International Hotel Investments p.l.c.

Report & Financial Statements

31 December 2016

Company registration number: C 26136

Contents

DIRECTORS' REPORT

Year ended 31st December 2016

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 2016.

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 €157.9 million compared to €134.1 million the year before. The increase in revenue is attributable to the Company's operations in St Petersburg (€1.7 million), the consolidation of the IHGH results for a full year as opposed to six months in 2015 (€16.2 million), and other European operations (€4.5 million). QP Management Limited, which was acquired in July 2016, contributed €1.4 million.

EBITDA for 2016 excluding the consolidation of the results of jointly controlled companies amounted to €37.8 million compared to €32.1 million achieved in 2015. The increase in EBITDA is attributable to the improved performance in all the Company's hotels, which was however slightly dampened by the loss at our Spanish catering operation. It is also worth noting that the year-on-year performance of the Corinthia Hotel St Petersburg was €2.6 million higher in 2016 relative to 2015.

The performance of the Corinthia Hotel London, in which IHI holds a 50% stake, continued to improve significantly in the year under review when measured in sterling, but in euro terms was affected negatively by the weakening of sterling in terms of euro in the run-up and more so following the Brexit results. The Group's share of the hotel's EBITDA in 2016 amounted to €8.0 million as compared to €8.2 million in 2015. Likewise, the Golden Sands operation, in which IHI holds a 50% stake acquired through the IHG acquisition, contributed € 7.2 million to the Group's EBITDA. In 2015, this operation contributed an EBITDA of €3.8 million for the six-month period during which Golden Sands was part of the Group.

On an adjusted basis, the EBITDA for the Group including our share of the joint venture's EBITDA is €53.0 million compared to € 44.1 million in 2015.

In 2016, the Group registered net property uplifts including our share of joint ventures' uplifts, before tax, of €27.0 million on account of the continuing improved trading performance of the Group's assets located in Europe. This increase continues to build on the net property uplifts of €42.6 million registered last year.

In July 2016, IHI issued a €55 million 4.00% bond maturing in 2026, secured on the Hotel in Budapest. which was heavily oversubscribed. The proceeds of the issue were used to settle the bank loan originally secured on this property and together with a new bank loan used to fund the remaining payment to previous IHG shareholders. In December 2016, the Group also successfully early redeemed and refinanced two bonds by issuing a new bond for €40 million at 4.00%.

At 31 December 2016, the Group is reporting a positive working capital of €15.3 million compared to a current deficiency of €31.6 million in 2015. This improvement in working capital is the result of the improved performance as reported above and the refinancing initiatives undertaken during the year.

DIRECTORS' REPORT

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 2017 in all the Company's hotels, excluding Libya, remains better than that for 2016.

In 2016, IHI acquired a 50% share in a landmark property for redevelopment as a Corinthia in Brussels, and signed management agreements for three others in Dubai, one of which is being built as a luxury Corinthia Hotel. More recently, early in 2017, IHI added another management agreement for an iconic Corinthia Hotel & Residences to be built by a strategic investor in Doha, Qatar.

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.

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 instable 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 instable 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 both 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 40 of the financial statements.

Subsequent events

In early 2017, the Group obtained control of NLI Group by securing the right to nominate and appoint the majority of the board of directors. Consequently, as from 2017, the results of this important operation will be consolidated rather than shown as share from joint venture. Further information about NLI Group is included in Note 17.4 and 39.

Reserves

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

DIRECTORS' REPORT

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 2017 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 2017 by:

Alfred Pisani	Frank Xerri de Caro
Chairman	Senior Independent Director

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.

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.

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	*Date of first appointment*
Mr Khaled El Gonsol	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	*appointed on* 9 June 2016
Mr Michael Beckett	*resigned on* 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 El Gonsol	5
Mr Hamad Buamim	2
Mr Abdulnaser Ahmida	4
Mr Abuagila Almahdi	5
Mr Douraid Zaghouani	5
Mr Joseph Pisani	5
Dr Joseph J. Vella	4
Mr Frank Xerri de Caro	5
Mr Michael Beckett	3
Mr Winston V. Zahra	2

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.

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 nine 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 2016, 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 Market Abuse Directive and Regulations which came into effect in 2016. The board of directors approved the new terms of reference of the Audit committee, bringing them in line with both the changes in the Listing Rules, as well as best international practice.

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.

Nominations 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 board of directors approved the new terms of reference of the Nominations and remuneration committee, bringing them in line with both the changes in the Listing Rules, as well as best international practice.

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 2016, 24 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.

During 2017 the Company has 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.

Statement by the Directors

Compliance with The Code of Principles of Good Corporate Governance

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 a beneficial interest in the Company of 53,045 shares and an indirect beneficial interest through a family operation of 576,031 shares, Mr Winston V. Zahra had a beneficial ownership of 4,188 shares, and an indirect beneficial interest through a family company of 1,917,202. Mr Frank Xerri de Caro had a beneficial interest of 10,609 shares, and Dr Joseph J. Vella had a beneficial interest of 65,769 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 2017 and signed on its behalf by:

Frank Xerri de Caro

Senior Independent Director
Director and Chairman of 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 five hundred and ninety seven million and seven hundred and fifty thousand six hundred and forty six (597,750,646) 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 2016:

	Shares	%
Corinthia Palace Hotel Company Limited	345,618,860	57.81
Istithmar Hotels FZE	129,671,028	21.69
Libyan Foreign Investment Company	64,835,511	10.85

There were no changes in shareholders holding 5 per cent or more of the equity share capital as at 27 April 2017.

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

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 and Executive committee with clear reporting lines and delegation of powers.

Other disclosures in terms of the Listing rules

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 the board appointed PricewaterhouseCoopers to assist in setting up a risk management function

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 nine times in 2016 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 27 April 2017 by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Senior Independent Director

REMUNERATION STATEMENT

Directors' fees

The directors' fees for 2016 including those for membership of board committees and other subsidiary boards are:

Mr Alfred Pisani	41,929
Mr Khaled El Gonsol	12,000
Mr Hamad Buamim	12,000
Mr Abdulnaser Ahmida	27,000
Mr Abuagila Almahdi	27,000
Mr Douraid Zaghouani	12,000
Mr Joseph Pisani	12,000
Dr Joseph J. Vella	67,000
Mr Frank Xerri de Caro	94,500
Mr Winston V. Zahra	6,748

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 below.

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 2016 amounted to a fixed portion of €5.1 million and a variable portion of €1.7 million. This amount includes an accrual that has been made for bonuses relating to 2016. Other than those bonuses that are contractual, the final amounts still need to be formally approved.

Signed on behalf of the board of directors 27 April 2017 by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Senior Independent Director

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 2016, 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).

What we have audited

International Hotel Investments p.l.c.'s financial statements, set out on pages FS28 to FS138, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2016;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows 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

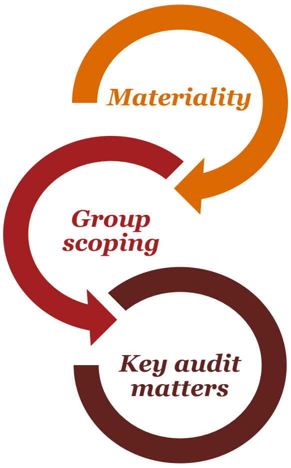
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of 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.

Our audit approach

Overview



Overall group materiality: €1.5 million, which represents 1% of revenues.

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.

Valuation and impairment of property, plant and equipment and investment properties

Significant political and economic uncertainties prevailing in Libya

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.

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.

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.

Overall group materiality	€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 agreed with the Audit Committee that we would report to them misstatements identified during our audit above €140,000 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.

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 2016 and its negative effect on the Libyan hospitality and real estate sectors. The Group's assets in Libya principally include the Corinthia Hotel Tripoli with a carrying amount of €81.18m and the adjoining investment property with a carrying amount of €97.74m. 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 with return to normality and on how quickly the international oil and gas industry recovers once political risks subside. 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.	In addition to the procedures listed below, we also performed the following on the assets attributable to the Group's activities in Libya: - As part of our review of last year's valuation assessment, we had carried out an in-depth review of the assumptions made by the directors in support of the carrying amount of the Group's Hotel in Libya and the underdeveloped land surrounding the Hotel. We have reviewed last year's assessments to ensure that the underlying assumptions made by the directors remain applicable given the developments in the past year. - We reviewed the valuation of the Commercial Centre, which continued to operate in 2016, and applied the procedures listed in the key audit matter below. The level of discussion on the underlying assumptions (including the projected cash flows and discount rate) was centred around the inherent uncertainties, particularly the

Key audit matter	How our audit addressed the Key audit matter
However, 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. 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. 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 2016, 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 €3.5 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, what the directors believe to be, estimated net recoverable amounts in this respect.	components of WACC including the country risk premium and the other risk factors. - 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 2016. 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 matter. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya.*
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 €722 million. This represents the majority of the Group's assets as at 31 December 2016. 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	Our procedures in relation to the valuation of the properties included: - Reviewing the methodologies used by the external valuers and by management to estimate their fair value the valuation reports for all properties. We discussed the reports with each of the valuers. We confirmed that the valuation approach for each property was suitable for use in determining the carrying value of properties as at 31 December 2016. - 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.

Key audit matter	How our audit addressed the Key audit matter
therefore why we have given specific audit focus and attention to this area. The valuations of the properties are performed annually on the basis of valuation reports prepared by third party qualified valuers. These reports are based on both: - Information provided by the Group - 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). Fair value movements arising on these properties amounted to a net gain of €20.38m, of which a loss of (€16.75m) is accounted for in the Income Statement. The shifts in fair value determined during the year ended 31 December 2016 are analysed in notes 14 and 15. The judgements relating to the carrying value of the properties located in Libya is dealt with separately below.	- 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 specialists to challenge the work performed and assumptions used by the valuers. - Considering the potential impact of reasonably possible downside 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.
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 €43.3 million as at 31 December 2016, 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 2016. 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	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

Key audit matter	How our audit addressed the Key audit matter
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. The Group used its business plan as the basis for the first 5 years of cash flows and then extrapolated returns into perpetuity using a terminal growth factor. As the directors have described in the accounting policies, estimating future profitability requires the application of significant judgement particularly given the uncertainties that exist in the markets in which the Group operates and the changes that are expected in the foreseeable future. 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. With respect to the Costa Coffee - Spain CGU (carrying amount of €9.4m including intangibles and related other assets), the level of headroom between the valuation assessment and the carrying amount in the Statement of Financial Position is limited. 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. The financial performance of this CGU has been poor mostly due to the start-up nature of this operation and accordingly management has identified an impairment indicator in respect of this CGU. Unless this negative trend is reversed and results enhanced in the short-term, the carrying amount of the Costa Coffee - Spain CGU is likely to be subjected to impairment. In respect of the other CGUs no impairment indicators have been identified.	assumptions and assessed the discount rate and terminal growth rates used in the models. The challenge of our valuation experts was focused on the methodology used to determine the discount rates used by each CGU by reference to the overall calculated cost of capital for the Group, and on which benchmarks were the most appropriate in determining the terminal growth rate of cash flows for each CGU. We concluded that the parameters utilised were reasonable, given economic outlook, and other market data. We held extensive discussions with management and the Audit Committee about the key assumptions underlying the assessment for the Costa Spain - CGU. During these discussions, management confirmed their view that the forecast for each CGU remained appropriate and that the key assumptions were subject to oversight. We performed independent sensitivity analysis to a number of modelled assumptions simultaneously to identify any CGU's which were most sensitive to a change in value-in-use. We critically assessed whether or not a reasonably possible change to the assumptions could result in an impairment considering the sensitivity of the valuations to these assumptions. We concur with management that with the exception of Costa Spain - CGU, a material change in these assumptions would be required to trigger an impairment charge. For Costa Spain - CGU, if the forecast growth rate in revenue is not achieved or planned costs savings do not materialize, then an impairment charge may well arise. The appropriateness of disclosures made in relation to goodwill and intangible assets was also reviewed.

Independent auditor's report - continued

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

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, Portugal, Hungary, Russia, Czech Republic and Libya. It also holds a number of investments in associates and joint ventures, the main ones being the London hotel operation and 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. The Island Hotels Group is a distinct component of this consolidation, which in turn consolidates its own sub-components.

We therefore assessed what audit work was necessary in each of these components and sub-components, based on their financial significance to the financial statements and our assessment of risk and Group materiality. At the component/sub-component level, we performed a combination of full scope audits and audits of specific financial statement line items 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 were appropriate. Further, we visited the Russia and London operations 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.

Other information

The directors are responsible for the other information. The other information comprises reports on the Principal Achievements & Milestones 2016, Group Structure, group Portfolio, details of the Board of Directors, the Chairman's Statement, the Joint CEOs' report, the Directors' report, the Statement by the directors on the financial statements and other information included in the annual report, the other disclosures in terms of 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).

Independent auditor's report - continued

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

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.

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 pf 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 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 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.

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 internal control.

Independent auditor's report - continued

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

- 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 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 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.

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.

pwc

Independent auditor's report - continued

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

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 FS7 to FS13 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

27 April 2017

Income statement – the Group

	Notes	2016 €'000	2015 €'000
Revenue	6	**157,901**	134,074
Costs of providing services		**(87,519)**	(70,326)
		70,382	63,748
Marketing costs		**(5,587)**	(5,484)
Administrative expenses		**(27,805)**	(26,093)
Other income/(expenses)		**795**	(54)
		37,785	32,117
Depreciation and amortisation	12, 15	**(23,307)**	(20,093)
Other losses arising on property, plant and equipment		**(1,044)**	-
Net changes in fair value of investment property	14	**(19,712)**	193
Net reversals of impairment losses attributable to hotel properties	15.2	**2,960**	11,639
Net changes in fair value of indemnification assets	13	**(210)**	551
Results from operating activities	6	**(3,528)**	24,407
Investment income	25.1	**1,223**	-
Finance income	9		
- interest and similar income		**685**	532
- exchange differences on borrowings		**10,440**	256
Finance costs	9		
- interest expense and similar charges		**(16,721)**	(14,516)
- exchange differences on borrowings		**(523)**	(8,471)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	17	**1,661**	(2,557)
Loss before tax		**(6,763)**	(349)
Income tax expense	10	**(895)**	(3,398)
Loss for the year		**(7,658)**	(3,747)
Loss for the year attributable to:			
- Owners of IHI		**(7,658)**	(3,728)
- Non-controlling interests		**-**	(19)
		(7,658)	(3,747)
Earnings per share	11	**(0.01)**	(0.01)

Statement of total comprehensive income – the Group

	Notes	2016 €'000	2015 €'000
Loss for the year		**(7,658)**	(3,747)
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Surplus arising on revaluation of hotel properties	15,23	**37,131**	22,774
Impairment charges on hotel properties	23	**-**	(1,669)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method			
-Surplus arising on revaluation of hotel property	23	**6,598**	9,674
Income tax relating to components of comprehensive income		**(8,292)**	(7,622)
Items that may be subsequently reclassified to profit or loss			
Net changes in fair value of available-for-sale financial assets	25.1	**167**	424
Currency translation differences	10.2	**2,775**	(7,430)
Income tax relating to components of other comprehensive income	10.2	**3,408**	(1,255)
Items reclassified to profit or loss			
Amounts reclassified to profit or loss upon disposal of available-for-sale financial assets	25.1	**(1,223)**	-
Other comprehensive income for the year, net of tax		**40,564**	14,896
Total comprehensive income for the year		**32,906**	11,149
Attributable to:			
-Owners of IHI		**32,906**	11,181
-Non-controlling interests		**-**	(32)
		32,906	11,149

Statement of financial position – the Group

	Notes	2016 €'000	2015 €'000
Assets			
Non-current			
Intangible assets	12	**56,769**	55,989
Indemnification assets	13	**24,025**	22,238
Investment property	14	**164,278**	166,274
Property, plant and equipment	15	**617,765**	572,103
Investments accounted for using the equity method	17	**250,913**	267,045
Loans receivable	18	**4,570**	3,728
Assets placed under trust arrangement	29	**1,077**	3,870
		1,119,397	1,091,247
Current			
Inventories	19	**6,727**	6,280
Loans receivable	18	**12,982**	7,325
Trade and other receivables	20	**42,151**	33,032
Current tax asset		**4,654**	2,896
Cash and cash equivalents	21	**29,382**	18,863
Assets placed under trust arrangement	29	**4,961**	-
		100,857	68,396
Total assets		**1,220,254**	1,159,643

Statement of financial position – the Group

	Notes	2016 €'000	2015 €'000
Equity and liabilities			
Equity			
Capital and reserves attributable to owners of IHI:			
Issued capital	22	**597,750**	573,636
Revaluation reserve	23	**102,842**	85,012
Translation reserve	24	**2,895**	(3,288)
Reporting currency conversion difference	26	**443**	443
Other components of equity	25	**2,617**	4,552
Accumulated losses	27	**(60,323)**	(52,665)
		646,224	607,690
Non-controlling interests	16.1	**598**	598
Total equity		**646,822**	608,288
Liabilities			
Non-current			
Bank borrowings	28	**163,908**	190,986
Bonds	29	**201,896**	146,702
Other interest bearing borrowings	30	**4,682**	4,928
Deferred tax liabilities	31	**113,982**	106,760
Trade and other payables	32	**3,177**	1,774
Provisions		**206**	206
		487,851	451,356
Current			
Bank borrowings	28	**24,972**	22,203
Bonds	29	**9,706**	-
Other interest bearing borrowings	30	**228**	3,581
Current tax liabilities		**1,767**	177
Trade and other payables	32	**48,908**	74,038
		85,581	99,999
Total liabilities		**573,432**	551,355
Total equity and liabilities		**1,220,254**	1,159,643

The financial statements on pages FS28 to FS138 were approved by the board of directors, authorised for issue on 27 April 2017 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	Accumulated losses €'000	Total attributable to owners €'000	Non-controlling interests €'000	Total equity €'000
Balance at 1 January 2015		554,238	78,565	5,384	443	4,491	(48,937)	594,184	630	594,814
Loss for the year		-	-	-	-	-	(3,728)	(3,728)	(19)	(3,747)
Other comprehensive income		-	23,157	(8,672)	-	424	-	14,909	(13)	14,896
Total comprehensive income		-	23,157	(8,672)	-	424	(3,728)	11,181	(32)	11,149
Transactions with owners in their capacity as owners:										
Bonus shares issued	22	16,710	(16,710)	-	-	-	-	-	-	-
Issue of ordinary shares related to business combination	22	2,688	-	-	-	(363)	-	2,325	-	2,325
Total transactions with owners, recognised directly in equity		19,398	(16,710)	-	-	(363)	-	2,325	-	2,325
Balance at 31 December 2015		573,636	85,012	(3,288)	443	4,552	(52,665)	607,690	598	608,288
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	598	32,906
Transactions with owners in their capacity as owners:										
Bonus shares issued	22	17,211	(17,211)	-	-	-	-	-	-	-
Issue of ordinary shares related to business combination	22	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**

Statement of cash flows – the Group

	Notes	2016 €'000	2015 €'000
Loss before tax		**(6,763)**	(349)
Adjustments	34	**44,627**	32,336
Working capital changes:			
Inventories		**(447)**	669
Trade and other receivables		**(4,543)**	(4,654)
Advance payments		**1,999**	407
Trade and other payables		**(6,494)**	1,437
Cash generated from operations		**28,379**	29,846
Tax paid		**(744)**	(344)
Net cash generated from operating activities		**27,635**	29,502
Investing activities			
Payments to acquire property, plant and equipment		**(8,572)**	(11,849)
Payments to acquire investment property		**(976)**	(495)
Acquisition of subsidiary - QPM Limited, net of cash acquired	37	**(4,661)**	-
Acquisition of subsidiary - IHG Group, net of cash acquired	37	**(16,999)**	(16,685)
Payments to acquire intangible assets		**(1,083)**	(228)
Interest received		**192**	702
Dividend received		**3,000**	-
Net cash used in investing activities		**(29,099)**	(28,555)
Financing activities			
Proceeds from bank borrowings		**12,000**	12,000
Repayment of bank borrowings		**(37,660)**	(18,188)
Repayment of loans from parent company and its subsidiary companies		**(9,162)**	(1,296)
Proceeds from issue of bonds	29	**65,953**	10,000
Bond issue costs	29	**(1,348)**	(783)
Interest paid		**(14,058)**	(13,524)
Dividends paid		**(3,091)**	-
Transfer of cash to trustee under trust arrangement		**(3,365)**	(1,689)
Proceeds from trustee following repayment of bond		**1,363**	6,347
Net cash generated from/(used in) financing activities		**10,632**	(7,133)
Net change in cash and cash equivalents		**9,168**	(6,186)
Cash and cash equivalents at beginning of year		**11,664**	17,850
Cash and cash equivalents at end of year	21	**20,832**	11,664

Statement of total comprehensive income – the Company

	Notes	2016 €'000	2015 €'000
Interest receivable and similar income		**9,958**	6,790
Interest payable and similar charges		**(9,053)**	(6,771)
Administrative expenses		**(7,254)**	(6,212)
Loss before tax		**(6,349)**	(6,193)
Tax income	10	**2,725**	1,952
Loss for the year		**(3,624)**	(4,241)
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	25.2	**46,593**	13,470
Net changes in fair value of available-for-sale financial assets	25.2	**167**	464
Income tax relating to components of other comprehensive income	25.2	**(18,572)**	(3,905)
Items reclassified to profit or loss			
Amounts reclassified to profit or loss upon disposal of available-for-sale financial assets	25.2	**(1,223)**	-
Other comprehensive income for the year, net of tax		**26,965**	10,029
Total comprehensive income for the year		**23,341**	5,788

Statement of financial position – the Company

	Notes	2016 €'000	2015 €'000
Assets			
Non-current			
Intangible asset	12	**19,746**	19,797
Indemnification asset	13	**1,997**	-
Property, plant and equipment	15	**95**	95
Investments in subsidiaries	16	**522,592**	462,173
Investments in associates and joint ventures	17	**212,025**	227,275
Loans receivable	18	**110,981**	75,065
Assets placed under trust arrangement	29	**1,077**	3,288
		868,513	787,693
Current			
Loans receivable	18	**12,937**	6,920
Trade and other receivables	20	**32,844**	31,549
Current tax asset		**2,003**	-
Cash and cash equivalents	21	**13,224**	2,736
Assets placed under trust arrangement	29	**3,388**	-
		64,396	41,205
Total assets		**932,909**	828,898

Statement of financial position – the Company

	Notes	2016 €'000	2015 €'000
Equity			
Issued capital	22	**597,750**	573,636
Other reserves	25.2	**73,606**	65,127
Reporting currency conversion difference	26	**443**	443
Accumulated losses	27	**(7,629)**	(4,005)
Total equity		**664,170**	635,201
Liabilities			
Non-current			
Bank borrowings	28	**12,217**	2,500
Bonds	29	**167,439**	98,318
Other interest bearing borrowings	30	**6,900**	10,700
Trade and other payables	32	**1,175**	-
Deferred tax liabilities	31	**52,288**	31,899
		240,019	143,417
Current			
Bank borrowings	28	**1,991**	2,500
Bonds	29	**6,572**	-
Other interest bearing borrowings	30	**3,483**	9,091
Trade and other payables	32	**16,674**	38,689
		28,720	50,280
Total liabilities		**268,739**	193,697
Total equity and liabilities		**932,909**	828,898

The financial statements on pages FS28 to FS138 were approved by the board of directors, authorised for issue on 27 April 2017 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 2015		554,238	72,171	443	236	627,088
Loss for the year		-	-	-	(4,241)	(4,241)
Other comprehensive income		-	10,029	-	-	10,029
Total comprehensive income		-	10,029	-	(4,241)	5,788
Transactions with owners in their capacity as owners:						
Bonus shares issued	22	16,710	(16,710)	-	-	-
Issue of ordinary shares related to acquisition of subsidiary	22	2,688	(363)	-	-	2,325
Total transactions with owners, recognised directly in equity		19,398	(17,073)	-	-	2,325
Balance at 31 December 2015		573,636	65,127	443	(4,005)	635,201
Balance at 1 January 2016		573,636	65,127	443	(4,005)	635,201
Loss for the year		-	-	-	(3,624)	(3,624)
Other comprehensive income		-	26,965	-	-	26,965
Total comprehensive income		-	26,965	-	(3,624)	23,341
Transactions with owners in their capacity as owners:						
Bonus shares issued	22	17,211	(17,211)	-	-	-
Issue of ordinary shares related to acquisition of subsidiary	22	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		**597,750**	**73,606**	**443**	**(7,629)**	**664,170**

Statement of cash flows – the Company

	Notes	2016 €'000	2015 €'000
Loss before tax		**(6,349)**	(6,193)
Adjustments	34	**5,291**	4,745
Working capital changes:			
Trade and other receivables		**897**	(4,075)
Trade and other payables		**208**	6,462
Cash generated from operations		**47**	939
Interest received		**52**	-
Interest paid		**(7,403)**	(6,018)
Net cash used in operating activities		**(7,304)**	(5,079)
Investing activities			
Payments to acquire property, plant and equipment		**(32)**	(75)
Payments to acquire intangible assets		**(104)**	-
Payments to acquire investments in subsidiaries		**(21,631)**	(16,685)
Loans granted to related parties		**(25,050)**	(4,756)
Loan repayments received from related parties		**7,228**	-
Net cash used in investing activities		**(39,589)**	(21,516)
Financing activities			
Repayment of bank borrowings		**(2,792)**	(3,100)
Proceeds from bank borrowings		**12,000**	-
Proceeds of loans from parent company			14,700
Advance of loan to parent company		**(6,017)**	(1,319)
Repayment of loan from related parties		**(6,317)**	-
Proceeds from issue of bonds		**65,953**	10,000
Bond issue costs		**(1,348)**	(783)
Dividends paid		**(3,091)**	-
Transfer of cash to trustee under trust arrangement		**(2,370)**	(1,245)
Proceeds from trustee following repayment of bond		**1,363**	6,348
Net cash generated from financing activities		**57,381**	24,601
Net change in cash and cash equivalents		**10,488**	(1,994)
Cash and cash equivalents at beginning of year		**2,736**	4,730
Cash and cash equivalents at end of year	21	**13,224**	2,736

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, financial assets and liabilities at fair value through profit or loss (including derivative instruments), the land and buildings class within property, plant and equipment and investment property – which are measured at fair value.

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

3.2 Working capital position

At 31 December 2015, the Group's current liabilities exceeded its current assets by €31.6 million. The main reason for this was that, included under current liabilities was an amount of €22.0 million representing the second tranche of the consideration payable for the acquisition of the Island Resort Hotels Group Holdings p.l.c. group. Out of this amount, €17.0 million was payable in cash with the balance of €5.0 million being settled through the issue of new shares in IHI.

During 2016, the Group has undertaken a number of financing initiatives, including bank financing and public borrowing which generated a net total of €67.0 million in fresh funds. These funds were principally used for the above mentioned payment to the previous shareholders of the IHGH Group, financing other capital transactions and for general corporate funding purposes. The working capital position during 2016 has improved to the extent that the Group's current assets now exceed its current liabilities by an amount of €15.3 million.

3. Summary of significant accounting policies - continued

3.3 Change in functional currency of significant foreign operation

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

3.4 Standards, interpretations and amendments to published standards effective in 2016

In 2016, the Group adopted amendments to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2016, comprising:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11;
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38;
- Annual improvements to IFRS 2012 – 2014 cycle; and
- Disclosure initiative – amendments to IAS 1.

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

3.5 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 2016. 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'.

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

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

3. Summary of significant accounting policies - continued

3.5 Standards, interpretations and amendments to published standards that are not yet effective - continued

IFRS 16, 'Leases', 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. IFRS 16 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 standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to endorsement by the EU, and subject to the Group also adopting IFRS 15. The Group is assessing the impact of IFRS 16.

3.6 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.

3. Summary of significant accounting policies - continued

3.6 Principles of consolidation and equity accounting - continued

(i) Subsidiaries

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

(ii) Associates

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

(iii) Joint arrangements

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

Joint ventures

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

3 Summary of significant accounting policies - continued

3.6 Principles of consolidation and equity accounting - continued

(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.

(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.

3.7 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.

3 Summary of significant accounting policies - continued

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

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.

3.8 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.

3 Summary of significant accounting policies - continued

3.8 Business combinations - continued

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.

3.9 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 Summary of significant accounting policies - continued

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

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 Summary of significant accounting policies - continued

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 37. 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. 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 not 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 Summary of significant accounting policies - continued

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.
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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 Summary of significant accounting policies - continued

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 and 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.

3 Summary of significant accounting policies - continued

3.14.4 Impairment – continued

Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan 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.

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 Summary of significant accounting policies - continued

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.

3.20 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 Summary of significant accounting policies - continued

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 balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

3.22 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.

3 Summary of significant accounting policies - continued

3.23 Income tax - continued

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.

3.25 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 statement 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.

3 Summary of significant accounting policies - continued

3.26 Revenue recognition - continued

(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 it is probable will be recoverable; and contract costs are recognised when incurred.

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

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

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

3 Summary of significant accounting policies - continued

3.28 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.

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 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 Summary of significant accounting policies - continued

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 €81.2 million (2015: €84.1 million);
- An adjoining Commercial Centre to the above-mentioned hotel, with a carrying amount of €68.2 million (2015: €68.2 million);
- The ownership of a site surrounding the hotel, with a carrying amount of €29.5 million (2015: €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 €13.6 million (2015: €13.04 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 2016 continued to have a negative effect on the Libyan hospitality and real estate sectors. This has impacted the Group's financial results in Libya.

The turnover registered during 2016 by Corinthia Towers Tripoli Limited amounts to €6.1 million (2015: €6.3 million) representing 3.9% (2015: 5%) of the Group's Revenue, with a loss before tax of €2.8 million (2015: €2.9 million). Current year revenue includes €5.3 million (2015: €5.5 million) generated from rental contracts attributable to the Commercial Centre that remained in operation throughout 2016, generating a steady income from the lease of commercial offices within the Centre. Accordingly, whilst the hotel sustained negative net financial results during 2016 and 2015 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 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 Hotel and Commercial Centre as at 31 December 2016 and 31 December 2015. 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. However, 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. 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 €3.3m and €2.6m was recognised on the Hotel in 2016 and 2015 respectively.

5 The Group's operations in Libya – continued

The existence of long-term leases has mitigated the impact of the continued political instability and state of uncertainty on the Commercial Centre. Furthermore, certain clients with contracted leases, have nonetheless opted to renew their leases (albeit, at temporary reduced rates) in order to retain presence in this prime location which supports the fair valuation of the property referred to previously.

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.

The economic conditions in Libya create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31st December 2016, in addition to a current tax asset of €2.6 million (2015: €2.6 million), Corinthia Towers Tripoli Limited also had amounts due from Government related entities amounting to €3.5 million (2015: €3.6 million) and other amounts receivable from embassies and corporate clients which are expected to return to Libya once the political situation improves. Provisions for impairment have been registered to reflect estimated net recoverable amounts in this respect.

The Group's investment property also includes a site surrounding the hotel, with no determined commercial use, having a carrying amount of €29.5m as at 31 December 2016, 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 2016 comprise the project site carried at €29.3 million (2015: €30.0 million), amounts capitalised in respect of the project amounting to €14 million (2015: €14.0 million) and cash balances amounting to €11.5 million (2015: €11.7 million).

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

	Carrying amount as at	
	31 December 2016 €million	31 December 2015 €million
Corinthia Towers Tripoli Limited		
Property, plant and equipment	81.2	84.1
Investment property	97.7	97.7
Inventories	1.9	1.8
Trade receivables	3.5	4.1
Current tax receivable	2.6	2.6
Medina Towers J.S.C.		
Investment in associate accounted for using the equity method of accounting	13.6	13.9

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.

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.

5 The Group's operations in Libya – continued

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 are based in six countries, Malta being 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.

6 Segment reporting

Information about reportable segments

Hotels	Malta		Portugal		Hungary		Russia		Prague		Libya		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Segment revenue	**38,485**	31,829	**21,901**	20,793	**23,659**	23,139	**14,261**	13,197	**17,024**	16,998	**792**	786	**116,122**	106,742
EBITDA	**10,656**	8,429	**5,616**	4,718	**7,100**	6,671	**4,101**	2,393	**4,191**	3,947	**(3,355)**	(4,012)	**28,309**	22,146
Depreciation and amortisation	**(3,895)**	(2,369)	**(2,485)**	(2,614)	**(1,896)**	(1,882)	**(4,514)**	(4,495)	**(3,036)**	(2,911)	**(3,340)**	(3,274)	**(19,166)**	(17,545)
(Impairment losses)/ reversals of impairment losses recognised in profit or loss	**-**	2,281	**-**	-	**-**	3,309	**2,960**	(4,054)	**-**	10,103	**-**	-	**2,960**	11,639
Segment profit or loss	**6,761**	8,341	**3,131**	2,104	**5,204**	8,098	**2,547**	(6,156)	**1,155**	11,139	**(6,695)**	(7,286)	**12,103**	16,240
(Impairment losses)/ reversals of impairment losses recognised in other comprehensive income	**-**	15,266	**-**	(1,669)	**-**	6,516	**-**	-	**-**	992	**-**	-	**-**	21,105

6 Segment reporting

Information about reportable segments

Hotels	Malta		Portugal		Hungary		Russia		Prague		Libya		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Segment revenue													**116,122**	106,742
Rental income from investment property													**10,105**	9,657
Hotel management company revenue													**14,208**	13,702
Catering Business revenue													**20,972**	10,362
Project management revenue													**1,393**	-
Development revenue													**222**	-
Holding company revenue													**6,491**	4,512
Elimination of intra Group revenue													**(11,612)**	(10,901)
Group revenue													**157,901**	134,074
Segment profit or loss													**12,103**	16,240
Net rental income from investment property													**8,749**	8,606
Change in fair value of investment property													**(19,712)**	193
Catering Business result													**(871)**	177
Project management business result													**(183)**	-
Development business result													**(380)**	-
Unallocated items													**(1,539)**	(1,331)
Corporate office operating profit													**(576)**	(1,582)
Hotel management company operating loss													**4,232**	4,802
Depreciation													**(1,331)**	(555)
Amortisation													**(2,810)**	(1,994)
Movement in indemnification assets													**(210)**	551
Consolidation adjustments													**(1,000)**	(700)
													(3,528)	24,407
Share of (loss) / profit from equity accounted investments													**1,661**	(2,557)
Investment income													**1,223**	-
Finance income													**11,125**	788
Finance costs													**(17,244)**	(22,987)
Net fair value loss on interest rate swap													**-**	-
Loss before tax													**(6,763)**	(349)
Non-current assets	**458,365**	465,175	**95,408**	90,500	**122,457**	104,800	**151,595**	137,841	**83,006**	82,900	**178,949**	180,250	**1,089,780**	1,061,466
Consolidation adjustments													**(55)**	(55)
													1,089,725	1,061,411

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

7 Expenses by nature

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Loss on disposal of property, plant and equipment	**36**	45	**-**	-
Depreciation of property, plant and equipment	**20,498**	18,099	**32**	25
Amortisation of intangible assets	**2,809**	1,994	**155**	187
Operating lease costs	**4,490**	2,388	**118**	129
Exchange differences	**(775)**	185	**-**	-
Professional fees	**2,462**	2,436	**1,277**	961
Cost of goods sold	**13,894**	9,867	**-**	-
Energy utilities	**6,160**	5,600	**-**	-

Director's remuneration charged in the income statements in 2016 amounted €599,917 (2015: €589,000). This amount is net of a recharge of €300,000 (2015: €130,000) to CPHCL, the Group's immediate parent entity. The gross amount includes a fixed portion of €699,917 and a variable portion of €200,000. Included in this remuneration are Directors fees of €312,000.

7.1 Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2016 and 31 December 2015 are shown in the table below.

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Annual statutory audit	**279**	348	**51**	35
Tax compliance fees	**8**	22	**8**	22
Other non-audit services	**15**	217	**15**	217
	302	587	**74**	274

8 Personnel expenses

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Wages and salaries	**44,103**	38,421	**3,168**	3,749
Social security contributions	**4,702**	3,945	**263**	272
Other staff costs	**4,305**	3,593	**25**	26
	53,110	45,959	**3,456**	4,047

Weekly average number of employees:

	The Group		The Company	
	2016	2015	2016	2015
	No.	No.	No.	No.
Management and administrative	**529**	421	**20**	20
Operating	**1,486**	1,593	**-**	-
	2,015	2,014	**20**	20

9 Finance income and finance costs

	The Group	
	2016	2015
	€'000	€'000
Finance income:		
Interest receivable on:		
Loans advanced to related companies	**580**	488
Other balances	**12**	-
Bank deposits	**93**	44
Exchange differences	**10,440**	256
Finance income	**11,125**	788
Finance costs:		
Interest payable on:		
Bank borrowings	**(6,062)**	(6,488)
Bonds	**(9,866)**	(7,323)
Capital and other creditors	**(498)**	(302)
Imputed interest on convertible bonds and amortisation of bond issue costs	**(295)**	(225)
Other costs	**-**	(178)
Exchange differences	**(523)**	(8,471)
Finance costs	**(17,244)**	(22,987)

10 Tax (expense)/income

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

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Current taxation:				
- Current year tax (expense)/income	**(3,057)**	(16)	**-**	2,085
- Adjustment recognised in financial period for current tax of prior period	**2,679**	-	**2,004**	-
Deferred taxation:				
- Deferred tax income/(expense)	**3,216**	(22)	**1,243**	(133)
- Adjustment recognised in financial period for deferred tax of prior period	**(3,733)**	(3,360)	**(522)**	-
	(895)	(3,398)	**2,725**	1,952

Refer to Note 31 for information on the deferred tax assets and liabilities.

10 Tax (expense)/income - continued

10.1 Tax expense reconciliation

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Loss before tax	**(6,763)**	(349)	(6,349)	(6,193)
Income tax using the Company's domestic tax rate	**2,367**	121	2,222	2,168
Effect of income subject to foreign/different tax rates	**(377)**	(1,124)	795	-
Non-tax deductible expenses	**(2,271)**	(1,379)	(299)	(216)
Effect of other consolidation adjustments	**83**	2,345	-	-
Effect of reduction in foreign tax rates on opening temporary differences	**-**	-	529	-
Unrecognised deferred tax	**357**	-	-	-
Over/(under) provision in respect of previous years	**(1,054)**	(3,361)	(522)	-
Tax (expense)/income	**(895)**	(3,398)	2,725	1,952

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:

	2016			2015		
	Before tax	Tax (charge)/ credit	Net of tax	Before tax	Tax (charge)/ Credit	Net of tax
	€'000	€'000	€'000	€'000	€'000	€'000
Group						
Fair valuation of land and buildings	**43,729**	**(8,292)**	**35,437**	30,779	(7,622)	23,157
Exchange differences	**2,775**	**3,408**	**6,183**	(7,430)	(1,255)	(8,685)
Available-for-sale financial assets	**(1,056)**	**-**	**(1,056)**	424	-	424
	45,498	**4,884**	**40,564**	23,773	(8,877)	14,896
Company						
Fair value movements on investments in Subsidiaries, associates and joint ventures	**46,593**	**(18,572)**	**28,021**	13,510	(3,905)	9,605
Available-for-sale financial assets	**(1,056)**	**-**	**(1,056)**	424	-	424
	45,537	**(18,572)**	**26,965**	13,934	(3,905)	10,029

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	
	2016	2015
	'000	'000
Loss from operations attributable to the owners of the parent	**€7,658**	€3,728
Number of shares:		
At 1 January	**573,636**	554,238
Effect of shares issued on acquisition of subsidiary	**6,903**	2,688
Effect of bonus share issue	**17,211**	16,710
At 31 December	**597,750**	573,636
Weighted average number of shares:		
At 1 January	**573,636**	554,238
Effect of shares issued on acquisition of subsidiary	**2,549**	1,053
Effect of additional shares issued to previous owners of the IHG Group for no consideration	**396**	396
Effect of bonus share issue	**17,211**	33,921
	593,792	589,608

The earnings per share calculation for 2015 has been adjusted to reflect retrospectively the bonus issue of shares during the year.

As at 31 December 2016 and 2015, 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

	Goodwill	Brands	Brand design fee and other rights	The Group Concessions	Operating contracts	Others	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2015	24,841	19,600	-	-	23,334	1,670	69,445
Additions	-	-	572	-	-	120	692
Acquisition of subsidiary (Note 37)	1,315	3,121	8,682	926	-	154	14,198
Disposals	-	-	-	(463)	-	-	(463)
At 31 December 2015	26,156	22,721	9,254	463	23,334	1,944	83,872
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 37)	2,458	-	-	-	-	48	2,506
Reclassification	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 December 2016	**28,614**	**22,721**	**10,199**	**463**	**23,334**	**2,130**	**87,461**
Amortisation							
At 1 January 2015	15,114	-	-	-	9,530	1,245	25,889
Amortisation for the year	-	-	528	43	1,167	256	1,994
At 31 December 2015	15,114	-	528	43	10,697	1,501	27,883
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**
Carrying amount							
At 1 January 2015	9,727	19,600	-	-	13,804	425	43,556
At 31 December 2015	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**

12 Intangible assets - continued

	The Company		
	Brand	Others	Total
	€'000	€'000	€'000
Cost			
At 1 January 2015	19,600	923	20,523
Acquisitions	-	48	48
At 31 December 2015	19,600	971	20,571
At 1 January 2016	19,600	971	20,571
Acquisitions	-	104	104
At 31 December 2016	**19,600**	**1,075**	**20,675**
Amortisation			
At 1 January 2015	-	587	587
Amortisation for the year	-	187	187
At 31 December 2015	-	774	774
At 1 January 2016	-	774	774
Amortisation for the year	-	155	155
At 31 December 2016	**-**	**929**	**929**
Carrying amount			
At 1 January 2015	19,600	336	19,936
At 31 December 2015	19,600	197	19,797
At 31 December 2016	**19,600**	**146**	**19,746**

12 **Intangible assets** - continued

Intangible assets arising from hotel management

On the acquisition of CHI Limited ("CHI") 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 2016 and 2015.

The discounted cash flow (value-in-use) calculation was determined by discounting the forecast future cash flows generated by CHI for a ten year explicit period 2017 – 2026. The following are the key assumptions underlying the projections:

- revenue derived from IHI properties is based on operational projections prepared by independent experts. This accounts for 81.3% of the total revenue in the explicit period (2015 – 87%);
- revenue from other properties is assumed to increase by 2% per annum on 2017 budget (2015 – 2% on 2016 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 CHI and the royalties payable to IHI and Ramada are assumed to remain unchanged at current levels;
- inflationary growth in operating expenses on 2017 budget is assumed to be 3.5% (2015 – 3.5% on 2016 budget); and
- a pre-tax discount rate of 11.2% was applied to the operating projections of CHI (2015 – 11.7%), based on a debt to equity ratio of 28:72.

Goodwill on the acquisition of the IHGH Group

As disclosed in Note 37, during 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.

Goodwill on the acquisition of QPM Limited

During the year, the Group acquired QPM Limited and its subsidiaries, as a result of which, the Group recognised goodwill amounting to €2.5 million. Given the short period of time between the year-end date and the date of acquisition, the directors are of the view that ther has been no significant shift in the fair value of QPM Limited as at the date of acquisition, and that the carrying amount of goodwill as at 31 December 2016 is still representative of the benefits which are expected to arise from the acquisition. On this basis, the directors concluded that there should be no impairment charge on goodwill for the year ended 31 December 2016.

12 Intangible assets - continued

Brand design fee and other rights - continued

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.

The value of the brand as at 31 December 2016 is deemed to be a good approximation of the fair value of the brand. Accordingly, the Directors confirmed that there was no impairment indicator.

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, 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.

However, in respect of the Costa Coffee Spain CGU, the directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based, would cause the carrying amount to exceed the recoverable amount of the CGU.

The key assumptions utilised in determining the value of these CGUs are reflected in the table below:

12 Intangible assets - continued

Brand design fee and other rights – continued

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 FY 17 - FY21	11.05	2.00	6.26
Costa Coffee Spain		€0m - €1.8m – initial five year period FY 17-FY21 €2.3m - €3.6m second five year period FY 17-FY21	14.05	2.00	10.86

On this basis the recoverable amount of the Costa Coffee Malta CGUs exceeds the carrying amount with a reasonable headroom. In respect of the Costa Coffee Spain CGU, the carrying amount approximates the recoverable amount.

Sensitivity Parameters applied in valuation model are summarised below:

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	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
At 1 January	**22,238**	21,687	**-**	-
Acquisition of subsidiary	**1,997**	-	**1,997**	-
Change in fair value	**(210)**	551	**-**	-
At 31 December	**24,025**	22,238	**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 current year, 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	
	2016	2015
	€'000	€'000
At 1 January	**166,274**	176,675
Change in fair value (a)	**(19,712)**	193
Exchange differences	**16,740**	(11,089)
Additions	**976**	495
At 31 December	**164,278**	166,274

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	
	2016	2015
	€'000	€'000
Investment property		
Commercial Centre in St Petersburg	**64,555**	67,231
Commercial Centre in Tripoli	**68,243**	68,243
Commercial Centre in Lisbon	**1,980**	1,300
Site in Tripoli	**29,500**	29,500
	164,278	166,274

b) All investment property is hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 28.

c) Rental income earned by the Group for the period from investment property amounted to €10.1 million (2015: €9.7 million) and direct expenses to €1.4 million (2015: €1.1 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 2015	706,526	83,775	76,159	932	5,928	873,320
Exchange differences	(14,649)	(1,006)	(1,182)	(17)	(146)	(17,000)
Revaluation surplus	7,711	-	-	-	-	7,711
Acquisition of subsidiaries (Note 37)	33,069	2,440	7,611	62	21,576	64,758
Additions	533	828	3,062	-	6,901	11,324
Reallocations	1,224	223	465	-	(1,912)	-
Disposals	(17)	(162)	(42)	(21)	(516)	(758)
Balance at 31 December 2015	734,397	86,098	86,073	956	31,831	939,355
Balance at 1 January 2016	734,397	86,098	86,073	956	31,831	939,355
Exchange differences	20,954	1,516	1,801	25	158	24,454
Revaluation surplus	37,131	-	-	-	-	37,131
Acquisition of subsidiaries (Note 37)	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)
Balance at 31 December 2016	**794,099**	**89,650**	**89,539**	**1,057**	**34,467**	**1,008,812**
Depreciation and impairment losses						
Balance at 1 January 2015	236,077	76,237	65,183	852	-	378,349
Exchange differences	(2,584)	(649)	(680)	(14)	-	(3,927)
Depreciation for the year	13,077	2,376	2,582	64	-	18,099
Net impairment losses	(25,033)	-	-	-	-	(25,033)
Disposals	(17)	(154)	(42)	(23)	-	(236)
Balance at 31 December 2015	221,520	77,810	67,043	879	-	367,252
Balance at 1 January 2016	221,520	77,810	67,043	879	-	367,252
Exchange differences	4,645	1,125	1,207	25	-	7,002
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)
Balance at 31 December 2016	**236,650**	**81,878**	**71,590**	**929**	**-**	**391,047**
Carrying amounts						
At 1 January 2015	470,449	7,538	10,976	80	5,928	494,971
At 31 December 2015	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**

15 Property, plant and equipment - continued

	The Company			
	Plant and equipment €'000	Furniture, fixtures and fittings €'000	Motor vehicles €'000	Total €'000
Cost				
Balance at 1 January 2015	138	100	57	295
Additions	17	10	-	27
Disposals	-	-	(16)	(16)
Balance at 31 December 2015	155	110	41	306
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**
Depreciation				
Balance at 1 January 2015	83	66	53	202
Depreciation for the year	12	11	2	25
Disposals	-	-	(16)	(16)
Balance at 31 December 2015	95	77	39	211
Balance at 1 January 2016	95	77	39	211
Depreciation for the year	19	11	3	32
Disposals	(2)	-	-	(2)
Balance at 31 December 2016	**112**	**88**	**41**	**241**
Carrying amounts				
At 1 January 2015	55	34	4	93
At 31 December 2015	60	33	2	95
At 31 December 2016	**69**	**25**	**1**	**95**

15.1 Fair valuation of property

The principal elements of the Group's land and buildings, within property, plant and equipment, were revalued on 31 December 2016 by the directors assisted by independent professionally qualified property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The book value of these properties has been adjusted as the directors have reviewed the carrying amount of the property as at 31 December 2016 on the basis of assessments by the property valuers. The resultant shift in value, net of applicable deferred income taxes, has been reflected within the revaluation reserve in shareholders' equity (Note 23) or in profit or loss in accordance with the Group's accounting policy. Adjustments to the carrying amounts of the property are disclosed in the tables below.

15 Property, plant and equipment - continued

15.1 Fair valuation of property - continued

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

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

The Group's land and buildings, within property, plant and equipment, consists principally of hotel properties that are owned and managed by companies forming part of the Group. The Group's investment property comprises property that is held for long-term rental yields or for capital appreciation or both, and principally comprise the Commercial Centre in St Petersburg, the Commercial Centre in Tripoli and a site forming part of the grounds of the Corinthia Hotel in Tripoli. All the recurring property fair value measurements at 31 December 2016 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

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

- information provided by the Group which is derived from the respective company's financial systems and is subject to the company's overall control environment; and

- assumptions and valuation models used by the valuers, with assumptions being typically market related and based on professional judgement and market observation.

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.

15 Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Valuation techniques

The external valuations of the Level 3 property as at 31 December 2016, 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

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 FY17-FY21	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
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 Blu Resort, Malta	**40,291**		€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			

15 Property, plant and equipment - continued

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

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 FY17-FY21	Pre tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
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 investment property):		Adjusted sales comparison approach	Sales price per square metre			
Site in Tripoli	**29,500**		€2,300			

15 Property, plant and equipment - continued

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

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.

The fair valuation as at 31 December 2016 of the Corinthia Hotel Budapest was determined on the basis of the adjusted sales comparison approach, whereas at 31 December 2015, the income approach was utilised. The valuation technique considered by the external valuer to be the most appropriate for the respective property has been utilised to attain a more representative measurement at fair value.

15 Property, plant and equipment - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2015

Description by class based on highest and best use	Fair value at 31 December 2015 €'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 FY16-FY20	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Corinthia Hotel & Spa Lisbon	**89,200**		€5.5m - €5.8m	8.06	2.00	4.36
Corinthia Hotel Budapest	**104,800**		€6.7m - €7.0m	8.20	2.00	5.36
Corinthia Hotel Prague	**82,901**		€3.9m - €5.3m	7.87	2.00	4.75
Marina Hotel, St George's Bay, Malta	**28,813**		€2.4m - €2.6m	10.28	2.00	5.38
Corinthia Hotel, St George's Bay, Malta	**37,711**		€3.5m - €3.6m	10.79	2.00	5.70
Corinthia Hotel, St Petersburg	**70,610**		€4.3m - €4.5m	14.00	5.00	9.00
Corinthia Hotel Tripoli	**84,085**		€1.7m - €10.3m	12.24	2.50	6.50

15 Property, plant and equipment - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2015 - continued

Description by class based on highest and best use	Fair value at 31 December 2015 €'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 FY16-FY20	Pre tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Commercial Centre in St Petersburg	**67,231**		€5.7m - €7.4m	10.50	2.25	8.25
Commercial Centre in Tripoli	**68,243**		€4.9m - €7.9m	12.15	3.50	8.65
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			

15 Property, plant and equipment - 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 2016.

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 2016 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%)	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Corinthia Hotel & Spa Lisbon	+/- 700	+/- 700	+/- 4,600	+/- 4,500
Corinthia Hotel Budapest	+/- 720	+/- 700	+/- 5,600	+/- 5,200
Corinthia Hotel Prague	+/- 600	+/- 600	+/- 4,100	+/- 4,100
Marina Hotel, St George's Bay, Malta	+/- 200	+/- 200	+/- 1,600	+/- 1,400
Corinthia Hotel, St George's Bay, Malta	+/- 250	+/- 300	+/- 2,000	+/- 1,900
Corinthia Hotel, St Petersburg	+/- 700	+/- 1,000	+/- 4,200	+/- 1,900
Corinthia Hotel Tripoli	+/- 800	+/- 700	+/- 4,000	+/- 4,300
Commercial Centre in St Petersburg	+/- 1,900	+/- 1,000	+/- 3,500	+/- 2,600
Commercial Centre in Tripoli	+/- 350	+/- 600	+/- 3,400	+/- 3,400
Radisson Blu Resort, Malta	+/- 250	+/- 300	+/- 2,000	+/- 1,900

15 Property, plant and equipment - continued

15.2 Adjustments to carrying amount of properties

Revaluation surplus and impairment charges recognised in other comprehensive income (within revaluation reserve):

		The Group	
	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**

	At 1 January 2015 €'000	Movement €'000	At 31 December 2015 €'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	-	8,700	8,700
Corinthia Hotel & Spa Lisbon	13,728	(1,669)	12,059
Corinthia Hotel Prague	-	992	992
Corinthia Hotel Budapest	-	6,516	6,516
Marina Hotel, St George's Bay, Malta	-	6,566	6,566
	13,728	21,105	34,833

15 Property, plant and equipment - continued

15.2 Adjustments to carrying amount of properties - continued

Impairment charges and reversals of impairment losses recognised in profit or loss:

	The Group		
	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**

	At 1 January 2015 €'000	Movement €'000	At 31 December 2015 €'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	2,803	(2,281)	522
Corinthia Hotel & Spa Lisbon	1,068	-	1,068
Corinthia Hotel Prague	13,745	(10,103)	3,642
Corinthia Hotel Tripoli	8,038	-	8,038
Corinthia Hotel Budapest	4,937	(3,309)	1,628
Corinthia Hotel St Petersburg	3,244	4,054	7,298
Marina Hotel, St George's Bay, Malta	121	-	121
	33,956	(11,639)	22,317

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 during the current financial year, 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 results and the resultant impact of projected performance. 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 during 2015 were attributable to difficult market and economic conditions in Russia and to the marginal dip in the hotel's financial performance in the case of Corinthia Hotel & Spa Lisbon.

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	
	2016	2015
	€'000	€'000
Hotel property		
Corinthia Hotel St George's Bay, Malta	**40,477**	37,711
Corinthia Hotel & Spa Lisbon	**93,428**	89,200
Corinthia Hotel Prague	**83,006**	82,901
Corinthia Hotel Tripoli	**81,206**	84,085
Corinthia Hotel Budapest	**122,458**	104,800
Corinthia Hotel St Petersburg	**85,710**	70,610
Marina Hotel, St George's Bay, Malta	**31,115**	28,813
Radisson Blu Resort, Malta	**39,628**	37,711
	577,028	535,831

15.4 Historic cost basis of properties

If the cost model had been used the carrying amounts of the revalued properties would be €511.3 million (2015: €505.4 million). The revalued amounts include a revaluation surplus of €71.9 million before tax (2015: €34.8 million), which is not available for distribution to the shareholders of IHI.

15.5 Use as collateral

Certain tangible fixed assets owned by the Group are hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 28.

16 Investments in subsidiaries

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

	The Company	
	2016	2015
	€'000	€'000
Share in subsidiary companies (Note 16.2)	**345,589**	277,942
Loans to subsidiary companies	**177,003**	184,231
	522,592	462,173

16 Investments in subsidiaries - continued

16.1 Principal subsidiaries

The Group had the following subsidiaries as at 31 December 2016 and 31 December 2015:

Subsidiary company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Company 2016	2015	Percentage of ownership and voting rights held by the Group 2016	2015	Percentage of ownership and voting rights held by non -controlling interests 2016	2015
Alfa Investimentos Turisticos Lda	Avenida Columbana Bardolo Pinheiro Lisboa 1099 - 031 Portugal	Owns and operates the Corinthia Hotel & Spa Lisbon Portugal	**72**	72	**100**	100	**-**	-
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	**-**	-

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 2016	2015	Percentage of ownership and voting rights held by the Group 2016	2015	Percentage of ownership and voting rights held by non-controlling interests 2016	2015
IHI Benghazi Limited	22 Europa Centre Floriana Malta	Investment company	**75**	75	**75**	75	**25**	25
IHI Cyprus Limited	1 Naousis Street Karapatakis Building P.C. 6018, Larnaca Cyprus	Investment company	**100**	100	**100**	100	**-**	-
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	**-**	-
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	**-**	-

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	
			2016	2015	2016	2015	2016	2015
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 Holdings (Group Holdings plc)	Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians	Holding company	**100**	100	**100**	100	**-**	-
Island Resorts International Limited	First Name House, Victoria Residence, Douglas Isle of Man	Investment company	**-**	-	**100**	100	**-**	-
Island Hotels Group Limited	22, Europa Centre Floriana Malta	Holding and management company	**-**	-	**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	
			2016	2015	2016	2015	2016	2015
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	**-**	-
Bay Point Collection Limited	First Name House, Victoria Residence, Dougles Isle of Man	Vacation ownership company	**-**	-	**100**	100	**-**	-
Island Caterers Limited	22, Europa Centre Floriana Malta	Event catering company	**-**	-	**100**	100	**-**	-
Buttigieg Holdings Limited	22, Europa Centre Floriana Malta	Retail catering and holding company	**-**	-	**100**	100	**-**	-
RJC Caterers Limited	22, Europa Centre Floriana Malta	Contract catering company	**-**	-	**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	
			2016	2015	2016	2015	2016	2015
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**	20	**100**	20	**-**	-

All subsidiary undertakings are included in the consolidation.

The total non-controlling interest for the period is €598,000 (2015: €598,000). The directors have assessed that the non-controlling interest is not material for the purposes of presenting the additional disclosure in terms of IFRS 12.

16.2 Share in subsidiary companies

	The Company	
	2016	2015
	€'000	€'000
At 1 January	**277,942**	224,183
Acquisition of equity (Note 37)	**5,807**	46,197
Transfer of carrying amount of investment in associate following stepped acquisition (Notes 17.3, 37)	**1,005**	-
Change in fair value	**60,835**	7,562
At 31 December	**345,589**	277,942

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 37.

16.2.1 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 3.3), have been determined by reference to the fair values of the underlying properties held by the respective subsidiaries and, in the case of CHI 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	
	2016	2015
	€'000	€'000
Associates	**13,567**	14,877
Joint ventures	**237,346**	252,168
At 31 December	**250,913**	267,045

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

	The Group	
	2016	2015
	€'000	€'000
Associates	**(139)**	(442)
Joint ventures	**1,800**	(2,115)
At 31 December	**1,661**	(2,557)

17 Other investments - continued

17.1 Investments accounted for using the equity method - continued

The Group, through the parent company, holds 50% of the ordinary shares and voting rights of NLI Holdings Limited ("NLI"). During the financial periods up to 31 December 2014, this investment was classified as an investment in associate in the Group's and Company's financial statements, on the presumption that the Group held significant influence in the investment.

During 2015, management has reassessed its level of involvement in NLI Holdings Limited. It has concluded that in substance, NLI is a jointly controlled investment, with all decisions requiring the unanimous consent of the parties involved for all relevant activities. NLI is structured as a limited liability company and provides the Group and the parties to the agreements with the rights to the net assets of the limited liability company under the arrangement. Therefore, the investment in NLI was classified as an investment in joint venture. The change in classification has not impacted recognition and measurement of the investment and has had no impact on the Group's or the Company's financial statements.

Subsequent to year end, the Group acquired control of NLI, as disclosed in Note 39.

17.2 Investments in associates and joint ventures

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

	The Company	
	2016	2015
	€'000	€'000
Associates	**13,567**	14,880
Joint ventures	**198,458**	212,395
At 31 December	**212,025**	227,275

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

	The Company	
	2016	2015
	€'000	€'000
Associates	**(308)**	881
Joint ventures	**(13,937)**	5,067
At 31 December	**(14,245)**	5,948

17 Other investments - continued

17.3 Investments in associates

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
At 1 January	**14,877**	13,706	**14,880**	13,663
Additions	**-**	336	**-**	336
Derecognition of investment in associate following stepped acquisition (Note 37)	**(1,005)**	-	**-**	-
Transfer of carrying amount of investment in associate following stepped acquisition (Notes 16.2, 37)	**-**	-	**(1,005)**	-
Share of results	**(139)**	(442)	**-**	-
Fair value movements	**-**	-	**(308)**	881
Exchange differences	**(166)**	1,277	**-**	-
At 31 December	**13,567**	14,877	**13,567**	14,880

During the year, 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 37.

Set out below are the associates of the Group as at 31 December 2016 and 31 December 2015. 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	
			2016	2015
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

17 **Other investments** - continued

17.3 **Investments in associates** - continued

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 36 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.	
	2016	2015
	€000	€000
Non-current assets	**43,250**	43,907
Current assets	**11,536**	12,439
Total assets	**54,786**	56,346
Current liabilities	**522**	862
Total liabilities	**522**	862
Loss for the year	**(556)**	(1,771)
Other comprehensive income	**-**	-
Total comprehensive income	**(556)**	(1,771)

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.	
	2016	2015
	€000	€000
1 January	**55,484**	50,803
Loss for the period	**(556)**	(1,771)
Additions	**-**	1,338
Foreign exchange differences	**(664)**	5,114
Closing net assets	**54,264**	55,484
Interest in associate (25%)	**13,567**	13,871
Carrying value	**13,567**	13,871

17 Other investments - continued

17.4 Investments in joint ventures

	The Group 2016 €'000	The Group 2015 €'000	The Company 2016 €'000	The Company 2015 €'000
At 1 January	**252,168**	199,535	**212,395**	207,328
Acquisition of subsidiary (Note 37)	**-**	39,597	**-**	-
Derecognition of investment in joint venture following stepped acquisition (Note 37)	**-**	(1,072)	**-**	-
Share of results	**1,800**	(2,115)	**-**	-
Share of other comprehensive income	**6,598**	9,675	**-**	-
Dividend distribution	**(1,757)**	-	**-**	-
Fair value movements	**-**	-	**(13,937)**	5,067
Exchange differences	**(21,463)**	6,548	**-**	-
At 31 December	**237,346**	252,168	**198,458**	212,395

Set out overleaf are the significant joint ventures of the Group as at 31 December 2016 and 31 December 2015. 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 2016	2015
NLI Holding Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a Group that owns and operates the Corinthia Hotel Lonon and 10 Whitehall Place in London, UK	**50**	50
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owns the Corinthia Hotel London, UK	**50**	50
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owns apartment 12, 10 Whitehall Place	**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

17 **Other investments** - continued

17.4 Investments in joint ventures

Company name	Registered office	Nature of business	% of ownership interest held by the Group % Ownership 2016	2015
NLI Operator Limited	CTV House La Pouquelaye St Helier Jersey	Operates Corinthia Hotel London, a five star luxury hotel	**50**	50
Hotel Astoria SA	Rue Royal 103 1000 Brussels Belgium	Owner of site being developed into the Corinthia Brussels	**50**	-
IHI Brussels Limited	22, Europa Centre Floriana Malta	Holding company of Hotel Astoria SA	**50**	-
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 2016	2015
Vacation Financial Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Financing of vacation ownership	**50**	50
Heathfield Overseas Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Payment solutions	**50**	50
Azure Resorts Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Vacation ownership selling agent	**50**	50
Brooksfield Overseas Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Marketing and promotional services	**50**	50
Medi International Limited	325, Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Internal financing	**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	
			2016	2015
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

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

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

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

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

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

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

(ii) NLI Holdings Group

This joint venture includes the Group's and the Company's investment in NLI Holdings Limited and its subsidiary undertakings (made up of NLI Hotels Limited, NLI Penthouse Limited, NLI Finance Limited and NLI Operator Limited). Together these companies own and operate the Corinthia London Hotel. As disclosed in Notes 17.1 and 39 IHI obtained control of NLI Holdngs subsequent to year end.

17 Other investments - continued

17.4.1 Summarised financial information for material joint ventures

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

	NLI Holdings Group		Golden Sands Resort Group	
	2016 €000	2015 €000	2016 €000	2015 €000
Cash and cash equivalents	**9,222**	7,919	**4,461**	4,422
Non-current assets	**558,880**	631,360	**63,018**	65,343
Current assets	**10,137**	9,937	**15,306**	20,230
Total assets	**578,239**	649,216	**82,785**	89,995
Current financial liabilities (excluding trade and other payables and provisions)	**13,887**	9,660	**4,664**	4,974
Current liabilities	**32,908**	26,846	**17,402**	18,803
Non-current financial liabilities (excluding trade and other payables and provisions)	**147,576**	171,522	**30,367**	34,803
Non-current liabilities	**148,378**	171,522	**30,367**	34,803
Total liabilities	**181,285**	198,368	**47,769**	53,606
Revenue	**67,114**	72,373	**40,197**	42,483
EBITDA	**15,930**	16,079	**14,451**	13,547
Depreciation and amortisation	**(13,132)**	(15,332)	**(3,303)**	(3,781)
Interest income	**4**	9	**34**	4
Interest expense	**(6,068)**	(5,951)	**(1,087)**	(1,495)
Income tax expense	**(1,451)**	(1,684)	**(1,777)**	(1,057)
(Loss)/profit for the year	**(4,718)**	(6,401)	**8,318**	7,250
Other comprehensive income	**13,150**	19,351	**(3,285)**	1,402
Total comprehensive income	**8,432**	11,266	**5,033**	8,652
Dividends received	**-**	-	**1,757**	2,582

18 Loans receivable

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Non-current				
Ultimate parent company	**1,368**	-	**1,368**	-
Group companies	**-**	-	**106,693**	71,658
Joint venture	**2,920**	3,407	**2,920**	3,407
Other related parties	**282**	321	**-**	-
Total non-current loans receivable	**4,570**	3,728	**110,981**	75,065
Current				
Ultimate parent company	**12,937**	6,920	**12,937**	6,920
Joint ventures	**-**	405	**-**	-
Other related parties	**45**	-	**-**	-
Total current loans receivable	**12,982**	7,325	**12,937**	6,920

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 (2015: €54 million) of the Company's loans to Group companies are unsecured, bear interest at Euribor + 3% and are subordinated to bank loans.

€16.0 million (2015: €18 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 of the Company's loans to Group companies are unsecured, bear interest at 0.25% and are subordinated to bank loans.

€11.0 million of the Company's loans to Group companies are unsecured, bear interest at 4.25% and are subordinated to bank loans.

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%.

The Group's and Company's non-current loan to joint venture of €2.9 million (2015: €3.4 million) bears interest at 3%, is unsecured and subordinated to bank debt.

The Group's current loans to the joint venture bear interest at 5%, are guaranteed and repayable on demand.

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

19 Inventories

	The Group	
	2016	2015
	€'000	€'000
Food and beverages	**1,201**	1,663
Consumables	**681**	587
Goods held for resale	**40**	43
Others	**4,805**	3,987
	6,727	6,280

20 Trade and other receivables

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Trade receivables	**11,279**	9,945	**-**	-
Amounts owed by:				
Parent company	**8,182**	4,329	**4,893**	2,686
Subsidiary companies	**-**	-	**24,566**	25,936
Associate companies	**157**	540	**19**	244
Joint ventures	**4,372**	531	**1,117**	238
Other related companies	**6,377**	7,450	**-**	-
Other debtors	**2,592**	3,081	**219**	688
Accrued income	**4,003**	3,377	**1,869**	1,636
Financial assets	**36,962**	29,253	**32,683**	31,428
Advance payments in respect of capital creditors	**1,741**	874	**-**	-
Prepayments	**3,448**	2,905	**161**	121
Total receivables – current	**42,151**	33,032	**32,844**	31,549

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 Cash and cash equivalents

Cash and cash equivalents include the following components:

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Cash and bank balances:				
Current	**29,382**	18,863	**13,224**	2,736
Cash and cash equivalents in the statement of financial position	**29,382**	18,863	**13,224**	2,736
Bank overdraft (Note 28)	**(8,550)**	(7,199)	**-**	-
Cash and cash equivalents in the statement of cash flows	**20,832**	11,664	**13,224**	2,736

The bank balances include amounts of €1.1 million (2015: €3.3 million) set aside by two subsidiary companies within the group for debt servicing requirements and €1.4 million (2015: €1.3 million) set aside by another subsidiary for capital expenditure purposes.

22 Share capital

22.1 Authorised share capital

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

22.2 Issued share capital

The issued share capital consists of 597,750,626 (2015: 573,636,129) ordinary shares of €1 each, fully paid up.

	The Group and Company	
	2016	2015
	€'000	€'000
At 1 January	**573,636**	554,238
Acquisition of subsidiary (Note 37)	**6,903**	2,688
Bonus issue (Note 22.4)	**17,211**	16,710
At 31 December	**597,750**	573,636

22.3 Acquisition of subsidiary

The Group issued a further 6,903,494 shares (1.2% of the total ordinary share capital issued) on 11 August 2016 in addition to 2,687,960 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 37). 396,286 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 25.1).

22.4 Bonus shares

During 2016, the shareholders approved the capitalisation of an amount of €17.2 million (2015: €16.7 million) from the reserve 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 2016.

22.5 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.

23 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 2015	13,728	(3,089)	10,639
Revaluation surplus/(impairment charges) arising during the year:			
Corinthia Hotel St George's Bay, Malta	8,700	(3,045)	5,655
Corinthia Hotel & Spa Lisbon	(1,669)	375	(1,294)
Corinthia Hotel Prague	992	(188)	804
Corinthia Hotel Budapest	6,516	(652)	5,864
Marina Hotel, St George's Bay, Malta	6,566	(2,298)	4,268
	21,105	(5,808)	15,297
At 31 December 2015	34,833	(8,897)	25,936
Analysed as follows:			
Corinthia Hotel St George's Bay, Malta	8,700	(3,045)	5,655
Corinthia Hotel & Spa Lisbon	12,059	(2,714)	9,345
Corinthia Hotel Prague	992	(188)	804
Corinthia Hotel Budapest	6,516	(652)	5,864
Marina Hotel, St George's Bay, Malta	6,566	(2,298)	4,268
	34,833	(8,897)	25,936
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**

23 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 2015	111,709	(20,945)	90,764
Revaluation surplus arising during the year			
Corinthia Hotel London	9,674	(1,814)	7,860
At 31 December 2015	121,383	(22,759)	98,624
At 1 January 2016	121,383	(22,759)	98,624
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**

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	
	2016 €'000	2015 €'000
Aggregate amounts disclosed in tables above:	**159,997**	124,560
Bonus and other similar share issues:		
Opening balance	**(39,548)**	(22,838)
Movement for the year (Note 22.4)	**(17,211)**	(16,710)
Shares issued to previous owners of IHG Group for no consideration (Note 22.3)	**(396)**	-
Closing balance	**(57,155)**	(39,548)
Total revaluation reserve	**102,842**	85,012

24 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.

25 Other reserves and equity components

25.1 Other equity components

The Group	Available-for-sale investments €'000	Stepped acquisition of subsidiary	Other €'000	Total €'000
At 1 January 2015	632	3,859	-	4,491
Issuance of share capital in a business combination	-	-	(363)	(363)
Fair value movements on available-for-sale financial assets, net of tax	424	-	-	424
At 31 December 2015	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**

As disclosed in Note 22.3, 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 37). 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 (2015: €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 €0.9 million (2015: €0.4 million) was recognised in other reserves (Note 25.1).

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

Available-for-sale financial assets, relating to holdings of Malta Government bonds, were realised in 2016 and reclassified from other comprehensive income to the income statement.

25 Other reserves and equity components - continued

25.2 Other reserves

The Company	Available-for sale reserve €'000	Bonus shares	Other €'000	Total €'000
At 1 January 2015	104,322	(22,838)	(9,313)	72,171
Issuance of share capital for the acquisition of subsidiary	-	-	(363)	(363)
Fair value movements on available-for-sale financial assets, net of tax	10,029	-	-	10,029
Issue of bonus shares	-	(16,710)	-	(16,710)
At 31 December 2015	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**

26 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.

27 Accumulated losses

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

28 Bank borrowings

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Bank overdraft	**8,550**	7,199	**-**	-
Bank loans	**180,330**	205,990	**14,208**	5,000
	188,880	213,189	**14,208**	5,000
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 – 5 years	**99,814**	129,844	**5,932**	2,500
Bank loans due later than 5 years	**64,094**	61,142	**6,285**	-
	163,908	190,986	**12,217**	2,500
Current bank borrowings				
Bank overdraft	**8,550**	7,199	**-**	-
Bank loans due within 1 year	**16,422**	15,004	**1,991**	2,500
	24,972	22,203	**1,991**	2,500

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 3.2% annually at 31 December 2016 (2015: 2.88% 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.

29 Bonds

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Bond IV	**6,572**	24,695	**6,572**	24,695
Bond V	**19,722**	19,676	**19,722**	19,676
Bond VI	**9,899**	9,887	**9,899**	9,887
Bond VII	**44,138**	44,060	**44,137**	44,060
Bond VIII	**3,134**	14,000	-	-
Bond IX	**34,457**	34,384	-	-
Bond X	**54,230**	-	**54,230**	-
Bond XI	**39,450**	-	**39,451**	-
	211,602	146,702	**174,011**	98,318
Non-current	**201,896**	146,702	**167,439**	98,318
Current	**9,706**	-	**6,572**	-
	211,602	146,702	**174,011**	98,318

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

	Year of issue	Nominal amount €'000	Rate of interest %	Maturity date	Redemption option period
Bond IV	2010	6,572	6.25	8 April 2020	2017
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 VIII	2009	3,134	6.5	30 June 2019	2017
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. Subsequent to year end, the Group settled the amount due in respect of Bond IV.

(iii) Interest
Interest is payable annually in arrears on the due date.

(iv) 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.

(v) Sinking funds
The prospectus for bonds IV, V and VIII provide 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. On 20 December, bondholders of Bond IV and V accepted an offer to a new bond (Bond XI). Bond V is the only outstanding bond with a sinking fund requirement.

29 Bonds - continued

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

	III	IV	V	VI	VII	VIII	IX	X	XI
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2015	34,762	24,641	19,633	9,876	-	-	-	-	-
Allocation to new bond issue	(35,000)	-	-	-	35,000	-	-	-	-
Proceeds from issue	-	-	-	-	10,000	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	14,000	34,347	-	-
Amortisation of transaction costs	34	54	43	11	47	-	37	-	-
Issue costs		-	-	-	(783)	-	-	-	-
Reallocation of transaction costs	204	-	-	-	(204)	-	-	-	-
At 31 December 2015		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	78	-	73	29	-
Issue costs		-	-	-	-	-	-	(799)	(549)
At 31 December 2016		**6,572**	**19,722**	**9,899**	**44,138**	**3,134**	**34,457**	**54,230**	**39,450**

The carrying amount of bonds is considered a reasonable approximation of fair value.

The market price of bonds in issue is as follows:

	2016	2015
	€	€
Bond IV	102.0	105.5
Bond V	108.5	108.5
Bond VI	107.5	108.5
Bond VII	110.8	106.5
Bond VIII	102.0	103.5
Bond IX	107.3	108.5
Bond X	102.0	-
Bond XI	102.0	-

30 Other interest bearing borrowings

	The Group 2016 €'000	The Group 2015 €'000	The Company 2016 €'000	The Company 2015 €'000
Amounts owed to:				
Shareholders	**-**	3,091	**-**	3,091
Group companies	**-**	-	**10,383**	6,000
Associate companies	**-**	5	**-**	-
Related companies	**4,697**	5,195	**-**	-
Obligations - lease	**213**	218	**-**	10,700
	4,910	8,509	**10,383**	19,791
Non-current liabilities				
Amounts owed to:				
Group companies	**-**		**6,900**	10,700
Obligations - lease	**182**	[illegible]	**-**	-
Other liabilities	**4,500**	4,710	**-**	-
	4,682	4,928	**6,900**	10,700
Current liabilities				
Amounts owed to:				
Shareholders	**-**	3,091	**-**	3,091
Group companies	**-**	-	**3,483**	6,000
Associate companies	**-**	5	**-**	-
Related companies	**197**	85	**-**	-
Obligations - lease	**31**	-	**-**	-
	228	3,581	**3,483**	9,091

The carrying amount of other interest bearing borrowings is considered a reasonable approximation of fair value on the basis of discounted cash flows.

The terms of the amounts owed by the Group are as follows:

	€'000	Interest	Repayable by
At 31 December 2016			
Other liabilities	**4,500**	3.7%	Due by the end of 2018
Related companies	**197**	6.0%	On demand
Related companies	**-**	5.0%	Due by the end of January 2017
Obligations - lease	**213**		
	4,910		
At 31 December 2015			
Shareholders	3,091	3.5%	Due by the end of 2016
Associate companies	5	3 month Euribor + 2.0%	On demand
Other liabilities	4,500	3.7%	Due by the end of 2018
Related companies	3	6.0%	On demand
Related companies	692	5.0%	Due by the end of January 2017
Obligations - lease	218		
	8,509		

None of the loans are secured.

31 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	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Depreciation of property, plant and equipment	**-**	-	**(38,282)**	(41,119)	**(38,282)**	(41,119)
Fair valuation of land and buildings	**-**	-	**(49,875)**	(41,968)	**(49,875)**	(41,968)
Fair valuation of investment property	**-**	-	**(13,886)**	(17,523)	**(13,886)**	(17,523)
Intangible assets	**-**	-	**(5,553)**	(5,961)	**(5,553)**	(5,961)
Investment in subsidiary	**-**	-	**(7,147)**	(5,150)	**(7,147)**	(5,150)
Investment in joint ventures	**-**	-	**(24,441)**	(27,385)	**(24,441)**	(27,385)
Investment in associate	**-**	-	**101**	101	**101**	101
Unrelieved tax losses and unabsorbed capital allowances	**24,030**	31,132	**-**	-	**24,030**	31,132
Exchange differences	**473**	656	**-**	-	**473**	656
Provision on trade receivables	**960**	774	**-**	-	**960**	774
Other	**-**	-	**(362)**	(317)	**(362)**	(317)
Tax assets/(liabilities)	**25,463**	32,562	**(139,445)**	(139,322)	**(113,982)**	(106,760)

The Company	Assets		Liabilities		Net	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Depreciation of property, plant and equipment	**166**	166	**-**	-	**166**	166
Investment in subsidiary	**-**	-	**(6,556)**	(7,172)	**(6,556)**	(7,172)
Investment in associate	**-**	-	**(88)**	(195)	**(88)**	(195)
Investment in joint venture	**-**	-	**(46,287)**	(24,995)	**(46,287)**	(24,995)
Unrelieved tax losses and unabsorbed capital allowances	**616**	436	**-**	-	**616**	436
Exchange differences	**-**	-	**(139)**	(139)	**(139)**	(139)
Tax assets/(liabilities)	**782**	602	**(53,070)**	(32,501)	**(52,288)**	(31,899)

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.

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

31 **Deferred tax assets and liabilities** - continued

The Group	Balance 01.01.2015 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €'000	Acquisition of subsidiary €000	Balance 31.12.2015 €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
Property, plant and equipment	(59,348)	(8,404)	(3,863)	(11,472)	(83,087)	4,656	(9,749)	23	-	**(88,157)**
Investment property	(16,997)	(124)	1,217	(1,619)	(17,523)	5,460	(1,823)	-	-	**(13,886)**
Intangible assets	(5,277)	408	-	(1,092)	(5,961)	408	-	-	-	**(5,553)**
Investments in subsidiaries	(5,150)	-	-	-	(5,150)	-	-	-	(1,997)	**(7,147)**
Investments in associates	-	-	101	-	101	-	-	-	-	**101**
Investments in joint ventures	(24,006)	(209)	(3,170)	-	(27,385)	774	2,170	-	-	**(24,441)**
Unrelieved tax losses and capital allowances	27,589	3,760	(2,212)	1,995	31,132	(11,003)	3,901	-	-	**24,030**
Exchange differences	858	(202)	-	-	656	(183)	-	-	-	**473**
Provision on trade receivables	531	243	-	-	774	(506)	692	-	-	**960**
Others	(932)	1,145	138	(668)	(317)	(124)	79	-	-	**(362)**
	(82,732)	(3,383)	(7,789)	(12,856)	(106,760)	(518)	(4,730)	23	(1,997)	**(113,982)**

31 Deferred tax assets and liabilities - continued

Unrecognised deferred tax assets

Deferred income taxes are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of € 1.36 million as at 31 December 2016, in respect of losses amounting to € 5.68 million that can be carried forward against future taxable income. There were no unrecognised deferred income tax assets that could be carried forward against future taxable income as at 31 December 2015.

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:

31 Deferred tax assets and liabilities - continued

The Company	Balance 01.01.2015 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Balance 31.12.2015 €'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
Property, plant and equipment	(59)	225	-	166	-	-	-	-	**166**
Investments in subsidiaries	(4,525)	-	(2,647)	(7,172)	-	2,613	(1,997)	-	**(6,556)**
Investments in associates	113	-	(308)	(195)	-	107	-	-	**(88)**
Investment in joint venture	(24,045)	-	(950)	(24,995)	-	(21,292)	-	-	**(46,287)**
Unrelieved tax losses and unabsorbed capital allowances	598	(162)	-	436	872	-	-	(692)	**616**
Exchange differences	57	(196)	-	(139)	-	-	-	-	**(139)**
	(27,861)	(133)	(3,905)	(31,899)	872	(18,572)	(1,997)	(692)	**(52,288)**

31 Deferred tax assets and liabilities - continued

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 2016 and 31 December 2015.

32 Trade and other payables

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Non-current				
Trade payables	**-**	275	**-**	-
Other payables	**1,214**	1,425	**-**	-
Other liabilities – contingent consideration (Note 37)	**1,175**	-	**1,175**	-
Financial liabilities	**2,389**	1,700	**1,175**	-
Advance payments	**788**	74	**-**	-
Total payables – non-current	**3,177**	1,774	**1,175**	-
Current				
Trade payables	**12,146**	15,716	**682**	1,330
Amounts owed to:				
Parent company	**144**	52	**72**	50
Subsidiary companies	**-**	-	**8,011**	6,856
Associate companies	**-**	128	**-**	-
Joint ventures	**1,037**	721	**959**	570
Other related parties	**1,568**	550	**52**	61
Capital creditors	**1,721**	495	**-**	334
Other payables	**4,859**	30,565	**1,273**	23,989
Accruals	**18,939**	19,412	**5,421**	5,172
Financial liabilities	**40,414**	67,639	**16,470**	38,362
Advance payments	**6,842**	5,631	**-**	-
Statutory liabilities	**1,652**	768	**204**	327
Total payables – current	**48,908**	74,038	**16,674**	38,689

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

In 2015, other payables for the Group and the Company comprised an amount of €22.4 million in respect of the deferred component of the purchase consideration of the acquisition of Island Hotels Group Holdings p.l.c. The settlement of the deferred component, effected on 11 August 2016, was partly due in cash (€16.8 million) and partly due in 6,507,168 shares of IHI issued to the previous shareholders of Island Hotels Group Holdings p.l.c. (Note 37). The settlement of the deferred consideration in shares was subject to a number of completion conditions, which if not met, may have resulted in the Group issuing a number of shares which was different from the contracted amount. Accordingly, the directors assessed that the 'fixed-for-fixed' condition was not met and therefore classified this component of the consideration as a liability in these financial statements.

The carrying amount of trade and other payables is considered a reasonable approximation of fair value in view of the short-term nature of these instruments.

33 Dividends

No dividends were declared during 2015 and 2016.

34 Cash flow information

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Adjustments:				
Depreciation of property, plant and equipment	**20,498**	18,099	**32**	25
Increase in provision for impairment of trade receivables	**(125)**	97	**-**	-
Gain on disposal of property, plant and equipment	**988**	(45)	**-**	-
Amortisation of intangible assets	**2,809**	1,994	**155**	187
Net reversal of impairment losses on property, plant and equipment	**(2,960)**	(11,639)	**-**	-
Fair value movements on investment properties	**19,712**	(193)	**-**	-
Share of results of associates and joint ventures	**(1,661)**	2,557	**-**	-
Net changes in fair value of indemnification assets	**210**	(551)	**-**	-
Amortisation of transaction costs	**295**	226	**222**	189
Loss on remeasurement of interest in QPM fair value	**168**	-	**-**	-
Gains on disposal of available-for-sale financial assets	**(1,223)**	-	**(1,223)**	-
Interest income	**(685)**	(532)	**(2,244)**	(2,238)
Interest expense	**16,426**	14,113	**8,349**	6,582
Net exchange differences	**(9,825)**	8,210	**-**	-
	44,627	32,336	**5,291**	4,745

Significant non-cash transactions

The principal non-cash transaction during 2015 is the issue of shares as consideration for the acquisition of the Island Hotels Group Holdings p.l.c. group disclosed in Note 37.

35 Commitments

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

	The Group	
	2016	2015
	€'000	€'000
Contracted for:		
Property, plant and equipment	**9,401**	4,652
Authorised but not yet contracted for:		
Property, plant and equipment	**18,826**	44,207
	28,226	48,859

The board of directors of joint ventures have authorised capital commitments for property, plant and equipment amounting to €2,530,781 (2015 - €2,000,000). 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	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Less than one year	**3,325**	2,924	**118**	129
Between one and five years	**6,575**	7,454	**-**	129
More than five years	**21,746**	22,906	**-**	-
	31,646	33,284	**118**	258

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 2016, €4.5 million (2015: €2.4 million) and €0.1 million (2015: €0.1 million) for the Group and Company respectively were recognised as an expense in the income statement in respect of operating leases.

36 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.

36 Contingent liabilities - continued

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

37 Business combinations

Acquisition during 2016

On 1 July 2016, the Group, through the parent company, acquired the remaining 80% of the share capital of QP Management Limited and its subsidiaries (together referred to as the "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 is expecting to benefit for its new capability to offer a complete cycle of services from project inception to completion and eventually operation. The goodwill of €2,457,594 arising from the acquisition is attributable to cost synergies expected from combining the operations of the Group and QP.

Acquisitions during 2015

On 1 July 2015, the Group, through the parent company, acquired 100% of the share capital of Island Hotels Group Holdings p.l.c. and its subsidiaries (together referred to as the "IHGH Group"), a Group in the hospitality and catering industry, operating in Malta.

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

Subsequently, on 17 December 2015, the Group, through a subsidiary undertaking, acquired the remaining 50% of the share capital of The Heavenly Collection Limited ("THCL"), a company whose main asset comprises a plot of land for which development plans have been set. The Group now holds 100% of the share capital of THCL, which was previously a joint venture that was held by the IHGH Group.

No goodwill or gain on bargain purchase arose as at the date of acquisition of THCL as the consideration paid for the acquisition was equal to the fair value of net assets acquired. Accordingly, no gain or loss was recognised in the Group's income statement as a result of remeasuring at fair value its 50% equity interest in THCL.

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

37 **Business combinations** - continued

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**

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**

37 Business combinations - continued

The Group	IHGH Group €'000	THCL €'000	Total €'000
Consideration at 1 July 2015 and 17 December 2015			
Cash	21,441	913	22,354
Cash (deferred component)	16,802	-	16,802
Equity instruments (9.2m ordinary shares)	7,954	-	7,954
Total consideration transferred	46,197	913	47,110
Fair value of equity interest in THCL before the business combination	-	913	913
Total consideration	46,197	1,826	48,023
Recognised amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	7,693	-	7,693
Property, plant and equipment	43,182	21,576	64,758
Intangible asset	12,883	-	12,883
Investments accounted for using the equity method	39,597	-	39,597
Inventories	1,642	-	1,642
Loans and receivables	6,388	-	6,388
Trade and other receivables	17,415	73	17,488
Current income tax assets	331	4	335
Trade and other payables	(12,922)	(1,353)	(14,275)
Current income tax liabilities	(108)	-	(108)
Liabilities of joint venture classified as held-for-sale	(302)	-	(302)
Other financial liabilities	(48,945)	-	(48,945)
Borrowings	(10,735)	(16,855)	(27,590)
Deferred tax liabilities	(11,237)	(1,619)	(12,856)
Total identifiable net assets	44,882	1,826	46,708
Goodwill	1,315	-	1,315
Total	46,197	1,826	48,023

37 Business combinations - continued

Purchase consideration – cash outflow

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

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 to 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.

37 Business combinations - continued

Acquisition of IHGH Group

Acquisition related costs of €0.3 million have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2016.

The consideration for the acquisition of the IHGH Group comprises a combination of cash consideration and issuance of new shares in the parent company.

The deferred consideration of €16.8 million was payable within one year from the date of acquisition and was discounted using a discount rate of 3%. Up to 4.6 million shares in the Company were pledged in favour of the previous shareholder of IHGH Group as security for default on the deferred consideration. The contractual amount of the deferred consideration was paid during 2016 and amounted to €17.0 million.

As part of the share component of the consideration, the Group was required to issue a total of 9.2 million ordinary shares to the previous shareholders of the IHGH Group. 2.7 million shares, with a fair value of €2.3 million were issued on 10 August 2015, whilst the remainder (6.5 million shares with a fair value of €5.6 million) were issued on 11 August 2016.

The fair value of the 9.2 million ordinary shares as part of the consideration for the IHGH Group (€8 million) was based on the published share price on 1 July 2015.

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

The revenue included in the consolidated income statement since 1 July 2015 contributed by IHGH Group was €17.6 million. IHGH Group also contributed to profit of € 2.5 million over the period from the date of acquisition to 31 December 2015.

Had IHGH Group been consolidated from 1 January 2015, the consolidated income statement for the year ended 31 December 2015 would show pro-forma revenue of €140.9 million and loss of €2.4 million. The pro-forma figures include the results of the IHGH Group for the accounting period from 1 November 2014 to 31 December 2015 (14 months). Additionally, the accounting reference period of the IHGH Group was changed from 30 October to 31 December for the purposes of aligning the year end with that of its parent company.

37 Business combinations - continued

Acquisition of THCL

Acquisition related costs of €0.2 million have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2015.

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

In view of its limited level of operations, had THCL been consolidated from 1 January 2015, pro-forma revenue and profit would not be materially different than the amount reported in these consolidated financial statements for the year ended 31 December 2015.

38 Related parties

The Company and its subsidiaries have related party relationships with CPHCL, the Company's ultimate controlling party (Note 41), 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 38.2.

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, 30 and 32.

As disclosed in Note 37 during the year, the Group acquired QPM from its parent undertaking, CPHCL.

38 **Related parties** - continued

38.1 Related parties

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Revenue				
Services rendered to:				
Parent company	**2,680**	1,920	**1,600**	1,600
Fellow subsidiaries	**1,339**	1,273	**1,625**	1,103
Joint ventures	**5,071**	5,645	**650**	723
	9,090	8,838	**3,875**	3,426
Direct costs				
Charged by:				
Parent company	**(70)**	(70)	**-**	-
Financing				
Interest income				
Parent company	**448**	255	**389**	251
Fellow subsidiaries	**25**	21	**1,714**	1,883
Joint ventures	**107**	110	**90**	103
Interest expenses				
Parent company	**-**	(19)	**-**	-
Fellow subsidiaries	**-**	-	**(756)**	-
	580	367	**1,437**	2,237
Net income	**9,600**	9,135	**5,312**	5,663

38.2 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 2016 the remuneration of the executive Chairman and Senior Executives of the Company and its subsidiaries amounted to €6.8 million (2015: €5.5 million). The foregoing comprises a fixed portion of €5.1 million (2015: €4.1 million) and a variable portion of €1.7 million (2015: €1.3 million).

This variable portion includes an accrual that has been made for bonuses relating to 2016. Other than those bonuses that are contractual, the final amounts still need to be formally approved.

39 Events after the reporting period

Business combinations

In early 2017, the Group obtained control of NLI Holding Limited ("NLI") and its subsidiaries disclosed in Note 17 (together, 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.

As a result of obtaining control, the NLI Group will be consolidated in IHI's consolidated financial statements for the year ended 31 December 2017. The Group's joint venture in respect of this investment will accordingly be derecognised – the fair value of the 50% interest equates to the carrying amount of the investment, and accordingly, no gain or loss was recognised upon remeasurement.

Details of the consideration, net assets and non-controlling interest are as follows:

The Group	NLI Group €'000
Purchase consideration	
Fair value of equity interest in NLI Group held before the business combination	198,477
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	9,222
Property, plant and equipment	512,091
Investment property	46,877
Inventories	3,327
Trade and other receivables	6,810
Trade and other payables	(19,464)
Current income tax liabilities	(59)
Other financial liabilities	(5,860)
Borrowings	(155,604)
Deferred tax liabilities	(387)
Total identifiable net assets	**396,953**
Non-controlling interest	**(198,477)**
Total	**198,477**

40 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. 1The 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 40.5 for a summary of the Group's financial assets and liabilities by category.

40.1 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	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Classes of financial assets – carrying amounts				
Long term loans	**4,570**	3,728	**287,984**	259,296
Short term loans	**12,982**	7,325	**12,937**	6,920
Assets placed under trust arrangement	**6,038**	3,870	**4,466**	3,288
Trade and other receivables	**36,962**	29,253	**32,683**	31,428
Cash and cash equivalents	**29,382**	18,863	**13,224**	2,736
	89,934	63,099	**351,294**	303,668

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.

40 Risk management objectives and policies - continued

40.1 Credit risk - continued

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.

The ageing of trade receivables at the reporting date was:

	The Group	
	2016 €'000	2015 €'000
Not past due	**3,827**	1,358
Past due 0-30 days	**1,494**	3,193
Past due 31-120 days	**1,889**	1,997
Past due 121-360 days	**1,261**	1,380
More than one year	**6,317**	5,624
Gross amount	**14,788**	13,552
Past due 0-30 days	**(46)**	(20)
Past due 31-120 days	**(2)**	(162)
Past due 121-360 days	**(771)**	(1,197)
More than one year	**(2,690)**	(2,228)
Impaired amount	**(3,509)**	(3,607)
Net amount	**11,279**	9,945

40 Risk management objectives and policies - continued

40.1 Credit risk - continued

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

	The Group	
	2016 €'000	2015 €'000
At 1 January	**3,607**	3,510
Acquired	**27**	-
Written-off balances	**(670)**	-
Impairment losses recognised	**604**	111
Impairment losses reversed	**(59)**	(14)
At 31 December	**3,509**	3,607

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 quality financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the companies within the Group.

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

40.2 Liquidity risk

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

The Group actively manages its cash flow requirements. Management monitors liquidity risk by reviewing expected cash flows through cash flow forecasts, covering both Head Office corporate cash flows and all Group entities' cash flows, financing facilities are expected to be required. This is performed at a central treasury function, which controls the overall liquidity requirements of the Group within certain parameters. Each subsidiary company within the Group updates its cash flow on a monthly basis.

40 Risk management objectives and policies - continued

40.2 Liquidity risk - continued

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 (Note 3.2).

At 31 December 2016 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Group	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2016	€'000	€'000	€'000
Non-derivatives:			
Bank borrowings	25,479	127,054	70,595
Bonds	21,893	60,912	221,812
Parent company loan and other interest bearing borrowings	601	4,666	-
Bank overdraft	8,935	-	-
Trade and other payables	40,414	2,483	1,938
	97,322	**195,115**	**294,345**

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

The Group	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2015	€'000	€'000	€'000
Non-derivatives:			
Bank borrowings	25,981	152,068	81,505
Bonds	8,900	71,370	132,498
Parent company loan and other interest bearing borrowings	3,199	5,639	-
Bank overdraft	7,521	-	-
Trade and other payables	66,079	-	-
	111,680	**229,077**	**214,003**

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

40 Risk management objectives and policies - continued

40.2 Liquidity risk - continued

In addition, as at 31 December 2015, the Group maintained a credit facility of a €1.5 million, which was secured by an overdraft available to IHI Hungary Zrt. Interest was payable at the variable, overnight Euribor plus 1.4% interest margin per annum. The facility was no longer maintained by the Group as at 31 December 2016.

At 31 December 2016 the Company has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Company	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2016	€'000	€'000	€'000
Non-derivatives:			
Bank borrowings	2,600	7,505	6,904
Bonds	16,639	52,512	180,512
Other interest bearing borrowings	4,211	1,366	7,241
Trade and other payables	16,470	1,269	1,938
	39,920	**62,652**	**196,595**

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

The Company	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2015	€'000	€'000	€'000
Non-derivatives:			
Bank borrowings	2,747	2,710	-
Bonds	5,890	46,240	89,098
Other interest bearing borrowings	9,349	6,200	6,552
Trade and other payables	38,362	-	-
	56,348	**55,150**	**95,650**

40 Risk management objectives and policies - continued

40.3 Market risk

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

(i) Foreign currency risk

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

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

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

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

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

40 Risk management objectives and policies - continued

40.3 Market risk - continued

(i) Foreign currency risk - continued

	2016 Functional currency EUR				RUB	2015 Functional currency EUR				RUB
	GBP	HUF	LYD	CZK	EUR	GBP	HUF	LYD	CZK	EUR
	€'000	€'000	€'000	€'000	€000	€'000	€'000	€'000	€'000	€'000
Group										
Assets:										
Loans and receivables:										
Loans receivable	2,920	-	-	-	-	-	-	-	-	-
Trade receivables	-	1,262	3,475	564	213	-	977	3,446	451	42
Other receivables	-	352	962	501	-	3,406	400	874	697	-
Liabilities:										
Bank borrowings	-	-	-	-	(52,820)	-	-	-	-	(54,226)
Trade payables	-	(647)	(1,552)	(1,105)	(198)	-	(914)	(1,726)	(773)	-
Other payables	-	(2,691)	(3,399)	(2,107)	-	-	(2,349)	(3,944)	(2,334)	-
Net exposure	2,920	(1,725)	(514)	(2,147)	(52,805)	3,406	(1,886)	(1,350)	(1,959)	(54,184)

40 Risk management objectives and policies - continued

40.3 Market risk - continued

(i) Foreign currency risk - continued

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 2016, if the EUR had weakened/strengthened by 5% against the Rouble with all other variables held constant, Group post-tax profit for the year would have been €2.8 million lower/€2.8 million higher (2015 : €2.9 million lower/€2.9 million higher) as a result of foreign exchange losses/gains on translation of the EUR denominated borrowings.

Additionally, IHI Benelux is also exposed to other interest bearing borrowings and other payables due to Group companies which are eliminated on consolidation. These balances amounting to €54.1 million (2015 : €54.1 million) and €21.1 million (2015 : 19.9 million) respectively, are considered part of the Group's net investment in the foreign operation. Accordingly, any foreign exchange differences with respect to these balances, which at IHI Benelux standalone level are recognised in profit or loss, were reclassified to other comprehensive income on consolidation.

At 31 December 2016, if the EUR had weakened/strengthened by 5% against the Rouble with all other variables held constant, the Group's equity would have been €4.0 million lower/€4.0 million higher (2015 : €3.9 million lower/€3.9 million higher) as a result of foreign exchange losses/gains recognised in other comprehensive income on translation of the euro denominated payables.

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

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

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

40 Risk management objectives and policies - continued

40.3 Market risk - continued

(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	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Fixed rate instruments				
Financial assets:				
Loan receivable	**17,552**	11,053	**69,866**	27,933
Financial liabilities:				
Bonds	**(211,602)**	(146,702)	**(174,011)**	(98,318)
Parent company loan and other interest-bearing borrowings	**(4,910)**	(8,504)	**(10,383)**	(19,791)
Assets placed under trust arrangement	**6,038**	3,870	**4,363**	3,288
	(192,922)	(140,283)	**(110,165)**	(86,888)
Variable rate instruments				
Financial assets:				
Non-current				
Loans to related company	**-**	-	**54,052**	54,052
Financial liabilities:				
Bank borrowings	**(188,880)**	(213,189)	**(14,208)**	(5,000)
Other interest bearing liabilities	**-**	(5)	**-**	-
	(188,880)	(213,194)	**39,844**	49,052

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 €1,792,000 (2015: €1,236,000) 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 €73,000 (2015: €25,000) lower/higher as a result of higher/lower net interest expense.

40 Risk management objectives and policies - continued

40.4 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	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Borrowings (Note 28)	**188,880**	213,189	**14,208**	5,000
Other interest-bearing liabilities (Note 30)	**4,910**	8,509	**10,383**	19,791
Bonds (Note 29)	**211,602**	146,702	**174,011**	98,318
Less: Cash and cash equivalents (Note 21)	**(20,832)**	(11,664)	**(13,224)**	(2,736)
Net debt	**384,560**	356,736	**185,378**	120,373
Total equity	**646,822**	608,288	**664,170**	635,201
Total capital	**1,031,382**	965,024	**849,548**	755,574
Net debt ratio	**37.3%**	37.0%	**22.8%**	15.9%

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.

40 Risk management objectives and policies - continued

40.5 Summary of financial assets and liabilities by category

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

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Assets				
Loans and receivables measured at amortised cost				
− Trade receivables	**11,279**	9,945	**-**	-
− Other receivables	**25,683**	19,308	**32,683**	31,428
− Amounts due from Group and related companies	**17,552**	11,053	**300,921**	266,216
− Assets placed under trust arrangement	**6,038**	1,508	**4,465**	926
Financial assets measured at fair value				
− Assets placed under trust arrangement	**-**	2,362	**-**	2,362
Equity securities				
− Investments in subsidiaries	**-**	-	**345,589**	277,942
− Investments in associates and joint ventures	**-**	-	**212,025**	227,275
Total assets	**60,552**	44,176	**895,683**	806,149
Liabilities				
Other financial liabilities measured at fair value				
− Contingent consideration	**1,175**	-	**1,175**	-
Other financial liabilities measured at amortised cost				
− Bank borrowings	**188,880**	213,189	**14,208**	5,000
− Bonds	**211,602**	146,702	**174,011**	98,318
− Other interest bearing borrowings	**4,910**	8,509	**10,383**	19,791
− Trade payables	**12,146**	15,991	**682**	1,330
− Other payables	**10,543**	33,936	**10,367**	31,860
− Accruals	**18,939**	19,412	**5,421**	5,172
Total liabilities	**448,195**	437,739	**216,247**	161,471

40 Risk management objectives and policies - continued

40.6 Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

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

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
	Level 3		Level 3	
Assets				
Investments in subsidiaries (a)	**-**	-	**345,589**	277,942
Investments in associates and joint ventures (b)	**-**	-	**212,025**	227,275
Liability				
Contingent consideration	**(1,175)**	-	**(1,175)**	-
	(1,175)	-	**556,439**	505,217

Measurement of fair value

The fair value disclosures relating to contingent consideration are disclosed in Note 37.

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.

40 Risk management objectives and policies - continued

40.7 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, 28, 29 and 30. 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			
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
	Level 1		Level 3	
Financial assets				
Loans receivable	**-**	-	**17,552**	11,053
Trade and other receivables	**-**	-	**36,962**	29,253
	-	-	**54,514**	40,306
Financial liabilities				
Bank borrowings	**-**	-	**188,880**	213,189
Bonds	**211,602**	146,702	**-**	-
Other interest-bearing borrowings	**-**	-	**4,910**	8,509
Trade and other payables	**-**	-	**41,628**	69,339
	211,602	146,702	**235,418**	291,037

	The Company			
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
	Level 1		Level 3	
Financial assets				
Loans receivable	**-**	-	**123,918**	81,985
Trade and other receivables	**-**	-	**32,683**	31,428
	-	-	**156,601**	113,413
Financial liabilities				
Bank borrowings	**-**	-	**14,208**	5,000
Bonds	**174,011**	98,318	**-**	-
Other interest-bearing borrowings	**-**	-	**10,383**	19,791
Trade and other payables	**-**	-	**16,470**	38,362
	174,011	98,318	**41,061**	63,153

41 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.