3,901	–	–	**28,832**	9,440	(1,555)	(88)	–	**36,629**
Exchange differences	656	(183)	–	–	–	**473**	(390)	(152)	(299)	–	**(368)**
Provision on trade receivables	774	(506)	692	–	–	**960**	307	–	–	–	**1,267**
Others	(317)	(124)	79	–	–	**(362)**	754	(23)	–	–	**369**
	(106,760)	(518)	(4,730)	23	(1,997)	**(113,982)**	8,777	22,658	(387)		**(82,934)**

Unrecognised deferred tax assets

Deferred income taxes are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. In 2017, the Group did not recognise deferred income tax assets of €1.6 million (2016: €1.4 million), in respect of losses amounting to €6.2 million (2016: €5.7 million) that can be carried forward against future taxable income.

32. Deferred tax assets and liabilities • *continued*

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

THE COMPANY	BALANCE 01.01.2016 €'000	RECOGNISED IN PROFIT OR LOSS €'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME €'000	INDEMNIFICATION ASSET €'000	SURRENDER OF LOSSES €'000	BALANCE 31.12.2016 €'000	RECOGNISED IN PROFIT OR LOSS €'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME €'000	SURRENDER OF LOSSES €'000	BALANCE 31.12.2017 €'000
Property, plant and equipment	166	–	–	–	–	**166**	(191)	–	–	**(25)**
Intangible assets	–	(4,802)	–	–	–	**(4,802)**	(686)	–	–	**(5,488)**
Investments in subsidiaries	(35,176)	–	2,613	(1,997)	–	**(34,560)**	1,707	(40,103)	–	**(72,956)**
Investments in associates	(190)	–	107	–	–	**(83)**	–	336	–	**253**
Investments in joint ventures	(1,096)	–	(21,292)	–	–	**(22,388)**	–	22,388	–	**–**
Unrelieved tax losses and unabsorbed capital allowances	436	5,674	–	–	(692)	**5,418**	4,870	–	(7,316)	**2,972**
Exchange differences	(139)	–	–	–	–	**(139)**	137	–	–	**(2)**
	(35,999)	872	(18,572)	(1,997)	(692)	**(56,388)**	5,837	(17,379)	(7,316)	**(75,246)**

Unrecognised deferred tax assets

The Company did not have unrecognised deferred income tax assets that could be carried forward against future taxable income as at 31 December 2017 and 31 December 2016.

33. Trade and other payables

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
NON-CURRENT				
Other payables	**535**	1,214	**–**	–
Other liabilities – contingent consideration (Note 38)	**1,175**	1,175	**1,175**	1,175
FINANCIAL LIABILITIES	**1,710**	2,389	**1,175**	1,175
Deferred income	**2,910**	–	**–**	–
Advance payments	**78**	788	**–**	–
TOTAL PAYABLES – NON-CURRENT	**4,698**	3,177	**1,175**	1,175
CURRENT				
Trade payables	**13,199**	12,146	**425**	719
Amounts owed to:				
Parent company	**187**	144	**141**	72
Subsidiary companies	**–**	–	**1,155**	8,015
Joint ventures	**155**	1,037	**–**	959
Other related parties	**1,470**	1,568	**50**	52
Capital creditors	**1,505**	1,721	**–**	–
Other payables	**6,345**	4,859	**1,258**	1,273
Accruals	**20,946**	18,939	**6,225**	7,200
FINANCIAL LIABILITIES	**43,807**	40,414	**9,254**	18,290
Advance payments	**9,699**	6,842	**–**	–
Statutory liabilities	**4,223**	1,652	**250**	204
TOTAL PAYABLES – CURRENT	**57,729**	48,908	**9,504**	18,494

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

The carrying amount of trade and other payables is considered a reasonable approximation of fair value in view of the short-term nature of these instruments.

34. Dividends

No dividends were declared during 2016 and 2017.

35. Cash flow information

35.1 Cash generated from operations

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
ADJUSTMENTS:				
Depreciation of property, plant and equipment	**28,159**	20,498	**32**	32
Increase in provision for impairment of trade receivables	**888**	(125)	**–**	–
Loss on disposal of property, plant and equipment	**416**	988	**3**	–
Amortisation of intangible assets	**2,907**	2,809	**78**	155
Impairment losses on intangible assets	**3,000**	–	**–**	–
Net reversal of impairment losses on property, plant and equipment	**(3,998)**	(2,960)	**4,879**	–
Fair value movements on investment properties	**(278)**	19,712	**–**	–
Share of results of associates and joint ventures	**(2,119)**	(1,661)	**–**	–
Reclassification of currency translation reserve to profit and loss upon obtaining control of NLI	**1,809**	–	**–**	–
Net changes in fair value of indemnification assets	**210**	210	**–**	–
Amortisation of transaction costs	**1,241**	295	**335**	295
Loss on remeasurement of interest in QPM to fair value	**–**	168	**–**	–
Gains on disposal of available-for-sale financial assets	**–**	(1,223)	**–**	(1,223)
Interest income	**(1,387)**	(685)	**(4,327)**	(2,244)
Interest expense	**21,264**	16,426	**11,806**	11,444
Dividend income	**–**	–	**(1,000)**	(3,689)
Net exchange differences	**3,916**	(9,825)	**–**	–
	56,028	44,627	**11,806**	4,770

35.2 Reconciliation of financing liabilities

THE GROUP	ASSETS	LIABILITIES FROM FINANCING ACTIVITIES			
	ASSETS PLACED UNDER TRUST ARRANGEMENT €'000	BONDS €'000	BANK LOANS €'000	OTHER FINANCIAL LIABILITIES €'000	TOTAL €'000
As at 1 Jan 2017					
– Principal	6,038	(211,602)	(180,330)	(4,910)	(390,804)
– Accrued interest	–	(5,185)	(810)	–	(5,995)
– Net	**6,038**	**(216,787)**	**(181,140)**	**(4,910)**	**(396,799)**
Cash flows	(3,748)	21,578	1,062	3,064	21,956
Acquisition of subsidiaries	–	–	(155,604)	(2,930)	(158,534)
Foreign exchange differences	–	–	(3,878)	–	(3,878)
Currency translation differences	–	–	9,030	112	9,142
Other movements	–	(11,010)	(11,540)	–	(22,550)
AS AT 31 DECEMBER 2017	**2,290**	**(206,219)**	**(342,070)**	**(4,664)**	**(550,663)**
Comprising:					
– Principal	2,290	(202,156)	(341,269)	(4,664)	(545,799)
– Accrued interest	–	(4,063)	(801)	–	(4,864)
AS AT 31 DECEMBER 2017	**2,290**	**(206,219)**	**(342,070)**	**(4,664)**	**(550,663)**

35.2 Reconciliation of financing liabilities • *continued*

THE COMPANY	ASSETS	LIABILITIES FROM FINANCING ACTIVITIES			
	ASSETS PLACED UNDER TRUST ARRANGEMENT €'000	BONDS €'000	BANK LOANS €'000	OTHER FINANCIAL LIABILITIES €'000	TOTAL €'000
As at 1 Jan 2017					
– Principal	6,039	(211,602)	(14,208)	(24,185)	(243,956)
– Accrued interest	–	(5,186)	(205)	–	(5,391)
– Net	**6,039**	**(216,788)**	**(14,413)**	**(24,185)**	**(249,347)**
Cash flows	(3,749)	21,579	3,331	(1,597)	19,564
Other movements	–	(11,010)	(1,148)	5,419	(6,739)
AS AT 31 DECEMBER 2017	**2,290**	**(206,219)**	**(12,230)**	**(20,363)**	**(236,522)**
Comprising:					
– Principal	2,290	(202,156)	(12,214)	(20,363)	(232,942)
– Accrued interest	–	(4,063)	(16)	–	(4,079)
AS AT 31 DECEMBER 2017	**2,290**	**(206,219)**	**(12,230)**	**(20,363)**	**(236,522)**

35.3 Significant non-cash transactions

During the year ended 31 December 2017, the Company issued bonus shares by capitalising its reserves in the amount of €17.9 million (2016: €17.2 million). Additionally, the Group obtained control of NLI through a non-cash transaction in 2017 (Note 38).

36. Commitments

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

	THE GROUP	
	2017 €'000	2016 €'000
Contracted for:		
Property, plant and equipment	**7,467**	9,401
Authorised but not yet contracted for:		
Property, plant and equipment	**55,613**	18,826
	63,080	28,226

The board of directors of joint ventures have authorised capital commitments for property, plant and equipment amounting to €4.6 million (2016: €5.0 million). The Group's share of these commitments is equivalent to 50%.

Operating leases

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

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Less than one year	**3,256**	3,325	**118**	118
Between one and five years	**6,378**	6,575	**118**	–
More than five years	**21,209**	21,746	**–**	–
	30,843	31,646	**236**	118

36. Commitments • *continued*

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

The Group is a party to several operating lease agreements for the lease land on which the hotels are situated. The Group is committed to pay periodic payments to the lessor. The Group also leases certain catering establishments with rental payments based on a percentage of turnover with minimum guaranteed payments or a fixed amount per annum with specified increases. The Group does not have an option to purchase the leased land or catering establishment at the expiry of the lease periods.

During the year ended 2017, €4.5 million (2016: €4.5 million) and €0.1 million (2016: €0.1 million) for the Group and Company respectively were recognised as an expense in the income statement in respect of operating leases.

37. Contingent liabilities

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

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

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

38. Business combinations

Business combinations during 2017
In early 2017, the Group obtained control of the NLI Group, because IHI has secured the right to nominate and appoint the majority of the board of directors, which are in turn responsible for decisions in relation to NLI's relevant activities. IHI's economic interest in NLI as a result of obtaining control remained 50%.

The NLI Group was previously recognised as a joint venture and accounted for using the equity method in IHI's consolidated financial statements, however, as from 1 January 2017, being the date on which control was obtained, NLI Group's results and financial position have been consolidated.

The following table summarises the consideration given up, representing the fair value of the previously-held interest in the joint venture, the fair value of assets and liabilities acquired and the non-controlling interest at the acquisition date.

THE GROUP	NLI GROUP €'000
PURCHASE CONSIDERATION	
Fair value of equity interest in NLI Group held before the business combination	198,495
Fair value of receivables due from NLI	2,930
	201,425
RECOGNISED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED	
Cash and cash equivalents	9,222
Property, plant and equipment	512,091
Investment property	46,874
Inventories	3,327
Trade and other receivables	6,850
Trade and other payables	(19,464)
Current income tax liabilities	(59)
Other financial liabilities	(2,930)
Borrowings	(155,604)
Deferred tax liabilities	(387)
TOTAL IDENTIFIABLE NET ASSETS	**399,920**
NON-CONTROLLING INTEREST	**(198,495)**
TOTAL	**201,425**

38. Business combinations
• *continued*

Business combinations during 2017
• *continued*

The fair value of the NLI Group on the date of acquisition was equivalent to the carrying amount of the Group's joint venture in respect of this investment. Accordingly, no gain or loss arose on acquisition, other than for the reclassification of the Group's share of NLI's currency translation reserve, amounting to a negative €1.8 million, being recognised as a loss for the year. The Group also reclassified its share of revaluation reserves, having a carrying amount of €128.0 million to retained earnings, through a transfer in the statement of changes in equity.

Non-controlling interests were recognised as a proportionate share of the fair value of net assets acquired. No goodwill was recognised on acquisition.

No cash consideration was payable on acquisition, and the Group acquired cash and cash equivalents amounting to €9.2 million. This amount is presented in the statement of cash flows as an inflow within investing activities.

The fair value of trade and other receivables is €6.8 million and includes trade receivables with a fair value of €3.9 million. The gross contractual amount for trade receivables due is €4.0 million, of which €0.1 million is expected to be uncollectible.

The revenue included in the consolidated statement of comprehensive income since 1 January 2017 contributed by the NLI Group was €68.7 million. The NLI Group also contributed profit after tax of €5.7 million for the same period.

Business combinations during 2016

On 1 July 2016, the Group, through the Company, acquired the remaining 80% of the share capital of QP Management Limited and its subsidiaries (together referred to as "QP"), a group in the construction related services, operating both in Malta and overseas, from CPHCL, the Group's parent. Prior to the acquisition, the Group held 20% of the shares in QP, by virtue of which it exercised significant influence. Accordingly, until the date control was obtained, the investment in QP was classified as an investment in associate and measured using the equity method.

As a result of the acquisition, the Group expects to benefit for its new capability to offer a complete cycle of services from project inception to completion and eventually operation. The goodwill of €2.5 million arising from the acquisition is attributable to synergies expected from combining the operations of the Group and QP.

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

THE GROUP	QP €'000
CONSIDERATION AT 1 JULY 2016	
Cash	4,632
Fair value of contingent consideration	1,175
TOTAL CONSIDERATION TRANSFERRED	5,807
Fair value of equity interest in QP before the business combination	837
TOTAL CONSIDERATION	**6,644**
RECOGNISED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED	
Property, plant and equipment	248
Intangible asset	48
Deferred tax assets	23
Trade and other receivables	4,677
Cash and cash equivalents	(29)
Trade and other payables	(708)
Current income tax liabilities	(73)
TOTAL IDENTIFIABLE NET ASSETS	4,186
GOODWILL	2,458
TOTAL	**6,644**

38. Business combinations • *continued*

Business combinations during 2016 • *continued*
Purchase consideration – cash outflow

THE GROUP	QP €'000
OUTFLOW OF CASH TO ACQUIRE SUBSIDIARY, NET OF CASH ACQUIRED	
Cash consideration	4,632
Less: Balances acquired Bank overdraft	(29)
NET OUTFLOW OF CASH – INVESTING ACTIVITIES	**4,661**

Acquisition of QP
Acquisition related costs of €13 thousand have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2016.

The conditional consideration arrangement requires the Group to pay, in cash, to CPHCL, 15.5% of any revenue generated by QP Management Limited from a project that QP has spent considerable time to secure, for a period of 10 years.

The fair value of the contingent consideration arrangement of €1.2 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 17.3% and projected revenue for the ten year period ranging between €2.5 million and €5.0 million. The measurement is categorised as a Level 3 fair value measurement.

The group recognised a loss of €168 thousand as a result of measuring at fair value its 20% interest in QP held before the business combination. The loss is included within net gains and losses in the income statements.

The carrying amount of trade and other receivables acquired as at the date of acquisition is a good approximation of their fair value. The amount includes trade receivables of €4.7 million net of an impairment allowance of €27 thousand and part of these receivables are from related parties.

The revenue included in the consolidated income statement since 1 July 2016 contributed by QP was €1.4 million and contributed a loss of € 0.1 million over the same period.

Had QP been consolidated from 1 January 2016, the consolidated income statement would show pro-forma revenue of €159.6 million and loss of €7.5 million.

39. Merger between entities under common control

Merger of IHGH
As disclosed in Note 3.2, IHGH merged into IHI on 29 December 2017. Given that both companies are ultimately controlled by CPHCL, the transaction was accounted using the predecessor method of accounting. In order to present more meaningful information, the directors elected to account for the transaction as if the post-merger structure was always in place.

Accordingly, the financial position of the Company as at 1 January 2016, being the first day of the comparative period, was restated in order to reflect the assets and liabilities of IHGH as at this date. The assets and liabilities of IHGH were taken over at their carrying amounts in the consolidated financial statements of IHI. Additionally, IHGH's accounting policies were changed, where applicable, in order to align to the Company's accounting policies.

39. Merger between entities under common control • *continued*

Merger of IHGH • *continued*

The following table summarises the consideration given up by the Company and the amounts of assets acquired and liabilities assumed that were recognised in the statement of financial position as at 1 January 2016:

	IHGH €'000
CONSIDERATION AT 1 JANUARY 2016	
Carrying amount of investment in IHGH	46,197
Amounts payable to IHGH derecognised on merger	(6,048)
	40,149
RECOGNISED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED AND LIABILITIES ASSUMED	
Investment in subsidiaries	83,926
Loans and receivables	25,753
Cash and cash equivalents	238
Assets placed under trust arrangement	507
Trade and other receivables	614
Current tax asset	244
Bonds	(48,384)
Other financial liabilities	(15,758)
Trade and other payables	(1,834)
Deferred tax liabilities	(4,099)
TOTAL IDENTIFIABLE NET ASSETS	**41,207**
EQUITY ADJUSTMENTS:	
Retained earnings taken over	(1,058)
	40,149

40. Related parties

The Company and its subsidiaries have related party relationships with CPHCL, the Company's ultimate controlling party (Note 43), all related entities ultimately controlled, jointly controlled or significantly influenced by CPHCL. Related parties also comprise the shareholders of CPHCL, other major shareholders of IHI, the Group's associates and joint ventures (Note 17) together with the Group companies' key management personnel.

Key management personnel includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is disclosed in Note 40.2.

None of the transactions incorporate special terms and conditions, and no guarantees were given or received. Amounts owed by/to related parties are shown separately in Notes 18, 20, 31 and 33.

As disclosed in Note 38 during 2016, the Group acquired QPM from its parent undertaking, CPHCL.

40. Related parties • *continued*

40.1 Related parties

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
REVENUE				
Services rendered to:				
Parent company	**2,562**	2,680	**1,100**	1,600
Fellow subsidiaries	**1,712**	1,339	**5,348**	4,294
Joint ventures	**8**	5,071	**–**	679
	4,282	9,090	**6,448**	6,573
DIRECT COSTS				
Charged by:				
Parent company	**–**	(70)	**–**	–
FINANCING				
Interest income				
Parent company	**736**	448	**631**	389
Fellow subsidiaries	**33**	25	**3,677**	2,966
Joint ventures	**–**	107	**–**	90
Interest expenses				
Fellow subsidiaries	**–**	–	**(560)**	(531)
	769	580	**3,748**	2,914
Net income	**3,513**	9,600	**10,196**	9,487

40.2 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.

In 2017 the remuneration of the executive Chairman and Senior Executives of the Company and its subsidiaries amounted to €9.5 million (2016: €7.7 million). The foregoing comprises a fixed portion of €6.7 million (2016: €5.8 million) and a variable portion of €2.8 million (2016: €1.9 million).

This variable portion includes an accrual that has been made for bonuses relating to 2017. Other than those bonuses that are contractual, the final amounts still needs to be formally approved.

41. Events after the reporting period

Business combinations

On 10 April 2018, the Group acquired 100% of the Corinthia Palace Hotel business in Attard through a newly formed subsidiary, for a consideration of €26.8 million, from its ultimate parent, CPHCL. The financial effects of this transaction have not been recognised as at 31 December 2017, but the operating results and assets and liabilities of the acquired business will be consolidated from 1 April 2018.

The provisionally determined fair values of the assets and liabilities of the acquired business as at the date of acquisition are as follows:

THE GROUP	CORINTHIA HOTEL ATTARD €'000
PURCHASE CONSIDERATION	**26,579**
RECOGNISED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED	
Cash and cash equivalents	38
Property, plant and equipment	27,017
Inventories	590
Trade and other receivables	1,945
Trade and other payables	(2,568)
Borrowings	(443)
TOTAL IDENTIFIABLE NET ASSETS	26,579
TOTAL	**26,579**

42. Risk management objectives and policies

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

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

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

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

The most significant financial risks to which the Group is exposed to are described below. See also Note 42.5 for a summary of the Group's financial assets and liabilities by category.

42. Risk management objectives and policies • *continued*

42.1 Credit risk

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

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Classes of financial assets - carrying amounts				
Long term loans	**1,598**	4,570	**303,769**	304,635
Short term loans	**17,984**	12,982	**17,937**	12,937
Assets placed under trust arrangement	**2,290**	6,038	**2,290**	6,038
Trade and other receivables	**40,484**	36,962	**17,370**	34,024
Cash and cash equivalents	**50,795**	29,382	**6,538**	15,160
	113,151	89,934	**347,904**	372,794

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

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

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

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

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

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

42. Risk management objectives and policies • *continued*

42.1 Credit risk • *continued*

The ageing of trade receivables at the reporting date was:

	THE GROUP	
	2017	2016
	€'000	€'000
Not past due	**8,027**	3,827
Past due 0-30 days	**1,708**	1,494
Past due 31-120 days	**2,047**	1,889
Past due 121-360 days	**1,200**	1,261
More than one year	**5,733**	6,317
GROSS AMOUNT	**18,715**	14,788
NOT PAST DUE DATE		
Past due 0-30 days	**(164)**	(46)
Past due 31-120 days	**(56)**	(2)
Past due 121-360 days	**(874)**	(771)
More than one year	**(3,373)**	(2,690)
IMPAIRED AMOUNT	**(4,467)**	(3,509)
NET AMOUNT	**14,248**	11,279

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

	THE GROUP	
	2017	2016
	€'000	€'000
At 1 January	**3,509**	3,607
Acquired	**70**	27
Written-off balances	**(250)**	(670)
Impairment losses recognised	**1,166**	604
Impairment losses reversed	**(28)**	(59)
AT 31 DECEMBER	**4,467**	3,509

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

All impaired balances were unsecured.

Based on historic default rates, the Group believes that no impairment loss is necessary in respect of trade receivables not past due or on the remaining portion of debtors which have not been provided for.

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

Cash at bank

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

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

42. Risk management objectives and policies • *continued*

42.2 Liquidity risk

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

The Group actively manages its cash flow requirements. Management monitors liquidity risk by reviewing expected cash flows through cash flow forecasts, covering both Head Office corporate cash flows and all Group entities' cash flows, highlighting if any financing facilities are expected to be required. This is performed at a central treasury function, which controls the overall liquidity requirements of the Group within certain parameters. Each subsidiary company within the Group updates its cash flow on a monthly basis.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financing or borrowing obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably forecasted.

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

At 31 December 2017 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

THE GROUP	CURRENT	NON-CURRENT	
31 DECEMBER 2017	WITHIN 1 YEAR €'000	1-5 YEARS €'000	MORE THAN 5 YEARS €'000
Non-derivatives:			
Bank borrowings	24,616	288,214	51,103
Bonds	10,228	59,752	212,744
Other financial liabilities	218	4,612	–
Bank overdraft	8,509	–	–
Trade and other payables	38,981	1,804	1,938
	82,552	**354,382**	**265,785**

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

THE GROUP	CURRENT	NON-CURRENT	
31 DECEMBER 2016	WITHIN 1 YEAR €'000	1-5 YEARS €'000	MORE THAN 5 YEARS €'000
Non-derivatives:			
Bank borrowings	25,479	127,054	70,595
Bonds	21,893	60,912	221,812
Other financial liabilities	407	4,848	–
Bank overdraft	8,935	–	–
Trade and other payables	36,186	2,483	1,938
	92,900	195,297	294,345

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

42. Risk management objectives and policies • *continued*

42.2 Liquidity risk

At 31 December 2017 the Company has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

THE COMPANY	CURRENT	NON-CURRENT	
31 DECEMBER 2017	WITHIN 1 YEAR €'000	1-5 YEARS €'000	MORE THAN 5 YEARS €'000
Non-derivatives:			
Bank borrowings	2,545	6,439	5,424
Bonds	10,228	59,752	212,744
Other financial liabilities	6,191	9,001	7,926
Trade and other payables	5,175	1,269	1,938
	29,370	**76,461**	**228,032**

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

THE COMPANY	CURRENT	NON-CURRENT	
31 DECEMBER 2016	WITHIN 1 YEAR €'000	1-5 YEARS €'000	MORE THAN 5 YEARS €'000
Non-derivatives:			
Bank borrowings	2,600	7,505	6,904
Bonds	21,893	60,912	221,812
Other financial liabilities	6,195	15,050	8,268
Trade and other payables	12,899	1,269	1,938
	49,182	84,736	238,922

42.3 Market risk

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

(i) Foreign currency risk

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

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

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

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

42. Risk management objectives and policies • *continued*

42.3 Market risk

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

(i) Foreign currency risk • *continued*

THE GROUP	2017 FUNCTIONAL CURRENCY				2016 FUNCTIONAL CURRENCY				
		EUR		RUB			EUR		RUB
	HUF	LYD	CZK	EUR	GBP	HUF	LYD	CZK	EUR
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
GROUP									
Assets:									
Loans and receivables:									
Loans receivable	**–**	**–**	**–**	**–**	2,920	–	–	–	–
Trade receivables	**1,835**	**2,203**	**734**	**–**	–	1,262	3,475	564	213
Other receivables	**377**	**768**	**494**	**–**	–	352	962	501	–
Liabilities:									
Bank borrowings	–	–	–	(50,935)	–	–	–	–	(52,820)
Trade payables	(884)	(1,175)	(1,296)	–	–	(647)	(1,552)	(1,105)	(198)
Other payables	(2,888)	(3,099)	(1,953)	–	–	(2,691)	(3,399)	(2,107)	–
NET EXPOSURE	**(1,560)**	**(1,303)**	**(2,021)**	**(50,935)**	2,920	(1,724)	(514)	(2,147)	(52,805)

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

At 31 December 2017, if the euro had weakened/strengthened by 10% (2016: 5%) against the Rouble with all other variables held constant, Group post-tax profit for the year would have been €5.8 million lower/€5.8 million higher (2016 : €2.8 million lower/€2.8 million higher) as a result of foreign exchange losses/gains on translation of the euro denominated borrowings.

Additionally, IHI Benelux is also exposed to other financial liabilities and other payables due to Group companies which are eliminated on consolidation. These balances amounting to €54.1 million (2016: €54.1 million) and €22.7 million (2016: €21.1 million) respectively, are considered part of the Group's net investment in the foreign operation. Accordingly, any foreign exchange differences with respect to these balances, which at IHI Benelux standalone level are recognised in profit or loss, were reclassified to other comprehensive income on consolidation.

At 31 December 2017, if the euro had weakened/strengthened by 10% (2016: 5%) against the Rouble with all other variables held constant, the Group's equity would have been €8.0 million lower/€8.0 million higher (2016: €4.0 million lower/€4.0 million higher) as a result of foreign exchange losses/gains recognised in other comprehensive income on translation of the euro denominated payables.

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

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

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

42. Risk management objectives and policies • *continued*

42.3 Market risk

(ii) Interest rate risk

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

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
FIXED RATE INSTRUMENTS				
Financial assets:				
Parent company loan and other loans receivable	**19,582**	17,552	**64,337**	79,652
Assets placed under trust arrangement	**2,290**	6,038	**2,290**	6,038
Financial liabilities:				
Bonds	**(202,156)**	(211,602)	**(202,156)**	(211,602)
Other financial liabilities	**(4,664)**	(4,910)	**(6,900)**	(6,900)
	(184,948)	(192,922)	**(142,429)**	(132,812)
VARIABLE RATE INSTRUMENTS				
Financial assets:				
Loans to related company	**–**	–	**54,053**	54,053
Financial liabilities:				
Bank borrowings	**(349,412)**	(188,880)	**(12,714)**	(14,208)
Other financial liabilities	**–**	–	**(13,463)**	(17,285)
	(349,412)	(188,880)	**27,876**	22,560

The Group manages its exposure to changes in cash flows in relation to interest rates on interest-bearing borrowings due by the parent company and its subsidiaries, by entering into financial arrangements subject to fixed rates of interest whenever as much as is practicable. The Group is exposed to fair value interest rate risk on its financial assets and liabilities bearing fixed rates of interest, but all these instruments are measured at amortised cost and accordingly a shift in interest rates would not have an impact on profit or loss or other comprehensive income.

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

At 31 December, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year for the Group would have been €2,296,000 (2016: €1,792,000) lower/higher as a result of higher/lower net interest expense.

At 31 December, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year for the Company would have been €23 thousand (2016: €0.1 million) lower/higher as a result of higher/lower net interest expense.

(iii) Price risk

The Group's exposure to equity securities price risk arises from its investments in equities, funds and mutual funds, which are classified in the balance sheet as available-for-sale financial assets. As at 31 December 2017, the carrying amount of these investments amounted to €8.6 million (2016: nil). All investments are publicly traded.

Management does not consider that a reasonable shift in indexes will have a significant impact on the Group's equity and post-tax profit. Accordingly, a sensitivity analysis disclosing how profit or loss and equity would have been affected by changes in indexes that were reasonably possible at the end of the reporting period is not deemed necessary.

42. Risk management objectives and policies • *continued*

42.4 Capital management policies and procedures

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

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

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

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
Borrowings (Note 29)	**341,269**	180,330	**12,214**	14,208
Other financial liabilities (Note 31)	**4,664**	4,910	**20,363**	24,185
Bonds (Note 30)	**202,156**	211,602	**202,156**	211,602
Less: cash and cash equivalents (Note 22)	**(42,652)**	(20,832)	**(6,039)**	(15,160)
Net debt	**505,437**	376,010	**228,694**	234,835
Total equity	**884,632**	646,822	**691,324**	666,034
Total capital	**1,390,069**	1,022,832	**920,018**	900,870
Net debt ratio	**36.4%**	36.8%	**24.9%**	26.1%

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

The carrying amounts of the Group's financial assets and liabilities as recognised at balance sheet date of the reporting periods under review may also be categorised as follows. See Note 3.14 for explanations about how the category of financial instruments affects their subsequent measurement.

42. Risk management objectives and policies • *continued*

42.5 Summary of financial assets and liabilities by category

	THE GROUP		THE COMPANY	
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
ASSETS				
LOANS AND RECEIVABLES MEASURED AT AMORTISED COST				
Trade receivables	**14,248**	11,279	**2**	–
Other receivables	**26,236**	25,683	**17,368**	34,024
Amounts due from Group and related companies	**19,582**	17,552	**321,706**	317,572
Assets placed under trust arrangement	**2,290**	6,038	**2,290**	6,038
FINANCIAL ASSETS MEASURED AT FAIR VALUE				
Equity securities				
Investments in subsidiaries	**–**	–	**628,271**	383,320
Investments in associates and joint ventures	**–**	–	**12,604**	212,027
Available-for-sale financial assets	**3,116**	–	**–**	–
Funds and mutual funds				
Available-for-sale financial assets	**5,487**	–	**–**	–
TOTAL ASSETS	**70,959**	60,552	**982,241**	952,981
LIABILITIES				
OTHER FINANCIAL LIABILITIES MEASURED AT FAIR VALUE				
Contingent consideration	**1,175**	1,175	**1,175**	1,175
OTHER FINANCIAL LIABILITIES MEASURED AT AMORTISED COST				
Bank borrowings	**349,412**	188,880	**12,713**	14,208
Bonds	**202,156**	211,602	**202,156**	211,602
Other financial liabilities	**4,664**	4,910	**20,363**	24,185
Trade payables	**13,199**	12,146	**425**	719
Other payables	**10,197**	10,543	**2,604**	10,371
Accruals	**20,946**	18,939	**6,225**	7,200
TOTAL LIABILITIES	**601,749**	448,195	**245,661**	269,460

42.6 Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: based on information other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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 level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

42. Risk management objectives and policies • *continued*

42.6 Financial instruments measured at fair value • *continued*

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

THE GROUP	2017		2016	
	€'000 LEVEL 1	€'000 LEVEL 3	€'000 LEVEL 1	€'000 LEVEL 3
ASSETS				
Available-for-sale investments	**8,603**	**–**	–	–
LIABILITY				
Contingent consideration	**–**	**(1,175)**	–	(1,175)
	8,603	**(1,175)**	–	(1,175)

THE COMPANY	2017	2016
	€'000	€'000
	LEVEL 3	
ASSETS		
Investments in subsidiaries (a)	**628,271**	383,319
Investments in associates and joint ventures (b)	**12,604**	212,025
LIABILITY		
Contingent consideration	**(1,175)**	(1,175)
	639,700	594,169

Measurement of fair value

The fair value of available-for-sale financial assets was obtained by reference to published market prices as at the balance sheet date. The fair value disclosures relating to contingent consideration are disclosed in Note 38.

The valuation processes undertaken in respect of property (Note 15) has been adopted with respect to the these financial instruments.

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

a) *Investment in subsidiaries*
The fair value of investment in subsidiaries have been determined by reference to the fair values of the underlying properties or enterprise value as outlined in Note 16.1. Movements in level 3 are as indicated in Note 15.1.

b) *Investment in associates and joint ventures*
Investment in associates and joint ventures are accounted for as available-for-sale investments in the Company's balance sheet as outlined in Note 17. The fair value of investments in associates and joint ventures has been determined in the same manner as outlined above.

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

42. Risk management objectives and policies • *continued*

42.7 Financial instruments not measured at fair value

Disclosure in respect of the fair value of financial instruments not carried at fair value are presented within Notes 18, 20, 29, 30, 31 and 33. The Directors consider the carrying amount to be reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods.

The following tables provide an analysis of the Group and the Company's financial instruments disclosed above, grouped into Levels 1 to 3:

	THE GROUP			
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
	LEVEL 1		LEVEL 3	
FINANCIAL ASSETS				
Loans receivable	**–**	–	**19,582**	17,552
Trade and other receivables	**–**	–	**40,484**	36,962
	–	–	**60,066**	54,514
FINANCIAL LIABILITIES				
Bank borrowings	**–**	–	**349,412**	188,880
Bonds	**202,156**	211,602	**–**	–
Other financial liabilities	**–**	–	**4,664**	4,910
Trade and other payables	**–**	–	**44,342**	41,628
	202,156	211,602	**398,418**	235,418

	THE COMPANY			
	2017 €'000	2016 €'000	**2017 €'000**	2016 €'000
	LEVEL 1		LEVEL 3	
Financial assets				
Loans receivable	**–**	–	**303,769**	304,635
Trade and other receivables	**–**	–	**17,370**	34,025
	–	–	**321,139**	338,660
Financial liabilities				
Bank borrowings	**–**	–	**12,713**	14,208
Bonds	**202,156**	211,602	**–**	–
Other financial liabilities	**–**	–	**20,363**	24,185
Trade and other payables	**–**	–	**9,254**	18,290
	202,156	211,602	**42,330**	56,683

43. Ultimate controlling party

The Group's ultimate parent company is CPHCL, the registered office of which is 22, Europa Centre, Floriana FRN 1400, Malta.

CPHCL prepares the consolidated financial statements of the Group of which IHI and its subsidiaries form part. These financial statements are filed and are available for public inspection at the Registry of Companies in Malta.

Notes

Notes

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