Corinthia Palace Hotel Company Limited

Report and Financial Statements

31 December 2017

Company registration number C 257

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Directors' report

The directors present their report together with the audited financial statements of Corinthia Palace Hotel Company Limited (the 'Company' or 'CPHCL') and the consolidated financial statements of the Group of which it is the parent, for the year ended 31 December 2017.

Principal Activities

The Group's main business is the ownership, development and operation of hotels, leisure facilities, and other activities related to the tourism industry. The Group is also actively engaged in the provision of residential accommodation, the rental of retail and office space, the origination of projects for the Group and third-party investors and services related to construction, project management and catering.

Results

During the year under review the Group registered total comprehensive income of €38.0 million against a corresponding figure of €20.5 million in 2016. This is made up of a profit after tax of €5.8 million in the Income Statement (2016: loss of €22.3 million) and net other comprehensive income of €32.2 million (2016: €42.8 million).

€20.3 million (2016: €6.6 million) of the total comprehensive income is attributable to the shareholders of CPHCL whilst the balance of €17.6 million (2016: €13.9 million) is attributable to non-controlling interests.

Details of the results for the year are set out in the consolidated income statement and the statement of comprehensive income on pages 13-16 and in the related notes to the audited financial statements for the year ended 31 December 2017.

Review of Performance

In January 2017, the Group obtained control of the NLI Group, which owns the Corinthia Hotel London, by securing the right to nominate and appoint the majority of members on its board of directors. Consequently, as from 2017, the results of this important operation are being consolidated on each line item, as opposed to being included in the line item 'share of net profit/(loss) of associates and joint ventures' as has been the case up to year ended 31 December 2016.

This important development renders the Group's results more meaningful and representative of the effective level of its operations. However, in view of this change and for this year only, the comparison of results with the previous year up to the line Profit/(loss) for the year needs to be made with due care and attention.

During 2017, the Group continued to register improved operational results across its various hotel and other related operations and this despite the fact that the Group's hotel operations in Libya were still impacted by the prolonged political instability in the country. In fact, practically all the hotels owned and managed by the Group performed better than in 2016 while the Group's hotel operating company (CHL) and QP Management also registered significant improvements in their results.

The Group's revenue in 2017 amounted to €291.2 million reflecting an increase of €83.3 million on the turnover of 2016 (€207.9 million) of which €68.7 million is attributable to the consolidation of the Corinthia Hotel London.

At the operating level (EBITDA), the Group improved its performance from €43.8 million in 2016 to €70.0 million in 2017. Out of this improvement of €26.2 million there is €15.5 million coming from the consolidation of the Corinthia Hotel London.

Directors' report (continued)

The main drivers of the effective improvement in EBITDA were the strong improved hotel performances in Russia (€2.6 million), Portugal & Hungary (€2.3 million), and CHL & QP. The improvement in EBITDA year on year would have been even more pronounced (an additional €4.1 million) had the operational loss on exchange been a gain as has been the case in 2016.

The depreciation charge for 2017 increased from €32.5 million in 2016 to €38.4 million in 2017. An increase of €13.2 million is attributable to the consolidation of the Corinthia Hotel London. Countering this increase was a reduction of €7.3 million emanating from lower depreciation charges across the Group.

With regards to revaluation uplifts and impairments of property, plant, and equipment, the main highlights in 2017 were the reversal of €4.0 million impairment in the carrying value of the hotel in St Petersburg and the impairment of €2.5 million on assets held by MFCC. The relatively small, albeit positive, net adjustment of €1.5 million represents however a major improvement on the net impairment of €16.7 million incurred on the Russian properties in 2016.

Net finance costs increased by €17.9 million (from €12.9 million in 2016 to €30.8 million in 2017) of which €5.5 million relate to the London property. The net increased costs of €13.3 million reflect last year's exceptional gain of €9.9 million and this year's exceptional loss of €4.4 million in currency movements underpinned by the movements of the Russian Rouble and the Pound Sterling against the Euro (these two currencies strengthened in 2016 and weakened in 2017).

The profit of €2.2 million registered on the Group's share of results of associate companies (2016 - loss of €1.3 million) mainly reflects the fact that the results of the Corinthia Hotel London (50% share of the loss of €4.8 million incurred in 2016) is now being consolidated, and therefore no longer included in this line, and the impressive turnaround in MIH which through its principal subsidiary company Palm City Ltd (50% share of a €0.2 million profit in 2017 compared to a loss of €6.4 million in 2016) resulted in an improved contribution of €5.7 million over prior year. Against this improvement there was a reduction in the Group's 50% share of profit of the Golden Sands Resort in Malta that went down from €8.4 million in 2016 to €4.2 million in 2017.

In 2017 Palm City witnessed a change in business sentiment with numerous enquiries for accommodation flowing in. The sign-up of new tenants pushed up the occupancy rate of this property from 9% at the end of 2016 to 25% by the end of 2017. This significant increase is also attributable to the fact that Palm City is considered to be a safe and secure compound supported by very high standards of service.

In view of the unstable situation in Libya, an impairment test was carried out in 2017 on Palm City taking into account alternative pick-up and performance scenarios. In consideration of the results of this exercise and given that a significant impairment had been recognised in previous years, the directors have retained the value of this property unchanged.

A deferred tax asset of €9.7 million on prior year losses has been recognised by the NLI group (owner of the Corinthia Hotel London) upon the expectation of future profits by one of its subsidiary companies. This turned a Group tax charge of €4.0 million into a tax income of €5.7 million for the year under review.

In consequence of the foregoing, in 2017 the Group registered a profit after tax of €5.8 million against a loss of €22.3 million sustained in 2016.

Directors' report (continued)

The positive result in the other comprehensive income of €32.2 million (2016: €42.8 million) reflects mainly the effect of property revaluation uplifts amounting to €35.6 million, recognised on various hotel properties, including the Panorama Hotel in Prague (€9.4 million), the Corinthia Hotel London (€12.2 million), the Corinthia Hotel St Petersburg (€3.7 million) and 50% on the Radisson Golden Sands Resort Malta (€10.2 million), less the deferred tax incidence thereon of €6.2 million.

Negative currency translation effects of €22.0 million on the Group's investments in the United Kingdom and Russia attributable to the weakening of the Pound Sterling and the Russian Rouble were compensated by favourable impacts on tax movements totalling €24.0 million. The bulk of these tax movements is represented by the release of a €22 million deferred tax liability recognised by IHI in previous years on the uplift in value of the properties owned by NLI in the U.K. This liability had been provided for until 31 December 2016 on the basis that until then IHI could not exercise control over the timing of the distribution of profits to its shareholders.

The various and substantial positive effects described above helped the Group achieve a total comprehensive income for the year of €38.0 million against €20.5 million registered in 2016.

The Group's total asset value has reached the €1.8 billion mark with shareholders' equity increasing from €394.9 million in 2016 to €415.3 million at the end of 2017.

State of Affairs

Development

In Lisbon, the Group is refurbishing the entire hotel inventory at the Corinthia Hotel Lisbon over a span of five years at a cost of €13 million. To date, 175 out of 518 bedrooms have been completed with the rest coming on stream over the next four years and this without any disruption to the operation.

At the Corinthia Hotel Budapest, all the 440 bedrooms are being enhanced over a period of two years at a cost of €4.2 million.

At the Corinthia Hotel St Petersburg, the refurbishment of the 280 rooms of the original hotel that was acquired in 2002 has now been completed at a cost of €4 million.

In London, the conversion of 22 bedrooms into 11 luxury suites is nearing completion. This will enable the Corinthia Hotel London to target higher rated business. One of the hotel's restaurants is also being converted into a flagship operation and will be operated by celebrity chef, Tom Kerridge.

Things are progressing well on the refurbishment of the Corinthia Grand Hotel Astoria in Brussels that was acquired in 2016. The planning permit has now been issued and it is expected that this high-quality hotel unique in the city will open its doors for business within the next two years.

The Group's plans for the re-development of its site in St Julians, Malta, over which three of its hotels are located, are to be implemented in phases with the first phase being the strip out and total refit of the Corinthia St George's Bay Hotel. This will help the property achieve the status of the first six-star hotel in Malta. This project is in its final design stage while the necessary regulatory and planning processes are being pursued.

Directors' report (continued)

Following the acquisition in 2016 of the full ownership of Catermax and MFCC, both based in Malta, inroads have been registered in the Group's catering business where it is consolidating its various operations under the 'Corinthia Caterers' brand, while MFCC, operating in the market of fairs, conventions and conferences has also registered improved results.

In 2017 the Group's hotel operating arm CHL (ex-CHI) continued to strengthen its team of professionals and expanding its reach for management agreements. Following in the tracks of last year's signing of management agreements with the UAE-based Meydan Group to provide technical services to two operating hotels and to manage a luxury beachfront resort currently under construction in Dubai, it also entered into a preliminary agreement to provide technical and management services for the development of an iconic hotel and residential tower in Doha, Qatar.

In March 2018 CHL signed an agreement for the management of a 50-room deluxe hotel in Bucharest which is currently being refurbished and with a targeted opening date in December 2019. QP Management, another group subsidiary, has also been appointed by the Hotel's owners to manage the development and refurbishment project in all its technical respects.

In Libya the Corinthia Tripoli Hotel leased out 1,222 square meters of its adjoining Commercial Centre for a five-year term to a major European oil company for a rental income of €1.0 million per annum with this Commercial Centre now achieving full occupancy.

In December 2017 the Islands Hotels Group Holdings p.l.c was merged with IHI p.l.c and in consequence the outstanding 6% €35 million bond issued in 2014 was also merged into IHI.

Financing

In February 2017, NLI (owning company of the Corinthia Hotel London) re-financed its bank loan through a new facility of £138 million thereby raising an additional £20.0 million to be utilised for its investment in the Corinthia Hotel in Brussels, currently under refurbishment. In February 2018 a new €45.0 million loan was also secured to finance the development of this hotel.

During the year, IHI fully redeemed two bonds in Malta for a total of €38.8 million using the proceeds raised from a €40 million bond that was issued in December 2016.

In July 2017 MIH raised a 5-year 5.0% bond of €40.0 million to redeem the multi-currency bond that had been issued in 2010 for an equivalent amount.

Working Capital

The Group's working capital as at the end of December 2017 shows a surplus of €6.0 million (2016: deficit of €17.0 million). This improvement of €23.0 million was partially due to funds reserved for the development of the hotel in Brussels. Apart from the effect of higher surplus cash flows being generated by the Group's operations, the Group supplements the cash available for its working capital requirements through various financing initiatives and the disposal of non-core assets. In the meantime, the Group's gearing ratio remains at a prudent level of 40.40% (2016: 38.7%).

Directors' report (continued)

Notwithstanding certain setbacks that the Group had to deal with in recent years such as the situation in Libya, the Group remained resilient through its robust asset base, diversified portfolio, prudent gearing ratio, and the unbending commitment of its shareholders and employees.

Outlook

The Corinthia Group's business as a developer, operator and project manager of hotels and real estate continues to evolve and diversify itself with no heavy dependence on any single hotel or business entity. The profit outlook for 2018 indicates a further improvement on the one achieved in 2017, which in itself was a record performance.

The Group remains very active in pursuing opportunities for the development and management of new luxury Corinthia hotels in cities such as Rome, New York, Miami, Moscow and Cannes where in some cases negotiations have registered significant progress. The Group is committed to ensure that such new properties are among the very best in the hotel industry, befitting the Corinthia brand which is being taken forward to become a global luxury hotel brand recognised by third party investors and developers worldwide.

Dividend

During the year, the Company's major subsidiary company IHI distributed a 3 per cent bonus share issue in favour of its shareholders out of its capital reserves.

The continued positive results achieved by this subsidiary company has spurred it to accelerate the process to flow cash dividends and other payments from its subsidiary companies. This should enable IHI to pay cash dividends to its shareholders in the near future.

On 26 April 2018 a dividend of €4.0 million gross before tax (circa €3.0 million net after tax) was proposed by the Directors in respect of the year ended 31 December 2017. These financial statements do not reflect this dividend payable, and it will be accounted for as an appropriation of retained earnings in the shareholders' equity in the year ending 31 December 2018.

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 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 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). Most 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 unstable markets are not operating in a market-oriented economy as known in other developed or emerging markets. Further information about the significant uncertainties being faced in Libya are included in Note 5.

Directors' report (continued)

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 36 of the financial statements.

Subsequent events

In April 2018 CPHCL and its main subsidiary company IHI announced that the 150-room flagship hotel, the Corinthia Palace Hotel in Malta, was being transferred to IHI. This will mean that all the Group's Corinthia branded hotels will henceforth be under the IHI umbrella. In the meantime, the hotel is undergoing an extensive refurbishment program and a complete transformation of its spa and gym facilities at a total cost of over €5 million. This year marks the hotel's 50th anniversary.

Reserves

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

Directors

The following have served as directors of CPHCL during 2017 and until the date of these financial statements:

Mr Alfred Pisani – Chairman
Mr Abuagila Almahdi – Vice Chairman
Mr Joseph Pisani
Mr Victor Pisani
Mr Mustafa Ali Ahmed Ghnedi
Mr Sharafeddin Salem Abdullah Banghazi (resigned 7 June 2017)
Mr Abdurazaq Ibrahim Miuftah Shaibi (appointed 7 June 2017, resigned 5 March 2018)
Mr Khalid S T Benrjoba (appointed on the 5 March 2018)

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

Statement of directors' responsibilities for the Financial Statements

The directors are required by the Maltese Companies Act, (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of each reporting period and of the profit or loss for that period.

Directors' report (continued)

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

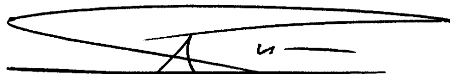
- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial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

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, (Cap. 386). They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 and signed on its behalf by:



Alfred Pisani
Chairman

Abuagila Almahdi
Vice-Chairman

22 Europa Centre,
Floriana FRN 1400,
Malta

30 April 2018

Independent auditor's report

To the Shareholders of Corinthia Palace Hotel Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

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

What we have audited

Corinthia Palace Hotel Company Limited's financial statements, set out on pages 13 to 133 comprise:

- the Consolidated and Parent Company income statements and statements of total comprehensive income for the year ended 31 December 2017;
- the Consolidated and Parent Company statements of financial position as at 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 and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the Shareholders of Corinthia Palace Hotel Company Limited

Emphasis of matter

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

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

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

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

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

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

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

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

Independent auditor's report - continued

To the Shareholders of Corinthia Palace Hotel Company Limited

- 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.

Report on other legal and regulatory requirements

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.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

30 April 2018

Income statements

	Notes	The Group 2017 €000	The Group 2016 €000	The Company 2017 €000	The Company 2016 €000
Continuing operations					
Revenue	6.1	**291,183**	207,923	**-**	-
Net operating expenses	6.2	**(223,039)**	(165,549)	**(5,708)**	(5,860)
Depreciation and amortisation	6.2	**(38,372)**	(32,475)	**(49)**	(21)
Other income/(expenses)		**4,035**	(520)	**4,079**	1,072
(Loss)/gain on exchange		**(2,137)**	1,981	**(1,580)**	326
Net changes in fair value of investment property	13	**213**	(19,768)	**-**	-
Net reversals of impairment losses attributable to hotel properties	14	**3,998**	3,090	**-**	-
Impairment losses attributable to other properties	14	**(2,663)**	-	**-**	-
Impairment losses attributable to intangible assets	12	**(3,000)**	-	**-**	-
Net changes in fair value of indemnification liabilities	28	**-**	-	**210**	(1,787)
Results from operating activities		**30,218**	(5,318)	**(3,048)**	(6,270)
Investment income		**-**	1,487	**11,770**	3,052
Finance income	8				
- interest and similar income		**1,083**	589	**229**	165
Finance costs	8				
- interest expense and similar charges		**(27,439)**	(23,378)	**(5,061)**	(5,960)
- net exchange differences on borrowings		**(4,406)**	9,916	**-**	-
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method	16.1	**2,232**	(1,273)	**-**	-
Gain on sale of investment in subsidiary	15.1	**182**	-	**-**	5,490
Fair valuation of previously held interest in associate upon acquisition of control over the entity	34.2	**-**	(1,269)	**-**	-
Reclassification adjustment in respect of currency translation reserve upon acquisition of control over entity previously categorised as joint venture	34.1	**(1,809)**	-	**-**	-
Profit/(loss) before tax		**61**	(19,246)	**3,890**	(3,523)
Tax income/(expense)	9	**5,691**	(3,029)	**98**	1,165
Profit/(loss) from continuing operations		**5,752**	(22,275)	**3,988**	(2,358)

Income statements - continued

	Notes	The Group 2017 €000	The Group 2016 €000	The Company 2017 €000	The Company 2016 €000
Discontinued operations					
Loss from discontinued operations	10	**-**	-	**(98)**	(108)
Profit/(loss) for the year		**5,752**	(22,275)	**3,890**	(2,466)
Profit/(loss) for the year attributable to:					
- Owners of CPHCL		**(2,364)**	(19,228)	**3,890**	(2,466)
- Non-controlling interests		**8,116**	(3,047)	**-**	-
		5,752	(22,275)	**3,890**	(2,466)

Statements of total comprehensive income

	Notes	The Group 2017 €000	The Group 2016 €000	The Company 2017 €000	The Company 2016 €000
Profit /(loss) for the year		**5,752**	(22,275)	**3,890**	(2,466)
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss					
Surplus arising on revaluation of hotel properties	14	**25,252**	41,027	**-**	-
Deferred tax on surplus arising on revaluation of hotel properties		**(2,535)**	(8,635)	**-**	-
Share of other comprehensive income of joint ventures and associates accounted for using the equity method					
- Surplus arising on revaluation of hotel and other property	16	**6,726**	6,598	**-**	-
Reversal of deferred tax attributable to interest in joint venture upon acquisition of control over entity	23	**23,997**	-	**-**	-
Items that may be subsequently reclassified to profit or loss					
Available-for-sale financial assets:					
- Net changes in fair value	19	**472**	167	**-**	-
- Deferred tax arising on changes in fair value		**(165)**	-	**-**	-
Currency translation differences		**(21,962)**	23,119	**-**	-
Reversal of deferred tax attributable to interest in joint venture upon acquisition of control over entity	23	**(339)**	-	**-**	-
Share of other comprehensive income of joint ventures and associates accounted for using the equity method:					
- Cash flow hedges		**60**	16	**-**	-
- Currency translation differences		**(1,137)**	(17,962)	**-**	-
Other		**23**	(29)	**-**	-

Statements of total comprehensive income - continued

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Items reclassified to profit or loss				
- Amounts reclassified to profit or loss on disposal of available-for-sale investment	**-**	(1,487)	**-**	-
- Reclassification adjustment in respect of currency translation reserve upon acquisition of control over entity previously categorised as joint venture	**1,809**	-	**-**	-
Other comprehensive income for the year, net of tax	**32,201**	42,814	**-**	-
Total comprehensive income for the year	**37,953**	20,539	**3,890**	(2,466)
Total comprehensive income attributable to:				
- Owners of CPHCL	**20,323**	6,601	**3,890**	(2,466)
- Non-controlling interests	**17,630**	13,938	**-**	-
	37,953	20,539	**3,890**	(2,466)
Total comprehensive income attributable to equity shareholders arises from:				
Continuing operations	**20,323**	6,601	**3,988**	(2,358)
Discontinued operations	**-**	-	**(98)**	(108)
	20,323	6,601	**3,890**	(2,466)

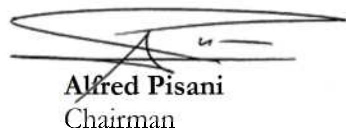
Statements of financial position

		The Group		The Company	
		As at 31 December			
	Notes	2017	2016	2017	2016
		€000	€000	€000	€000
Assets					
Non-current					
Intangible assets	12	**13,496**	18,090	**-**	-
Investment property	13	**234,668**	196,684	**820**	5,932
Property, plant and equipment	14	**1,238,824**	747,611	**182**	20,642
Investments in subsidiaries	15	**-**	-	**392,260**	388,561
Investments in associates and joint ventures	16	**128,682**	320,959	**29,342**	29,432
Deferred tax assets	29	**12,985**	2,689	**-**	336
Trade and other receivables	18	**484**	-	**484**	-
Assets placed under trust arrangement	26.2	**3,258**	1,752	**-**	-
		1,632,397	1,287,785	**423,088**	444,903
Current					
Inventories	17	**13,100**	9,406	**590**	380
Trade and other receivables	18	**43,131**	42,726	**15,140**	12,803
Current tax assets		**3,335**	4,710	**-**	45
Available-for-sale investments	19	**8,604**	-	**-**	-
Assets placed under trust arrangement	26.2	**122**	4,961	**-**	-
Cash and cash equivalents	20	**62,694**	40,039	**61**	46
		130,986	101,842	**15,791**	13,274
Assets classified as held for sale	21	**1,689**	-	**25,971**	-
Total current assets		**132,675**	101,842	**41,762**	13,274
Total assets		**1,765,072**	1,389,627	**464,850**	458,177

Statements of financial position - continued

		The Group		The Company	
		As at 31 December			
	Notes	2017 €000	2016 €000	2017 €000	2016 €000
Equity and liabilities					
Equity					
Capital and reserves attributable to owners of CPHCL:					
Issued capital	22	**20,000**	20,000	**20,000**	20,000
Other reserves	23	**158,619**	266,304	**19,220**	19,158
Retained earnings		**236,632**	108,624	**215,317**	211,427
		415,251	394,928	**254,537**	250,585
Non-controlling interests		**486,344**	270,429	**-**	-
Total equity		**901,595**	665,357	**254,537**	250,585
Liabilities					
Non-current					
Bank borrowings	25	**355,602**	202,331	**1,691**	1,906
Bonds	26	**249,656**	249,396	**-**	-
Other borrowings	27	**22,207**	26,635	**125,705**	137,454
Deferred tax liabilities	29	**103,229**	123,651	**33**	-
Indemnification liabilities	28	**-**	-	**23,816**	24,026
Trade and other payables	30	**5,843**	3,146	**-**	-
Provisions		**220**	220	**-**	-
		736,757	605,379	**151,245**	163,386
Current					
Bank borrowings	25	**42,701**	37,033	**10,970**	7,254
Bonds	26	**-**	9,706	**-**	-
Other borrowings	27	**4,552**	228	**22,687**	13,187
Current tax liabilities		**5,260**	3,512	**995**	1,088
Trade and other payables	30	**74,207**	68,412	**24,416**	22,677
		126,720	118,891	**59,068**	44,206
Total liabilities		**863,477**	724,270	**210,313**	207,592
Total equity and liabilities		**1,765,072**	1,389,627	**464,850**	458,177

The financial statements on pages 13 to 133 were approved by the board of directors, authorised for issue on 30 April 2018 and signed on its behalf by:



Alfred Pisani
Chairman

Abuagila Almahdi
Vice-Chairman

Statement of changes in equity - the Group

	Notes	Issued capital €000	Other reserves €000	Retained earnings €000	Total attributable to owner €000	Non-controlling interests €000	Total equity €000
Balance at 1 January 2016		20,000	241,926	125,506	387,432	253,599	641,031
Comprehensive income:							
Loss for the year		-	-	(19,228)	(19,228)	(3,047)	(22,275)
Other comprehensive income		-	25,829	-	25,829	16,985	42,814
Total comprehensive income		**-**	**25,829**	**(19,228)**	**6,601**	**13,938**	**20,539**
Transactions with owners:							
Transfer to retained earnings	23	-	(3,346)	3,346	-	-	-
Dividends distributed	11	-	-	(1,000)	(1,000)	(210)	(1,210)
Change in ownership interests in subsidiaries that do not result in loss of control							
- Transfer of QPM Limited to IHI Group	34.2	-	842	-	842	(842)	-
- Dilution of interest in IHI Group	34.2	-	1,684	-	1,684	3,944	5,628
Others		-	(631)	-	(631)	-	(631)
Total transactions with owners, recognised directly in equity		-	(1,451)	2,346	895	2,892	3,787
Balance at 31 December 2016		20,000	266,304	108,624	394,928	270,429	665,357
Balance at 1 January 2017		20,000	266,304	108,624	394,928	270,429	665,357
Comprehensive income:							
(Loss)/profit for the year		-	-	(2,364)	(2,364)	8,116	5,752
Other comprehensive income		-	22,701	(14)	22,687	9,514	32,201
Total comprehensive income		**-**	**22,701**	**(2,378)**	**20,323**	**17,630**	**37,953**
Transactions with owners:							
Transfer to retained earnings	24	-	(2,404)	2,404	-	-	-
Dividends distributed	11	-	-	-	-	(210)	(210)
Non controlling interest upon acquisition of control over NLI	34.1	-	-	-	-	198,495	198,495
Reclassification of revaluation reserves attributable to NLI to retained earnings upon acquisition of control over entity		-	(127,982)	127,982	-	-	-
Total transactions with owners, recognised directly in equity		-	(130,386)	130,386	-	198,285	198,285
At 31 December 2017		**20,000**	**158,619**	**236,632**	**415,251**	**486,344**	**901,595**

Statement of changes in equity - the Company

	Notes	Issued capital €000	Other reserves €000	Retained earnings €000	Total equity €000
Balance at 1 January 2016		20,000	19,158	214,893	254,051
Comprehensive income:					
Loss for the year		-	-	(2,466)	(2,466)
Transactions with owners:					
Dividends		-	-	(1,000)	(1,000)
Balance at 31 December 2016		20,000	19,158	211,427	250,585
Balance at 1 January 2017		20,000	19,158	211,427	250,585
Comprehensive income:					
Profit for the year		-	-	3,890	3,890
Other movements in equity	23	-	62	-	62
Balance at 31 December 2017		**20,000**	**19,220**	**215,317**	**254,537**

Statements of cash flows

		The Group		The Company	
		2017	2016	2017	2016
	Notes	€000	€000	€000	€000
Profit/(loss) before tax from					
- Continuing operations		**61**	(19,246)	**3,890**	(3,523)
- Discontinued operations	31	**-**	-	**(98)**	(108)
Profit/(loss) before tax including discontinued operations		**61**	(19,246)	**3,792**	(3,631)
Adjustments	31	**69,351**	64,491	**(6,883)**	(362)
Working capital changes:					
Inventories		**(397)**	(544)	**(210)**	(86)
Trade and other receivables		**5,578**	4,833	**(2,062)**	3,295
Trade and other payables		**(8,555)**	(21,592)	**(1,662)**	90
Cash generated from/(used in) operating activities		**66,038**	27,942	**(7,025)**	(694)
Interest paid		**(28,208)**	(23,378)	**(564)**	(5,994)
Tax paid		**(1,434)**	(952)	**(595)**	(605)
Tax refund received		**8**	587	**8**	587
Net cash generated from/(used in) operating activities		**36,404**	4,199	**(8,176)**	(6,706)
Investing activities					
Payments to acquire investment property		**(544)**	(1,011)	**-**	-
Proceeds from disposal of investment property		**-**	1,142	**-**	-
Payments to acquire intangible assets		**(497)**	(1,088)		-
Payments to acquire property, plant and equipment		**(21,547)**	(13,947)	**(1,461)**	(302)
Proceeds from disposal of property, plant and equipment		**929**	389	**-**	-
Acquisition of subsidiaries, net of cash acquired	34	**9,225**	(16,943)	**(7)**	-
Disposal of subsidiaries, net of cash disposed	34	**1,952**	-	**-**	4,798

Statements of cash flows – continued

	Notes	The Group 2017 €000	The Group 2016 €000	The Company 2017 €000	The Company 2016 €000
Investing activities					
Payments to acquire shares in associates		**-**	(41)	**-**	(177)
Acquisition of available-for-sale financial assets		**(8,131)**	-	**-**	-
Proceeds from trustee following repayment of bonds		**4,825**	4,590	**-**	-
Transfer of cash to trustee placed under trust arrangement		**(1,492)**	(4,624)	**-**	-
Loan advances to subsidiary companies		**-**	-	**(3,561)**	-
Loan repayments from subsidiary companies		**-**	-	**90**	6,380
Loans repayments from joint ventures		**225**	486	**-**	-
Loan repayments from associate companies		**2,919**	-	**-**	-
Loan to associate companies		**-**	(717)	**-**	(3,489)
Dividends received		**979**	3,000	**1,655**	3,052
Interest received		**1,083**	589	**228**	165
Net cash (used in)/generated from investing activities		**(10,074)**	(28,175)	**(3,056)**	10,427
Financing activities					
Repayments of bank borrowings		**(154,229)**	(49,171)	**(1,761)**	(1,652)
Proceeds from bank borrowings		**159,420**	20,405	**1,442**	-
Repayment of bonds		**(9,706)**	-	**-**	-
Repayment of loans from related parties		**(105)**	(1,912)	**-**	-
Proceeds of loans from related parties		**-**	-	**7,866**	-
Proceeds from issue of bonds		**-**	64,605	**-**	-
Issue costs		**(1,957)**	-	**-**	-
Proceeds from shareholders' loans		**-**	-	**-**	1,430
Dividends paid to non-controlling interests		**(210)**	(1,487)	**-**	-
Net cash (used in)/generated from financing activities		**(6,787)**	32,440	**7,547**	(222)
Net change in cash and cash equivalents		**19,543**	8,464	**(3,685)**	3,499
Cash and cash equivalents at beginning of year		**25,278**	16,814	**(5,540)**	(9,039)
Cash and cash equivalents at end of year	20	**44,821**	25,278	**(9,225)**	(5,540)

Notes to the financial statements

1. General information

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

2. Nature of operations

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

3. Summary of significant accounting policies

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

3.1 Basis of preparation

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

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

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

3.2 Working capital position

The Group's working capital position as at the end of December 2017 reflects a surplus of €6.0 million (2016: deficit of €17.0 million). This improvement of €23.0 million was partially due to the €20.0 million additional funds received through bank loan re-financing in respect of exercise on the Corinthia Hotel London and retained on hold for the development of the hotel property in Brussels. Apart from the impact of enhanced surplus cash flows generated from the Group's operations during 2017, the Group maintains a policy of supplementing cash available for its working capital requirements through various financing initiatives and the disposal of non-core assets.

3. Summary of significant accounting policies - continued

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

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

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

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies impacting the Group's financial performance and position. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities as disclosed in Note 36.2.

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

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

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

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

3. Summary of significant accounting policies – continued

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

The Company's financial assets comprise loans and receivables (including trade receivables), assets placed under trust arrangements and cash and cash equivalents. The classification and measurement under IFRS 9 is not expected to change when compared to IAS 39, such that all assets will continue to be classified and measured at amortised cost.

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

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

- Trade and lease receivables will qualify for the simplifications afforded by IFRS 9 and management will apply a provisions matrix in order to calculate the loss allowance on these assets. Different loss rates will be determined based on the different ageing buckets of receivables, and management will use historical experience (adjusted by more forward-looking information where relevant), in order to determine such loss rates. Based on the Group's and the Company's history of bad debts, the directors anticipate that the provision required on transition will not be significant.

- The Group and the Company will avail of the low credit risk exemption under IFRS 9 for the majority of its balances held with banks and assets placed under trust arrangement, and hence calculate their provision using 12-month expected credit losses. The provision emanating from this calculation is expected to be immaterial.

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

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

3. Summary of significant accounting policies – continued

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

Management has analysed the Group's and the Company's revenue streams in assessing the impact of IFRS 15 on their contracts with customers. The majority of the Group's revenue arises from the hotel and catering business. In view of the short-term nature of such contracts, management do not anticipate any changes between the accounting under IAS 18 and that under IFRS 15. It is also expected that hotel management revenue will continue to meet the criteria to be recognised over time, in line with IAS 18.

Any variability in respect of such contracts, given that they are based on a percentage of revenues generated by the managed hotel, resets on a calendar year basis, and therefore, any uncertainty in respect of revenue to be recognised will be resolved by the end of the reporting period. The Group's other revenue streams within scope of IFRS 15 are contracts in the project management and construction business. Management is currently analysing these contracts in order to assess the impact, if any, of the new standard.

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

Until 10 April 2018, the Company generated revenue from its hotel business. Management do not expect that IFRS 15 will impact recognition of revenue from this revenue stream in view of the inherent short-term nature of such contracts. Accordingly, no impact on the Company's opening retained earnings is expected on transition to the new standard.

IFRS 16, 'Leases', was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted, subject to IFRS 15 also being adopted, however, both the Group and the Company will not be early adopting the standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The standard mainly impacts lessee accounting as it requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The Group's and the Company's non-cancellable operating leases payments as at 31 December 2017 amount to €32.3 million and €0.3 million respectively.

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

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

3. Summary of significant accounting policies - continued

3.5 Principles of consolidation and equity accounting

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 34).

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

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

(ii) Associates

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

(iii) Joint arrangements

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

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

(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.

3. Summary of significant accounting policies - continued

3.5 Principles of consolidation and equity accounting - continued

(iv) Equity method - continued

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 3.12.

(v) Changes in ownership interests

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

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

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

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

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

3. Summary of significant accounting policies - continued

3.7 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

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

3.8 Foreign currency translation

(i) Functional and presentation currency

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

3. Summary of significant accounting policies - continued

3.8 Foreign currency translation - continued

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

3.9 Property, plant and equipment

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

3. Summary of significant accounting policies - continued

3.9 Property, plant and equipment - continued

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

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

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

	Years
- Freehold buildings	33 - 100
- Plant and equipment	3 - 20
- Motor vehicles	5 - 6

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

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

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (refer to Note 14). 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.

3.10 Investment property

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

3. Summary of significant accounting policies - continued

3.10 Investment property - continued

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

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

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

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

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

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

3.11 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 12. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

3. Summary of significant accounting policies - continued

3.11 Intangible assets - continued

(a) Goodwill - continued

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

(b) Brands

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

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

(c) Other intangible assets

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

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

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

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

3. Summary of significant accounting policies - continued

3.12 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.

3.13 Financial assets

3.13.1 Classification

The Group classifies its financial assets in the following categories:

- loans and receivables,
- 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).

3. Summary of significant accounting policies - continued

3.13 Financial assets - continued

3.13.1 Classification - continued

Available-for-sale financial assets

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

3.13.2 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.

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

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

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

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

3. Summary of significant accounting policies - continued

3.13 Financial assets - continued

3.13.3 Measurement - continued

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

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

3.13.4 Impairment

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

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

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

Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in Note 36.

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.

3. Summary of significant accounting policies - continued

3.13 Financial assets - continued

3.13.4 Impairment - continued

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.

3.14 Loans and advances

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

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

3.15 Trade and other receivables

Trade and other 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.

3.16 Inventories

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

3. Summary of significant accounting policies - continued

3.17 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.

3.18 Financial liabilities

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

3.19 Trade and other payables

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

3.20 Borrowings

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

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

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

3. Summary of significant accounting policies - continued

3.21 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.

3.22 Income tax

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies - continued

3.23 Provisions

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

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

3.24 Contingent liabilities

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

3.25 Revenue recognition

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

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

(a) Sales of goods

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

(b) Sales of services

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

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

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

3. Summary of significant accounting policies - continued

3.25 Revenue recognition - continued

(c) Interest income

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

(d) Dividend income

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

(e) Rental income from investment property

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

3.26 Long-term contracts

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

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

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

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

3. Summary of significant accounting policies - continued

3.27 Leases

Leases of property, plant and equipment where the Group, as a 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 as income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

3.28 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.

3.29 Employee benefits

(a) Short-term obligations

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

(b) Bonus plans

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

3. Summary of significant accounting policies - continued

3.29 Employee benefits - continued

(c) Contributions to defined contribution pension plans

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

3.30 Contributed equity

Ordinary shares are classified as equity.

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

3.31 Dividends

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

4. Critical accounting estimates and judgements

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

The fair value of property, plant and equipment and investment properties is determined by using valuation techniques. Further details of the judgements and assumptions made are disclosed in Note 14.

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

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

5. The Group's operations in Libya

The Group's activities in Libya principally comprise:

- The Corinthia Hotel Tripoli, a fully owned five-star hotel in Tripoli with a carrying amount of €78.9 million (2016 - €81.2 million);
- An adjoining Commercial Centre to the above-mentioned hotel, with a carrying amount of €68.2 million (2016 – €68.2 million);
- The ownership of a site surrounding the hotel, with a carrying amount of €29.5 million (2016 - €29.5 million);
- The Palm City development, a large-scale residential complex in Janzour, Libya, through an associate company, Mediterranean Investments Holding p.l.c. (MIH), in which the Group holds a 50% share. The book value of this property €259.1 million (2016 - €259 million) and the Group's share of these assets, which are predominantly situated in Libya, amounts to €129.6 million (2016 - €129.4 million); and
- The development of the Medina Towers Project through IHI p.l.c and MIH p.l.c, on which these companies have a total carrying amount of €13.9 million (2016 - €14.7 million), as the Group's share.

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

Since 2014, Libya experienced severe political instability due to the collapse of the central government during the same year and the country has been going through difficult times ever since. A United Nations-brokered ceasefire deal was reached in December 2015 and the Libyan Political Agreement to form a Government of National Accord was signed. On 31 March 2016, the leaders of the new UN-supported unity government arrived in Tripoli. It is not yet clear whether the new arrangement will succeed, as the unity government has not yet received the approval of the House of Representatives. The political instability in Libya and the state of economic uncertainty that continued to prevail during the financial year ended 31 December 2017 continued to have a negative effect on the Libyan hospitality and real estate sectors. This situation continues to impact the Group's financial results in Libya.

The turnover registered during 2017 by Corinthia Towers Tripoli Limited amounts to €7.5 million (2016: €6.1 million) representing 3% (2016: 3.9%) of the Group's Revenue, with a loss before tax of €1.2 million (2016: €2.8 million). Current year revenue includes €5.5 million (2016: €5.3 million) generated from rental contracts attributable to the Commercial Centre that remained in operation throughout 2017, generating a steady income from the lease of commercial offices. Accordingly, whilst the hotel sustained negative net financial results during 2017 and 2016 particularly in view of the relatively fixed nature of certain expenses, the net contribution from the Commercial Centre was positive.

5. The Group's operations in Libya - continued

The ongoing long-term leases have mitigated the impact of the country's political instability. Furthermore, certain tenants have nonetheless opted to renew their leases (albeit, at temporary reduced rates) in order to retain presence in this prime location. During 2017 the Group secured another lease agreement with the result that the commercial centre is now fully leased out.

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 pristine condition. As from August 2017, the hotel started to accept bookings for hotel room accommodation.

The economic conditions in Libya also give rise to significant uncertainty on the recoverability of debtors. As at 31 December 2017, in addition to a current tax asset of €2.6 million (2016: €2.6 million), Corinthia Towers Tripoli Limited has amounts due from Government related entities amounting to €3.4 million (2016: €3.5 million) together with 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 taken to reflect estimated net recoverable amounts in this respect.

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

In 2017 Palm City witnessed a turnaround in business sentiment whereby numerous enquiries for accommodation were received and a number of new contracts were signed. From a very low occupancy rate of 9% closing in 2016, the sign up of the new tenants contributed towards a gradual increase to 25% by December 2017. During the year Palm City generated revenues of €8.4 million (2016: €3.5 million) for the year.

Although revenues increased by €4.7 million over last year, operating costs and administrative expenses were retained at relatively low operating levels so that the increased revenue directly contributed to an operating profit of €3.6 million compared to a loss of €0.8 million last year.

MIH (company owning Palm City) registered a consolidated profit after tax of €226,448 (2016: loss of €6.4 million).

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

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

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

	Carrying amount 31 December 2017 €million	Carrying amount 31 December 2016 €million
Corinthia Towers Tripoli Limited		
Property, plant and equipment	78.9	81.2
Investment property	97.7	97.7
Inventories	1.7	1.9
Trade receivables	3.5	3.5
Current tax receivable	2.6	2.6
Mediterranean Investments Holding p.l.c.		
Share of total assets	140.2	138.6
Medina Towers J.S.C.		
Investment in associate accounted for using the equity method of accounting	13.9	14.7

The future performance of the Hotel, the Commercial Centre and other operations referred to above, together with the fair value of the related and other property assets situated in Libya are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside. The Group engaged a firm of independent third party valuers to assist it in establishing fair values of the Commercial Centre and the other property assets as at 31 December 2017 and as at 31 December 2016. The directors recognise the fact that the situation in Libya has not improved in line with their expectations and economic activity remains limited across all sectors in which the Group is involved. The directors also believe that the outlook has not changed significantly over the past twelve months and therefore they have retained the same expectation of a gradual recovery. As a result, the valuation assessment carried out by the directors (on the basis of the information compiled by the independent third party valuers), 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 on the property assets were deemed necessary over and above the depreciation charge of €2.6 million and €3.3 million recognised on the Hotel in 2017 and 2016 respectively. In 2014 the Group recognised impairment charges totalling €40.5 million.

Further information on the key assumptions and judgements underlying the valuation of property assets is disclosed in Note 14, together with an analysis of sensitivity of the valuations to shifts or changes in the key parameters reflected.

The significant economic and political uncertainty prevailing in Libya renders fair valuation of property assets situated in the country on the basis of projected cash flows or on 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 properties and on the fair valuation of the related assets could accordingly vary in a significant manner.

It is difficult to predict when the political situation in the country will start stabilising and forecasting the timing of an economic recovery in Libya is judgemental. Past experience has shown that in view of the keen interest by the international oil and gas sector 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. Revenue and expenses

6.1 Revenue

The Group's revenues are split by category, are disclosed below:

	The Group	
	2017	2016
	€000	€000
Hotel operations	**231,682**	151,479
Rental income	**14,130**	10,720
Catering	**30,022**	32,010
Project management	**3,940**	3,141
Construction	**5,871**	5,056
Others	**5,538**	5,517
	291,183	207,923

6.2 Expenses by nature

	The Group		The Company (continuing operations)	
	2017	2016	2017	2016
	€000	€000	€000	€000
Directors' remuneration	**1,473**	1,040	**581**	463
Directors' fees	**78**	81	**-**	-
Management fees	**-**	-	**1,271**	1,600
Food, beverage and other direct costs	**32,888**	26,448	**-**	-
Professional fees (excluding audit fees)	**4,472**	3,687	**641**	722
Energy costs	**10,693**	9,418	**5**	9
Depreciation of property, plant and equipment	**36,281**	30,359	**49**	21
Amortisation of intangible assets	**2,091**	2,116	**-**	-
Personnel expenses (Note 7)	**90,159**	72,049	**2,820**	2,660
Operating lease costs	**5,052**	4,490	**122**	122

6.3 Auditor's fees

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

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Annual statutory audit	**703**	581	**77**	108
Tax compliance and advisory services	**89**	21	**7**	-
Other non-audit services	**44**	27	**5**	5
	836	629	**89**	113

7. Personnel expenses

	The Group		The Company (continuing operations)	
	2017	2016	2017	2016
	€000	€000	€000	€000
Wages and salaries	**74,327**	60,228	**2,264**	2,525
Social security contributions	**7,638**	6,152	**38**	36
Other staff costs	**8,194**	5,669	**518**	99
	90,159	72,049	**2,820**	2,660

The average number of employees is as follows:

	The Group		The Company (continuing operations)	
	2017	2016	2017	2016
	No.	No.	No.	No.
Management and administrative	**871**	744	**23**	31
Operating	**3,013**	2,153	**11**	6
	3,884	2,897	**34**	37

8. Finance income and finance costs

	The Group		The Company (continuing operations)	
	2017	2016	2017	2016
	€000	€000	€000	€000
Finance income:				
Interest income charged to subsidiaries	**-**	-	**-**	29
Interest income charged to associates	**242**	243	**229**	136
Interest income on bank balances	**582**	152	**-**	-
Others	**259**	194	**-**	-
Finance income	**1,083**	589	**229**	165
Finance costs:				
Interest expense for bank borrowings	**12,232**	9,114	**430**	391
Interest expense for bonds in issue	**12,825**	12,715	**-**	-
Interest expense for shareholders' loans	**861**	1,246	**861**	1,246
Interest expense for subsidiaries' loans	**-**	-	**3,636**	4,212
Bond issue and other refinancing costs	**1,375**	295	**-**	-
Exchange differences	**4,406**	(9,916)	**-**	-
Others	**146**	8	**134**	111
Finance costs	**31,845**	13,462	**5,061**	5,960

9. Tax income/(expense)

The credits/(charges) for income tax on profits/(losses) derived from local and foreign operations have been calculated at the applicable tax rates.

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Current taxation:				
- Current year tax expense	**(4,471)**	(3,445)	**(540)**	(205)
- Adjustment recognised in financial period for current tax of prior period	**(30)**	2,582	**-**	-
Deferred taxation:				
- Deferred tax income/(expense)	**10,431**	1,567	**(431)**	608
- Adjustment recognised in financial period for deferred tax of prior period	**(239)**	(3,733)	**-**	-
Group tax relief	**-**	-	**1,069**	762
	5,691	(3,029)	**98**	1,165
Income tax is attributable to:				
- Continuing operations	**5,691**	(3,029)	**98**	1,165
- Discontinued operations	**-**	-	**-**	-
	5,691	(3,029)	**98**	1,165

Refer to Note 29 for information on the deferred tax assets and liabilities.

9. Tax income/(expense) - continued

9.1 Tax income/(expense) reconciliation

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Profit/(loss) from continuing operations before income tax expense	**61**	(19,246)	**3,890**	(3,523)
Loss from discontinued operations before income tax expense	**-**	-	**(98)**	(108)
	61	(19,246)	**3,792**	(3,631)
Income tax using the Company's domestic tax rate	**(21)**	6,736	**(1,327)**	1,271
Effect of income/(losses) subject to foreign/different tax rates	**1,719**	(1,968)	**379**	(363)
Non-taxable income	**2**	574	**206**	1,746
Non-tax deductible expenses	**(1,659)**	(3,217)	**(1,056)**	(662)
Effect of derecognising deferred tax asset upon acquisition of control over entity	**(1,272)**	-	**-**	-
Effect of reduction in foreign tax rates	**3**	15	**-**	-
Movement in unrecognised deferred tax	**7,152**	(4,536)	**1,896**	(827)
Under provision in respect of previous years	**(269)**	(1,151)	**-**	-
Other	**36**	518	**-**	-
Tax income/(expense)	**5,691**	(3,029)	**98**	1,165

9. Tax income/(expense) - continued

9.2 Tax recognised in other comprehensive income

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

	2017			2016		
	Before tax €'000	Tax (charge)/ credit €'000	Net of tax €'000	Before tax €'000	Tax (charge)/ credit €'000	Net of tax €'000
Group						
Surplus arising on revaluation of hotel properties	**25,252**	**(2,535)**	**22,717**	41,027	(8,635)	32,392
Available-for-sale financial assets:						
- Net changes in fair value	**472**	**(165)**	**307**	167	-	167
- Amounts reclassified to profit or loss on disposal	**-**	**-**	**-**	(1,487)	-	(1,487)
Currency translation differences	**(21,602)**	**(360)**	**(21,962)**	23,119	-	23,119
Share of other comprehensive income of joint ventures and associates accounted for using the equity method:						
Surplus arising on revaluation of hotel and other property	**6,726**	**-**	**6,726**	6,598	-	6,598
- Currency translation differences	**(1,137)**	**-**	**(1,137)**	(17,962)	-	(17,962))
- Cash flow hedges	**60**	**-**	**60**	16	-	16
Reversal of deferred tax attributable to interest in joint venture upon acquisition of control over entity	**-**	**23,658**	**23,658**	-	-	-
Reclassification adjustment in respect of currency translation reserve upon acquisition of control over entity previously categorised as joint venture	**1,809**	**-**	**1,809**	-	-	-
Other	**23**	**-**	**23**	(29)	-	(29)
	11,603	**20,598**	**32,201**	51,449	(8,635)	42,814

10. Discontinued operations

Towards the end of the current financial year, the Company's Board of Directors has taken the decision to transfer the 150-room Corinthia Palace Hotel located in Attard, Malta, (a division of the Company) to its main subsidiary company, International Hotel Investments p.l.c., subject to securing agreement on the relative consideration.

In view of this development, in the Company's 2017 financial statements this hotel property was reclassified as an 'Asset held for sale' while the hotel's operational results were presented as 'Discontinued operations'.

10. Discontinued operations - continued

Since this sale constitutes a related party transaction, the sales consideration was assessed though the applicable corporate governance procedures. The deed of sale was signed on 10 April 2018. The sale consideration exceeded the carrying value of the property and hence no impairment loss was recognised upon reclassification of this property as 'Asset held for sale'. The comparative financial results and cash flows from the discontinued operation have been re-presented accordingly.

10.1 Financial performance and cash flow information

The financial performance and cash flow information of the discontinued operation for the years ended 31 December 2017 and 31 December 2016 are presented below:

	The Company	
	2017	2016
	€000	€000
Revenue	**8,575**	8,117
Expenses	**(8,673)**	(8,225)
Loss before income tax	**(98)**	(108)
Income tax expense	**-**	-
Loss after income tax of discontinued operation	**(98)**	(108)

	The Company	
	2017	2016
	€000	€000
Net cash inflow/(outflow) from operating activities	**708**	(527)
Net cash (outflow)/inflow from investing activities	**(1,347)**	306
Net cash inflow from financing activities	**670**	180
Net increase/(decrease) in cash generated by the division	**31**	(41)

10.2 Assets of disposal group classified as held for sale

The major class of asset of the division being disposed of is the hotel and related property and is included in Note 21 – Assets classified as held for sale. Other net liabilities attributable to the operation being transferred have not been presented as part of the disposal group held for sale in view of their low materiality.

The sale net proceeds from this disposal amount to €26.6 million and the company realised a gain of €1 million. The gain will be reflected within the financial statements for the year ending 31 December 2018.

11. Dividends

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Dividend paid on ordinary shares	-	1,000	-	1,000
Dividends per share	-	€0.05	-	€0.05

11. Dividends - continued

A dividend in respect of the year ended 31 December 2017 of €4.0 million gross, €3.0 million net of tax (€0.15c per share), was proposed by the Directors on 26 April 2018. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2018.

12. Intangible assets

	Goodwill	Brand	Brand design fee and other rights	The Group Operating contracts	Con-cessions	Others	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2016	2,130	3,121	9,254	7,000	463	2,006	23,974
Additions	-	-	945	-	-	143	1,088
Acquisition of subsidiaries	775	-	-	-	-	-	775
Exchange differences	-	-	-	-	-	(3)	(3)
At 31 December 2016	**2,905**	**3,121**	**10,199**	**7,000**	**463**	**2,146**	**25,834**
At 1 January 2017	2,905	3,121	10,199	7,000	463	2,146	25,834
Additions	-	-	477	-	-	20	497
Exchange differences	-	-	-	-	-	(6)	(6)
At 31 December 2017	**2,905**	**3,121**	**10,676**	**7,000**	**463**	**2,160**	**26,325**
Amortisation and impairment losses							
At 1 January 2016	287	-	528	3,210	43	1,563	5,631
Others	120	-	-	-	-	-	120
Amortisation charge	-	-	1,306	348	144	198	1,996
Exchange differences	-	-	-	-	-	(3)	(3)
At 31 December 2016	**407**	**-**	**1,834**	**3,558**	**187**	**1,758**	**7,744**
At 1 January 2017	407	-	1,834	3,558	187	1,758	7,744
Amortisation charge	-	-	1,508	350	103	130	2,091
Impairment losses	-	500	2,500	-	-	-	3,000
Exchange differences	-	-	-	-	-	(6)	(6)
At 31 December 2017	**407**	**500**	**5,842**	**3,908**	**290**	**1,882**	**12,829**
Carrying amount							
At 1 January 2016	1,843	3,121	8,726	3,790	420	443	18,343
At 31 December 2016	2,498	3,121	8,365	3,442	276	388	18,090
At 31 December 2017	**2,498**	**2,621**	**4,834**	**3,092**	**173**	**278**	**13,496**

12. Intangible assets - continued

Goodwill

The acquisition of CaterMax Limited and Malta Fairs and Conventions Centre Limited in 2016 gave rise to goodwill amounting to €0.78 million, attributable to synergies expected between the acquired business and the Group's previously owned business line operating within CaterMax's sector (Note 34).

During the year ended 31 December 2016, the directors carried out a value in use assessment of the carrying amount of goodwill arising on the acquisition of D.X. Design Consultancy Ltd. which had taken place in prior years and determined that an impairment charge of €0.1 million was required. The impairment charge was recognised in profit or loss. The amount is not considered to be of such significance to warrant further disclosures as required by IAS 36.

In 2015 IHI had 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.

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 upon acquisition.

During the year ended 31 December 2017, following an assessment of the carrying amount of the brand an impairment charge of €0.5 million was deemed necessary and recognised in profit or loss. The impairment on the brand is not deemed material to warrant the disclosures that would have otherwise been required by IAS 36.

Brand design fees and other rights

The Group has franchise agreements with Costa International Limited to develop and operate the Costa Coffee brand in the Maltese Islands as well as in the territory of Spain (East Coast), the Balearic Islands and the Canary Islands. These intangibles arise from the acquisition of the IHGH Group in 2015 and the Group has identified 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 related to Costa Coffee Spain.

Costa Coffee Malta

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

12. Intangible assets – continued

Brand design fees and other rights - continued

Costa Coffee Spain

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

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

With respect to the Costa Coffee Spain CGU, given the negative financial results registered, an impairment assessment was carried out that resulted in an impairment charge amounting to €2.5 million in 2017.

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

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

	Valuation technique	**Significant unobservable inputs**			
	Income capitalisation approach (DCF)	Evolution of EBITDA	Pre-tax discount rate (WACC)	Growth rate	Capitalisation rate
			%	%	%
Costa Coffee Malta		€1.5m - €0.9m - initial five-year period FY18 - FY22	14.35	2.00	12.35
Costa Coffee Spain		€0.2m - 01.8m - initial five-year period FY 18-FY22 €1.0m - €1.8m second five-year period FY23-FY27	14.30	2.00	12.30

12. Intangible assets – continued

Brand design fees and other rights - continued

On the basis of this analysis, as at 31 December 2017 the carrying amount of the Costa Coffee Spain CGU exceeds the recoverable amount by €2.5 million giving rise to an impairment charge for the equivalent amount.

Sensitivity Parameters applied in valuation model are summarised below:

2017 **Sensitivity analysis parameter**	**Related impact of impairment:**
Increasing projection risk factor by 50% (from 4% to 6%)	€0.5m

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

	Valuation technique	**Significant unobservable inputs**			
	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

As at 31 December 2016, the recoverable amount of the Costa Coffee Malta CGU exceeded the carrying amount with a reasonable headroom. In respect of the Costa Coffee Spain CGU, its carrying amount approximated the recoverable amount. Accordingly, no impairment was deemed necessary as at 31 December 2016.

12. Intangible assets – continued

Brand design fees and other rights - continued

Sensitivity Parameters applied in valuation model are summarised below:

2016 **Sensitivity analysis parameter**	**Related impact of impairment:**
1) Stabilising revenue level at 2021 amounts and applying solely 2% inflationary growth thereafter	€1.7m
2) Stabilising EBITDA 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

Operating contracts

These contracts represent the assumed value attributable to the operation of hotel properties which arose on the re-acquisition of 30% shareholding of Corinthia Hotels Limited (CHL), formerly known as CHI Limited ('CHL') in 2012.

The impairment test in respect of the carrying amount of this intangible asset 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 such projections confirm that no impairment charge is required as at 31 December 2017 and 2016.

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

- revenue derived from IHI properties is based on operational projections. This accounts for 85% of the total revenue in the explicit period (2016 – 81.3%);
- revenue from other properties is assumed to increase by 2% per annum on 2018 budget (2016 – 2% on 2017 budget) (in-perpetuity growth rate of 2% per annum applied subsequently to the ten-year period covered by the explicit projections);
- the rates charged by CHL and the royalties payable to IHI and Ramada are assumed to remain unchanged at current levels;
- a pre-tax discount rate of 11.0% was applied to the operating projections of CHL (2016 – 11.2%).

Others

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

13. Investment property

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
At 1 January	**196,684**	200,287	**5,932**	5,932
Change in fair value (a)	**213**	(19,768)	**-**	-
Acquisition of subsidiary (Note 34.1)	**46,874**	-	**-**	-
Disposal of a subsidiary (Note 15)	**(1,750)**	-	**-**	-
Additions	**545**	1,011	**-**	-
Disposals	**-**	(1,142)	**-**	-
Adjustments	**-**	(122)	**-**	-
Transfer to assets classified as held for sale (Note 21)	**(1,689)**	-	**(5,112)**	-
Exchange differences	**(6,209)**	16,418	**-**	-
At 31 December	**234,668**	196,684	**820**	5,932

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

The carrying amount of the principal investment properties are as follows:

	The Group	
	2017	2016
	€'000	€'000
Investment property		
Commercial Centre in St Petersburg – Russia	**61,805**	64,555
Commercial Centre in Tripoli – Libya	**68,243**	68,243
Commercial Centre in Lisbon – Portugal	**2,300**	1,980
Site in Tripoli – Libya	**29,500**	29,500
Apartment in London	**43,390**	-
Site in Marsa – Malta	**9,620**	9,500
Site in Konopiste – Czech Republic	**7,392**	6,987
Site in Misurata – Libya	**87**	87
Site at Corinthia Palace Hotel - Malta	**5,113**	5,113
Garage in Pankrac – Czech Republic	**5,568**	5,263
	233,018	191,228

Disclosures required in terms of IFRS 13 in relation to fair value measurements attributable to investment property are presented in Note 14.1.

b) Investment properties with a carrying amount of €226 million (2016: €186 million) are hypothecated in favour of bankers as collateral for general banking facilities and loans granted to the Group.

c) Rental income earned by the Group from investment property amounted to €14.2 million (2016: €10.8 million) while direct expenses amounted to €2.6 million (2016: €1.5 million).

d) The operating leases of the investment properties leased out to third parties are cancellable.

14. Property, plant and equipment

	The Group				
	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Assets in the course of construction €000	Total €000
Cost/revalued amount					
Balance at 1 January 2016	910,033	238,881	2,798	32,164	1,183,876
Revaluation	41,027	-	-	-	41,027
Additions	798	7,158	139	5,842	13,937
Reallocations	897	918	-	(1,815)	-
Disposals	-	(1,258)	(87)	(1,096)	(2,441)
Acquisition of subsidiaries	3,404	870	6	-	4,280
Exchange differences	18,931	2,553	14	153	21,651
Balance at 31 December 2016	**975,090**	**249,122**	**2,870**	**35,248**	**1,262,330**
Balance at 1 January 2017	975,090	249,122	2,870	35,248	1,262,330
Revaluation	25,252	-	-	-	25,252
Additions	3,365	5,340	440	10,900	20,045
Reallocations	(2,363)	6,689	(328)	(3,998)	-
Disposals	(575)	(2,273)	(106)	(359)	(3,313)
Acquisition of subsidiaries	455,522	41,986	-	14,583	512,091
Exchange differences	(31,253)	(7,331)	(44)	(1,028)	(39,656)
Balance at 31 December 2017	**1,425,038**	**293,533**	**2,832**	**55,346**	**1,776,749**
Depreciation and impairment losses					
Balance at 1 January 2016	279,692	200,605	2,598	-	482,895
Depreciation for the year	18,210	12,048	101	-	30,359
Net impairment reversals of properties	(3,090)	-	-	-	(3,090)
Disposals	-	(992)	(72)	-	(1,064)
Exchange differences	3,951	1,651	17	-	5,619
Balance at 31 December 2016	**298,763**	**213,312**	**2,644**	**-**	**514,719**
Balance at 1 January 2017	298,763	213,312	2,644	-	514,719
Depreciation for the year	17,576	18,610	95	-	36,281
Net impairment reversals of properties	(1,335)	-	-	-	(1,335)
Disposals	(198)	(2,107)	(80)	-	(2,385)
Reallocations	717	(717)	-	-	-
Exchange differences	(4,068)	(5,255)	(32)	-	(9,355)
Balance at 31 December 2017	**311,455**	**223,843**	**2,627**	**-**	**537,925**
Carrying amounts					
At 1 January 2016	630,341	38,276	200	32,164	700,981
At 31 December 2016	676,327	35,810	226	35,248	747,611
At 31 December 2017	**1,113,583**	**69,690**	**205**	**55,346**	**1,238,824**

14. Property, plant and equipment - continued

Changes in fair value during 2017 in respect of the Group's properties, amounting to €25.3 million (2016: €41.0 million) have been recognised within other comprehensive income while a gain of €4 million and an impairment of €2.6 million (2016: a gain of €3.1 million) have been recognised in profit or loss.

	The Company			
	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Total €000
Cost				
Balance at 1 January 2016	20,975	22,314	1,384	44,673
Additions	44	299	-	343
Disposals	-	-	(40)	(40)
Exchange differences	-	-	(1)	(1)
Balance at 31 December 2016	21,019	22,613	1,343	44,975
Balance at 1 January 2017	21,019	22,613	1,343	44,975
Additions	582	879	-	1,461
Reclassification to assets classified as held for sale (Note 21)	(20,633)	(15,310)	-	(35,943)
Balance at 31 December 2017	**968**	**8,182**	**1,343**	**10,493**
Depreciation and impairment losses				
Balance at 1 January 2016	1,667	20,382	1,265	23,314
Depreciation for the year	443	572	4	1,019
Balance at 31 December 2016	2,110	20,954	1,269	24,333
Balance at 1 January 2017	2,110	20,954	1,269	24,333
Depreciation for the year				
− arising from continuing operations	1	13	35	49
− arising from discontinued operations	515	498	-	1,013
Reclassification to assets classified as held for sale (Note 21)	(1,785)	(13,299)	-	(15,084)
Balance at 31 December 2017	**841**	**8,166**	**1,304**	**10,311**
Carrying amounts				
At 1 January 2016	19,308	1,932	119	21,359
At 31 December 2016	18,909	1,659	74	20,642
At 31 December 2017	**127**	**16**	**39**	**182**

14. Property, plant and equipment - continued

14.1 Fair valuation of property

Designated officers within the Group have reviewed the carrying amounts as at 31 December 2017 of the Group's hotel properties categorised as property, plant and equipment, also generally based on assessments by independent property valuers, to determine whether adjustments were deemed necessary as at that date taking cognisance of developments that occurred during the current financial year, comprising shift in fair value. On the basis of this assessment, the designated officers determined which hotel properties had likely experienced a material shift in fair value by 31 December 2017, and accordingly in respect of which properties an independent valuation was deemed necessary at the end of the year.

As at 31 December 2017, the designated officers concluded the fair value of the majority of hotel properties measured at fair value in accordance with the revaluation model under IAS 16 did not differ in a substantial manner from carrying amount, and an independent valuation as at 31 December 2017 was not deemed to be required for such hotel properties.

An independent valuation exercise as at 31 December 2017 was carried out by qualified property valuers in respect of the Corinthia Hotel St. Petersburg and the Panorama Hotel in Prague. The carrying amount of the Corinthia Hotel London was also adjusted in view of a shift in fair value as compared to carrying amounts.

The revaluations in 2017 and 2016 were generally carried out 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 at 31 December 2017 on the basis of the valuations 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 have been disclosed within this note.

The Group's investments properties measured at fair value under the IAS 40 fair value model, are fair valued annually (refer to Note 13).

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. The main properties are the Commercial Centre in St Petersburg, the Commercial Centre in Tripoli, a site forming part of the grounds of the Corinthia Hotel in Tripoli, an apartment block in Lisbon and a high end apartment in London. All the recurring property fair value measurements at 31 December 2017 and 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.

14. Property, plant and equipment - continued

14.1 Fair valuation of property - continued

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 13 for investment property.

Valuation processes

The valuations of the properties are performed regularly for property, plant and equipment and annually for investment property 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 Committee and Board then consider the valuation report as part of their overall responsibilities.

At the end of every reporting period, the designated officers within the Group assess whether any significant changes on the developments have been experienced since the last annual valuation of property, plant and equipment. This is usually supported by an assessment performed by an independent firm of property valuers. The designated officers report to the Audit Committee on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property as at 31 December 2017 and 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.

14. Property, plant and equipment - continued

14.1 Fair valuation of property - continued

Valuation techniques – continued

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

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

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

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

14. Property, plant and equipment - continued

14.1 Fair valuation of property - continued

Valuation techniques - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2017 in respect of the key properties:

Description by class based on highest and best use	Fair value at 31 December 2017 €'000	Valuation technique	Significant unobservable inputs			
Current use as hotel properties (classified property, plant and equipment):		Income capitalisation approach (DCF)	Evolution of EBITDA over initial projected five-year period	Pre-tax rate (WACC)	Growth rate	Capitalisation rate
			FY18-FY22	%	%	%
Corinthia Hotel, St Petersburg	**84,488**		RUB521m – RUB599m	13.25	5.00	8.25
Corinthia Hotel Tripoli	**78,881**		€2.7m - €9.7m	11.82	2.00	9.82
Corinthia Hotel London	**496,140**		£19.2m - £25.7m	7.20	2.70	4.50
Panorama Hotel Prague	**40,000**		€3.7m - €4.4m	10.00	2.00	8.00

For such properties the fair value disclosures reported as at 31 December 2016 (disclosed further below), are still relevant as at 31 December 2017.

14. Property, plant and equipment - continued

14.1 Fair valuation of property - continued

Valuation techniques - continued

Description by class based on highest and best use	**Fair value at 31 December 2017 €'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 FY18-FY22	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Commercial Centre in St Petersburg	**61,805**		RUB226m – RUB271m	13.25	5.00	8.25
Commercial Centre in Tripoli	**68,243**		€5.8m - €6.9m	11.08	3.00	8.08

14. Property, plant and equipment - continued

14.1 Fair valuation of property - continued

Valuation techniques - continued

Description by class based on highest and best use	Fair value at 31 December 2017 €'000	Valuation technique	Significant unobservable inputs
Current use as land for commercial use/ (classified as investment property):		Adjusted sales comparison approach	Sales price per square metre
Site in Tripoli	**29,500**		€2,300
Site in Marsa	**9,620**		€700
Site in Czech Republic	**7,392**		€90
Current use as rental property (classified as investment property)			
London apartment	**43,390**		£30,000

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.

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

14.1 **Fair valuation of property** - continued

Valuation techniques - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2016 in relation to the key properties.

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	Evolution of EBITDA over initial projected five-year FY17-FY21	Pre-tax 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	3.25	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
Panorama Hotel Prague	**31,936**		€2.8m - €3.0m	7.96	1.80	4.88
Aquincum Hotel Budapest	**35,269**		€2.0m - €2.6m	7.99	1.80	5.58
Ramada Plaza Tunis Hotel	**22,097**		€1.1m - €2.3 m	9.43	2.00	4.69

14. Property, plant and equipment - continued

14.1 Fair valuation of property - continued

Valuation techniques - 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 hotel properties (classified as property, plant and equipment):		Adjusted sales comparison approach	Sales price per square metre			
Corinthia Hotel Budapest	**122,458**		€ 1,750			
Use for redevelopment purposes (classified as property, plant and Equipment):		Adjusted sales comparison approach	Sales price per square metre			
Corinthia Palace Hotel & Spa, Malta	**25,531**		€1,500			
Current use as Commercial Centres (classified as investment property):		Income capitalisation approach (DCF)	Evolution of EBITDA over initial projected five-year FY17-FY21	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Commercial Centre in St Petersburg	**64,555**		RUB182m – RUB274m		4.75	8.25
Commercial Centre in Tripoli	**68,243**		€4.9m - €7.1m	12.4	2.50	9.90

14. Property, plant and equipment - continued

14.1 Fair valuation of property – continued

Valuation techniques - 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 land for commercial use (classified as investment property):		Adjusted sales comparison approach	Sales price per square metre
Site in Tripoli	**29,500**		€2,300
Site in Marsa	**9,500**		€700
Site in Czech Republic	**7,000**		€85

14. Property, plant and equipment - continued

14.1 Fair valuation of property - continued

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

As explained in Note 5 to the financial statements, the future performance of the Group's hotel and the commercial centre situated in Tripoli and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside. In accordance with the fair valuations as at 31 December 2017 no further impairment charges were deemed necessary in these financial statements, after taking into account the impairment charges of €40.5 million recognised in 2014.

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

	Shift in discount rate (+/- 0.5%)		Shift in cash flows (EBITDA) (+/- 5%)	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Corinthia Hotel & Spa Lisbon	**+/- 700**	+/- 700	**+/- 4,600**	+/- 4,600
Corinthia Hotel Prague	**+/- 600**	+/- 600	**+/- 4,100**	+/- 4,100
Marina Hotel, St George's Bay, Malta	**+/- 200**	+/- 200	**+/- 1,600**	+/- 1,600
Corinthia Hotel, St George's Bay, Malta	**+/- 250**	+/- 250	**+/- 2,000**	+/- 2,000
Corinthia Hotel, St Petersburg	**+/- 3,000**	+/- 700	**+/- 4,400**	+/- 4,200
Corinthia Hotel Tripoli	**+/- 3,000**	+/- 800	**+/- 4,000**	+/- 4,000
Commercial Centre in St Petersburg	**+/- 1,430**	+/- 1,900	**+/- 650**	+/- 3,500
Commercial Centre in Tripoli	**+/- 420**	+/- 350	**+/- 3,400**	+/- 3,400
Radisson Blu Resort, Malta	**+/- 250**	+/- 250	**+/- 2,000**	+/- 2,000
Corinthia Hotel Budapest	**+/- 720**	+/- 720	**+/- 5,600**	+/- 5,600
Corinthia Hotel London	**+/- 20,000**	+/- 20,000	**+/- 24,000**	+/- 24,000
Panorama Hotel Prague	**+/- 2,000**	+/- 2,000	**+/- 2,600**	+/- 2,300
Aquincum Hotel Budapest	**+/- 2,100**	+/- 2,100	**+/- 2,000**	+/- 2,000
Ramada Plaza Tunis Hotel	**+/- 1,000**	+/- 1,000	**+/- 1,400**	+/- 1,400

14.2 Historic cost basis of hotel properties

If the cost model had been used, the carrying amounts of the revalued properties would be €1,043.5 million (2016: €588.5 million). The revalued amounts include a revaluation surplus of €103.2 million after tax (2016: €202.9 million), which is not available for distribution to the shareholders of CPHCL.

14.3 Use as collateral

All tangible fixed assets owned by the Group, except for the BCM plant and underlying land in Benghasir, Libya, the land in Misurata, Libya, and the Konopiste property in the Czech Republic are hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 28.

15. Investments in subsidiaries

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

	The Company 2017 €'000	The Company 2016 €'000
Equity in subsidiary companies (Note 15.2)	**373,780**	373,773
Loans to subsidiary companies (Note 15.2)	**20,171**	16,610
Impairment losses (Notes 15.4)	**(1,691)**	(1,822)
	392,260	388,561

15.1 Principal subsidiaries

The Group had the following subsidiaries as at 31 December:

Subsidiary company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group 2017 %	2016 %	Percentage of ownership and voting rights held directly by the Company 2017 %	2016 %	Percentage of ownership and voting rights held by non-controlling interests 2017 %	2016 %
Quoted								
International Hotel Investments p.l.c.	22, Europa Centre, Floriana, Malta	Investment Company	**58**	58	**58**	58	**42**	42
Unquoted								
Afina Ag	CH-4336 Kaisten Eigematt 15 Switzerland	Investment Company	**100**	100	**-**	-	**-**	-
Alfa Investimentos Turisticos Lda	Avenida Columbana Bordalo Pinheiro Lisboa 1099-031, Portugal	Hotel Owner	**58**	58	**-**	-	**42**	42
Amber Hotels s.r.o.	Milevska 7, Prague 4 Czech Republic	Hotel Owner and Operator	**100**	100	**100**	100	**-**	-
Bay Point Hotel Limited	22, Europa Centre, Floriana, Malta.	Owner and operator of hotel	**58**	58	**-**	-	**42**	42
Bay Point Collection Limited	24 De Castro Street Wickhams Cay 1 Road Town Tortola British Virgin Islands	Vacation ownership company	**58**	58	**-**	-	**42**	42

15. Investments in subsidiaries - continued

15.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Bay Point Properties Limited	22, Europa Centre, Floriana, Malta.	Non-operating	**58**	58	**-**	-	**42**	42
Benghasir Concrete Manufacturing Joint Stock Company	Airport Highway Tripoli, Libya	Concrete manufacturer	**100**	100	**10**	10	**-**	-
Benghasir for Construction Company	Souk Al Thulatha Al Gadim Tripoli, Libya	Project Management services	**90**	90	**-**	-	**10**	10
Catering Contractors Limited	22, Europa Centre, Floriana, Malta	Restaurant and catering services	**100**	100	**100**	100	**-**	-
Catering Holding Limited (formerly, Buttigieg Holdings Limited)	22, Europa Centre, Floriana, Malta.	Retail catering and holding company	**58**	58	**-**	-	**42**	42
Catering Operations Limited (formerly, RJC Caterers Limited)	22, Europa Centre, Floriana, Malta.	Contract catering company	**58**	58	**-**	-	**42**	42
CaterMax Limited	22, Europa Centre, Floriana, Malta.	Catering services	**100**	100	**-**	-	**-**	-
Comox Enterprises Limited	Agiou Nicolau, 41-49, Nimeli Court, Egkomi PC2408, Nicosia,Cyprus	Investment company	**100**	100	**100**	100	**-**	-

15. Investments in subsidiaries - continued

15.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Corinthia Caterers Limited (formerly, Flight Catering Company Limited)	22, Europa Centre, Floriana, Malta	Inflight services	**100**	100	**100**	100	**-**	-
Corinthia Company Limited	22, Europa Centre, Floriana, Malta	Investment company	**58**	58	**-**	-	**42**	42
Corinthia Construction (Overseas) Limited	22, Europa Centre, Floriana, Malta	Construction company	**100**	100	**100**	100	**-**	-
Corinthia Finance p.l.c.	22, Europa Centre, Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-
Corinthia Holdings Overseas Limited	22, Europa Centre, Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-
Corinthia Hotels Limited (formerly, CHI Limited)	1, Europa Centre, Floriana, Malta	Hotel management company	**58**	58	**-**	-	**42**	42
Corinthia Investments Limited	1, Brentham House 43c High Street Hampton Wick, Kingston-Upon-Thames, Surrey, UK	Investment company	**100**	100	**100**	100	**-**	-
Corinthia (Malta) Staff Services Limited (formerly, Island Hotels Group Limited)	22, Europa Centre, Floriana, Malta.	Holding and management company	**58**	58	**-**	-	**42**	42
Corinthia Palace Holdings Limited	22, Europa Centre, Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-

15. Investments in subsidiaries - continued

15.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Corinthia Panorama s.r.o.	Milevska 7, Prague 4, Czech Republic	Hotel owner	**100**	100	**100**	100	**-**	-
Corinthia Restaurants Kft	3527 Miskolc Bajcsy Zsilinszky U.17 Budapest, Hungary	Property owner	**-**	100	**-**	-	**-**	-
Corinthia Services Limited	34, Place de 7 Novembre 1987 Tunis, Tunisia	Non-trading company	**100**	100	**100**	100	**-**	-
Corinthia Towers Tripoli Limited	22, Europa Centre, Floriana, Malta	Hotel owner	**58**	58	**-**	-	**42**	42
Corinthia Tunisie sarl	Les Cotes de Carthage, Ghammarth, Tunisia	Non-trading company	**100**	100	**100**	100	**-**	-
Corinthia Turizm Yatirimlari ve Ticaret a.s.	Tayyareci Ethem Sokak No.24 Kat4 Daire 13, 80090 Gumussuyu Istanbul, Turkey	Hotel owner	**100**	100	**-**	-	**-**	-
CPHCL Investments Limited	22, Europa Centre Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-
Danish Bakery Limited	22, Europa Centre, Floriana, Malta	Bakery	**65**	65	**65**	65	**35**	35

15. Investments in subsidiaries - continued

15.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
D.X. Design Consultancy Ltd	22, Europa Centre, Floriana, Malta	Project management services	**58**	58	**-**	-	**42**	42
Five Star Hotels Limited	22, Europa Centre, Floriana, Malta	Hotel owner	**58**	58	**-**	-	**42**	42
HNS Consultancy Services Limited	22, Europa Centre, Floriana, Malta	Consultancy services	**100**	100	**100**	100	**-**	-
Hotel Astoria SA	Rue Royal 103 1000 Brussels Belgium	Owner of site being developed into the Corinthia Brussels	**29**	-	**-**	-	**71**	-
House of Catering for Catering Services Co. Limited	Souk Al Thulatha Al Gadim Tripoli, Libya	Catering services	**100**	100	**10**	10	**-**	-
IHI Benelux Bv	Frederick Roeskestraat 123 1076 EE Amsterdam P.O. Box 72888 1070 AC Amsterdam The Netherlands	Hotel owner	**58**	58	**-**	-	**42**	42
IHI Benghazi Limited	22, Europa Centre, Floriana, Malta	Investment company	**44**	44	**-**	-	**56**	56

15. **Investments in subsidiaries** - continued

15.1 **Principal subsidiaries** - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
IHI Brussels Limited	22, Europa Centre Floriana Malta	Holding company of Hotel Astoria SA	**29**	-	**-**	-	**71**	-
IHI Cyprus Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**58**	58	**-**	-	**42**	42
IHI Hungary Rt	1072, Budapest, Klauzal ter.3, Hungary	Hotel owner	**58**	58	**-**	-	**42**	42
IHI Lisbon Limited	22, Europa Centre, Floriana, Malta	Investment company	**58**	58	**-**	-	**42**	42
IHI Malta Hotel Limited	22, Europa Centre, Floriana, Malta	Newly formed company	**58**	-	**-**	-	**42**	-
IHI St Petersburg LLC	1/36 Volynsky per., St. Petersburg, Russian Federation	Investment company	**58**	58	**-**	-	**42**	42
IHI Towers s.r.o	Kongresova 1655/1 1406/69 Praha 5 Czech Republic	Hotel owner	**58**	58	**-**	-	**42**	42
IHI Zagreb d.d.	Centar Kaptol, Nova Kes 11, 10000 Zagreb, Croatia	Investment company	**58**	58	**-**	-	**42**	42
Internasyonal Turizm ve Otelcilik a.s.	Osmanli Sokok No.24 Kat 4 Daire 13 80090 Gumussuyu Istanbul, Turkey	Hotel owner	**100**	100	**-**	-	**-**	-

15. **Investments in subsidiaries** - continued

15.1 **Principal subsidiaries** - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
International Operating and Managing Facilities Establishments Limited	Souk Al Thulatha Al Gadim Tripoli, Libya	Building and facilities management services	**100**	100	**10**	10	**-**	-
Island Caterers Limited	22, Europa Centre, Floriana, Malta.	Event catering company	**58**	58	**-**	-	**42**	42
Island Hotels Group Holdings p.l.c.	22, Europa Centre Floriana, Malta	Holding company (struck off following merger into IHI p.lc.)	**-**	**100**	**-**	100	**-**	-
Island Resorts International Limited	24 De Castro Street Wickhams Cay 1 Road Town Tortola British Virgin Islands	Investment company	**58**	58	**-**	-	**42**	42
Konopiste Property Holding s.r.o.	Milevska 1695/7 Prague 4 Czech Republic	Hotel owner	**100**	100	**100**	100	**-**	-
Libya Holding Development Investments J.S.C.	Benghazi, Libya	Hotel owner	**32**	32	**-**	-	**68**	68
Malta Fairs and Conventions Centre Limited (MFCC Limited)	Millenium Stand, Level 1, National Stadium, Ta' Qali, Attard ATD 4000	Trade conference and leisure conventions	**100**	100	**-**	-	**-**	-

15. Investments in subsidiaries - continued

15.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Marina San Gorg Limited	22, Europa Centre, Floriana, Malta	Hotel owner	**58**	58	**-**	-	**42**	42
Marsa Investments Limited	22, Europa Centre, Floriana, Malta	Investment property and hotel operator	**100**	100	**100**	100	**-**	-
Misurata Holdings Limited	22, Europa Centre, Floriana, Malta	Non-trading company	**100**	100	**100**	100	**-**	-
NLI Finance Limited	CTV House La Pouquelaye St Helier Jersey	Provision of finance to companies within the NLI Holdings Limited group structure.	**29**	-	**-**	-	**71**	-
NLI Holding Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a group that owns and operates the Corinthia Hotel London and 10 Whitehall Place in London, UK	**29**	-	**-**	-	**71**	-

15. Investments in subsidiaries - continued

15.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owns the Corinthia Hotel London, UK	**29**	-	**-**	-	**71**	-
NLI Operator Limited	CTV House La Pouquelaye St Helier Jersey	Operates Corinthia Hotel London, a five-star luxury hotel	**29**	-	**-**	-	**71**	-
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owns apartment 12, 10 Whitehall Place	**29**	-	**-**	-	**71**	-
Palm Waterfront Development Ltd	22, Europa Centre, Floriana, Malta	Non-trading company	**100**	100	**100**	100	**-**	-
Pankrac Property Holdings s.r.o.	Milevska 1695/7, Prague 4, Czech Republic	Investment property owner	**100**	100	**100**	100	**-**	-
QP (UK) Limited	The Corinthia Hotel London Whitehall Place London, England	Project management services	**58**	58	**-**	-	**42**	42
QPM Africa Limited	22, Europa Centre, Floriana, Malta	Non-trading company	**58**	58	**-**	-	**42**	42

15. Investments in subsidiaries - continued

15.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
QPM Limited	22, Europa Centre Floriana, Malta	Project management services	**58**	58	**-**	-	**42**	42
Societe De Promotion Hoteliere Khamsa	Les Cotes de Carthage Gammarth, Tunisia	Hotel owner	**100**	100	**63**	63	**-**	-
Swan Laundry and Dry Cleaning Company Limited	22, Europa Centre, Floriana, Malta	Laundry company	**100**	100	**100**	100	**-**	-
The Coffee Company Malta Limited	22, Europa Centre, Floriana, Malta	Franchise retail catering company	**58**	58	**-**	-	**42**	42
The Coffee Company Spain S.L.	COSTA Diagonal, Avinguda Diagonal, 566, Barcelona 08021	Franchise retail catering company	**58**	58	**-**	-	**42**	42
The Heavenly Collection Limited	22, Europa Centre, Floriana, Malta.	Owner of tract land in Golden Bay	**58**	58	**-**	-	**42**	42
Thermal Hotel Aquincum Rt	Arpad Fejedelem Utja 94, H-1036 Budapest Hungary	Hotel owner	**100**	100	**-**	-	**-**	-
Top Spirit a.s.	Milevska 7, 14063 Prague P.O. Box 41 Czech Republic	Investment company	**100**	100	**100**	100	**-**	-

15. Investments in subsidiaries - continued

15.1 Principal subsidiaries - continued

During the year ended 31 December 2017 the Group acquired control over NLI Holdings Limited and its subsidiaries (collectively, "the NLI Group") during 2017 (refer to Note 34). The NLI Group was previously recognised as a joint venture. The summarised financial information required by IFRS 12 in respect the NLI Group's interest as at 31 December 2016 is disclosed in Note 16.

As disclosed in Note 34 during 2016 the Group acquired the remaining 50% in CaterMax Limited and MFCC Limited. The investments in these entities was previously recognised as investments in associates.

During the year ended 31 December 2017, Corinthia Investments Limited, a subsidiary of the Company disposed of its investment in Corinthia Restaurants Kft for a consideration of €2 million which resulted in a gain of €0.18 million in the Group.

All subsidiary undertakings are included in the consolidation.

15. Investments in subsidiaries - continued

15.2 Exposure to subsidiary companies

	The Company €000
At 1 January 2016	373,081
Additions	1,933
Disposals	(1,241)
At 31 December 2016	373,773
At 1 January 2017	373,773
Additions	7
At 31 December 2017	**373,780**

The movements during 2016 comprise an additional investment in Amber Hotels s.r.o. amounting to €0.8 million, the disposal of the investment in QPM Limited., having a carrying amount of €0.1 million, and the acquisition (via spin off) and subsequent disposal of Kubova Hut Holdings s.r.o..

The Company effected additional advances to its subsidiaries which are considered to be a component of the long-term investment. The net advances amounted to €3.6 million (2016: €2.9 million) and relate to €1.9 million (2016: 1.2 million) to Corinthia Palace Holdings Limited, the previous owning company of CaterMax Limited and MFCC Limited, €1.7 million (2016: nil) to Corinthia Construction (Overseas) Limited and €1.9 million to Corinthia Holdings Overseas in 2016. There were also repayments of €0.2 million from other group companies in 2016.

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

15. Investments in subsidiaries - continued

15.3 Subsidiaries with material non-controlling interests

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

Name of subsidiary	Proportion of ownership interest and voting rights held by NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	2017	2016	2017	2016	2017	2016
	%	%	€000	€000	€000	€000
Danish Bakery Limited	**35**	35	**184**	227	**1,177**	1,203
IHI Group (incl. NLI Group)	**42**	42	**7,932**	(3,184)	**485,147**	269,205

Dividends paid to NCI of Danish Bakery Limited amounted to €0.2 million (2016: €0.2 million).

The total non-controlling interests as at 31 December 2017 is €486.3 million (2016: €270.4 million), of which €485.1 million (2016: €269.2 million) is attributable to the IHI Group and €1.2 million (2016: €1.2 million) is attributable to Danish Bakery Limited. The other non-controlling interests indicated in the previous tables are not considered material by the Group's Directors.

During the year, the IHI Group acquired control over the NLI Group and consequently, €198.5 million was attributable to NCI immediately upon securing control.

15. Investments in subsidiaries - continued

15.3 Subsidiaries with material non-controlling interests - continued

Summarised financial information for Danish Bakery Limited, the IHI Group (including the NLI Group), and separately, the NLI Group, before intragroup eliminations, is set out below:

	Danish Bakery Limited		IHI Group (including NLI Group)		NLI Group
	2017	2016	2017	2016	2017
	€000	€000	€000	€000	€000
Non-current assets	**2,446**	2,291	**1,464,457**	1,119,397	**539,529**
Current assets	**2,645**	2,704	**137,860**	100,857	**41,651**
Total assets	**5,091**	4,995	**1,602,317**	1,220,254	**581,180**
Non-current liabilities	**(599)**	(316)	**(627,964)**	(487,851)	**(162,299)**
Current liabilities	**(1,130)**	(1,243)	**(89,721)**	(85,581)	**(18,931)**
Total liabilities	**(1,729)**	(1,559)	**(717,685)**	(573,432)	**(181,230)**
Equity attributable to owners of CPHCL	**2,185**	2,233	**511,494**	381,625	**199,338**
Non-controlling interests	**1,177**	1,203	**373,138**	265,197	**200,612**

	Danish Bakery Limited		IHI Group (including NLI Group)		NLI Group
	2017	2016	2017	2016	2017
	€000	€000	€000	€000	€000
Revenue	**5,453**	5,759	**242,413**	157,901	**68,664**
Profit/(loss) for the year attributable to owners of the parent	**342**	421	**6,965**	(4,518)	**1,653**
Profit/(loss) for the year attributable to NCI	**184**	227	**7,932**	(3,140)	**4,047**
Profit/(loss) for the year	**526**	648	**14,897**	(7,658)	**5,700**
Other comprehensive income attributable to owners of the parent	**-**	-	**14,904**	23,933	**(790)**
Other comprehensive income attributable to NCI	**-**	-	**9,514**	16,631	**(1,930)**
Other comprehensive income for the year	**-**	-	**24,418**	40,564	**(2,720)**
Total comprehensive income for the year attributable to owners of the parent	**342**	421	**21,869**	19,415	**863**
Total comprehensive income for the year attributable to NCI	**184**	227	**17,446**	13,491	**2,117**
Total comprehensive income for the year	**526**	648	**39,315**	32,906	**2,980**

15. Investments in subsidiaries - continued

15.3 Subsidiaries with material non-controlling interests - continued

	Danish Bakery Limited		IHI Group (including NLI Group)		NLI Group
	2017	2016	2017	2016	2017
	€000	€000	€000	€000	€000
Net cash generated from operating activities	**897**	1,038	**60,013**	28,877	**17,022**
Net cash used in investing activities	**(505)**	(336)	**(15,579)**	(30,341)	**(12,413)**
Net cash (used in)/generated from financing activities	**(600)**	(601)	**(21,956)**	10,632	**11,128**
Net cash (outflow)/inflow	**(208)**	101	**22,478**	9,168	**15,737**

15.4 Impairment losses

The carrying amount of the investment and loan to Corinthia Tunisie Sarl were deemed to be impaired in prior years and a cumulative total impairment loss of €1.7 million (2016: loss of €1.8 million) has been recognised in profit or loss by CPHCL by the end of 2017.

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

16. Other investments

16.1. Investments accounted for using the equity method - Group

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

	The Group	
	2017	2016
	€'000	€'000
Associates (Note 16.3)	**81,414**	80,693
Joint ventures (Note 16.4)	**47,268**	240,266
At 31 December	**128,682**	320,959

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

	The Group	
	2017	2016
	€'000	€'000
Associates	**151**	(3,073)
Joint ventures	**2,081**	1,800
At 31 December	**2,232**	(1,273)

Until 31 December 2016, the Group, through IHI p.l.c., held 50% of the ordinary shares and voting rights of NLI Holdings Limited and its subsidiaries, (collectively the "NLI Group") which was classified as an investment in joint venture since all decisions required the unanimous consent of the parties involved. In accordance with IFRS 11, the investment was accounted for under the equity method.

16. Other investments – continued

16.1. Investments accounted for using the equity method - Group - continued

As disclosed in Note 34, on 1 January 2017 the Group, through IHI p.l.c, obtained control over NLI and accordingly, the NLI Group is consolidated within the Group's financial statements as from that date.

16.2 Investments in associates - Company

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

	The Company	
	2017	2016
	€'000	€'000
Associates - at 31 December (Note 16.3)	**29,342**	29,432

16.3 Investments in associates

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

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Equity in associate companies (Note 16.3.1)	**73,008**	72,062	**24,181**	24,181
Loans to associate companies	**8,406**	8,631	**5,161**	5,251
	81,414	80,693	**29,342**	29,432

The main movements in the Group's loans to associate companies during the year relate to loan repayments mainly from Mediterranean Investments Holding p.l.c. and Scalotel Escalabitana S.A. During the prior year, movements comprised of the granting of additional advances of €3.6 million by the Company to Mediterranean Investments Holding p.l.c., and the derecognition of loans amounting to €2.4 million due from CaterMax Limited, which became a subsidiary upon acquisition of the entity's remaining share capital during the prior year (Note 34).

The Company's movement for the year mainly comprises repayments of long-term advances by Café Jubilee and Mediterranean Investments Holding p.l.c. In 2016, the movements consisted of advances granted to Mediterranean Investments Holding p.l.c.

16. **Other investments** – continued

16.3 **Investments in associates** - continued

16.3.1 Equity in associate companies

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
At 1 January	**72,062**	76,821	**24,181**	24,094
Additions	**-**	41	**-**	-
Derecognition of investment in associate (Note 34)	**-**	(1,244)	**-**	-
Share of results	**151**	(3,073)	**-**	-
Share of other comprehensive income	**(1,604)**	(187)	**-**	-
Exchange differences	**(25)**	(271)	**-**	-
Other movements	**2,424**	(25)	**-**	87
At 31 December	**73,008**	72,062	**24,181**	24,181

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

Company name	Registered office	Nature of business	% of ownership interest held by			
			The Group		The Company	
			2017	2016	2017	2016
			%	%	%	%
Atkins Travel Limited	Towngate House, 2, Parkstone Road, Poole, Dorset BH15 2PJ United Kingdom	Tour operator	**43**	43	**-**	-
B.C.W. Limited	3, Princess Elizabeth Terrace, Ta' Xbiex, Malta	Non-trading	**33**	33	**33**	33
Café Jubilee Zrt	1055 Budapest, Szent Istvan krt. 13, Hungary	Non-trading	**50**	50	**50**	50
Crust Foods Limited	22, Europa Centre, Floriana Malta	Restaurant and café	**40**	40	**-**	-
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**29**	29	**-**	-

16. Other investments - continued

16.3 Investments in associates - continued

16.3.1 Equity in associate companies - continued

Company name	Registered office	Nature of business	% of ownership interest held by			
			The Group		The Company	
			2017	2016	2017	2016
			%	%	%	%
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**29**	29	**-**	-
Medina Towers J.S.C.	Suite 107, Tower 2, Level 10 Burj Al Fateh, Tripoli, Libya	Owns the Medina Towers Project	**27**	27	**-**	-
Mediterranean Investments Holding p.l.c.	22, Europa Centre, Floriana, Malta	Investment company	**50**	50	**50**	50
Palm City Limited	22, Europa Centre, Floriana, Malta	Property development and operator	**50**	50	**-**	-
Palm Waterfront Limited	22, Europa Centre, Floriana, Malta	Property development and operator	**50**	50	**-**	-
Scalotel-Sociedade Escalabitana Hoteleira s.a.	Avenida Madre Andaluz Freguesia de Marvila, Cancelho de Santarem, Portugal	Hotel owner	**41**	41	**-**	-

All associates except for Mediterranean Investments Holding p.l.c. are private companies. There is no quoted market price available for the shares of all associates.

Refer to Note 33 for a summary of a contingent liability relating to Medina Towers J.S.C. (Libya), an associate of the Group.

Towards the end of the prior year, the Group, via one of its subsidiaries acquired a 40% share in Crust Foods Ltd.

The Group previously held 50% of the equity in CaterMax Limited which in turn was the sole shareholder of MFCC Limited. In 2016, the Group acquired the remaining 50% in CaterMax Limited and consequently, both CaterMax Limited and MFCC Limited are now subsidiaries of the Group. (Refer to Note 15.1)

The directors consider Medina Towers J.S.C. and Mediterranean Investments Holding p.l.c. to be material associates of the Group.

16. **Other investments** – continued

16.3 **Investments in associates** - continued

16.3.2 Summarised financial information for material associates

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

	Medina Towers J.S.C.	
	2017	2016
	€000	€000
Non-current assets	**40,160**	43,250
Current assets	**10,726**	11,536
Total assets	**50,886**	54,786
Current liabilities	**472**	522
Total liabilities	**472**	522
Profit/(loss) for the year	**153**	(556)
Other comprehensive income	**(4,005)**	(664)
Total comprehensive income	**(3,852)**	(1,220)

Reconciliation of summarised financial information

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

	Medina Towers J.S.C.	
	2017	2016
	€000	€000
Opening net assets	**54,264**	55,484
Profit/(loss) for the period	**153**	(556)
Other comprehensive income	**(4,005)**	(664)
Closing net assets	**50,412**	54,264
Interest in associate (37.5%)	**18,905**	20,349
Carrying value	**18,905**	20,349

16. Other investments - continued

16.3 Investments in associates - continued

16.3.2 Summarised financial information for material associates - continued

	Mediterranean Investments Holding p.l.c. Group	
	2017	2016
	€000	€000
Non-current assets	**272,062**	272,869
Current assets	**8,420**	4,309
Total assets	**280,482**	277,178
Non-current liabilities	**(135,478)**	(91,358)
Current liabilities	**(14,478)**	(54,141)
Total liabilities	**(149,956)**	(145,499)
Revenue	**8,359**	3,627
Profit/(loss) for the year	**226**	(6,443)
Other comprehensive income	**(1,378)**	(375)
Total comprehensive income	**(1,152)**	(6,818)

Reconciliation of summarised financial information

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

	Mediterranean Investments Holding p.l.c. Group	
	2017	2016
	€000	€000
Opening net assets	**131,678**	138,496
Profit/(loss) for the period	**226**	(6,443)
Other comprehensive income	**(1,378)**	(375)
Closing net assets	**130,526**	131,678
Interest in associate (50%)	**65,263**	65,839
Carrying value	**65,263**	65,839

Included in the above financial information is 25% share of the financial information attributable to Medina Towers J.S.C.

16. **Other investments** - continued

16.3 **Investments in associates** - continued

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

	2017 €000	2016 €000
Profit/(loss) for the year	**95**	(2,727)
Other comprehensive income	**(128)**	(540)
Total comprehensive income	**(33)**	(3,267)

16.4 Investments in joint ventures

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

	The Group 2017 €'000	2016 €'000
Equity in joint ventures (Note 16.4.1)	**47,268**	237,346
Loans to joint ventures	**-**	2,920
At 31 December	**47,268**	240,266

Loans as at 31 December 2016 related to NLI, which with effect from the current year is being consolidated and accordingly is no longer a joint venture.

16.4.1 Equity in joint ventures

	The Group 2017 €'000	2016 €'000
At 1 January	**237,346**	252,168
Derecognition of investment in joint venture following acquisition of control (Note 34)	**(198,495)**	-
Share of results	**2,081**	1,800
Share of other comprehensive income	**7,278**	(14,865)
Dividends	**(979)**	(1,757)
Other movements	**37**	-
At 31 December	**47,268**	237,346

16. Other investments - continued

16.4 Investments in joint ventures - continued

16.4.1 Equity in joint ventures - continued

Set out below are the significant joint ventures of the Group as at 31 December 2017 and 31 December 2016. The joint ventures listed below have share capital consisting solely of ordinary shares, which are held by the Group through IHI p.l.c.

Company name	Registered office	Nature of business	% of ownership interest held by the Group % ownership 2017	2016
Azure Resorts Limited	325, Waterfront Drive Omar Holding Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Vacation ownership selling agent	**29**	29
Azure Services Limited	Suite 1, Level 2, TG Complex Brewery Street Mriehel, Malta	Marketing and promotional services	**29**	29
Azure Ultra Limited	Level 3, Valletta Buildings, South Street, Valletta	Luxury yacht leasing	**29**	29
Azure XP Limited (formerly, Vacation Financial Limited)	325, Waterfront Drive Omar Holding Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Financing of vacation ownership	**29**	29
Brooksfield Overseas Limited	325, Waterfront Drive Omar Holding Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Marketing and promotional services	**29**	29

16. **Other investments** - continued

16.4 **Investments in joint ventures** - continued

16.4.1 **Equity in joint ventures** - continued

Company name	Registered office	Nature of business	% of ownership interest held by the Group % ownership 2017	2016
Golden Sands Resort Limited	The Radisson SAS Golden Resort & Spa Golden Bay I/o Mellieha, Malta	A five-star luxury hotel	**29**	29
Heathfield Overseas Limited	325, Waterfront Drive Omar Holding Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Payment solutions	**29**	29
Hotel Astoria SA	Rue Royal 103 1000 Brussels Belgium	Owner of site being developed into the Corinthia Brussels	**-**	29
IHI Brussels Limited	22, Europa Centre Floriana Malta	Holding company of Hotel Astoria SA	**-**	29
Medi International Limited	325, Waterfront Drive Omar Holding Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Internal financing	**29**	29
MKIC Limited	Montekristo Estates Hal Farrug Road Luqa, Malta	Non-trading	**29**	29

16. Other investments - continued

16.4 Investments in joint ventures - continued

16.4.1 Equity in joint ventures - continued

Company name	Registered office	Nature of business	% of ownership interest held by the Group % ownership 2017	2016
NLI Finance Limited	CTV House La Pouquelaye St Helier Jersey	Provision of finance to companies within the NLI Holdings Limited group structure.	**-**	29
NLI Holding Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a group that owns and operates the Corinthia Hotel London and 10 Whitehall Place in London, UK	**-**	29
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owns the Corinthia Hotel London, UK	**-**	29
NLI Operator Limited	CTV House La Pouquelaye St Helier Jersey	Operates Corinthia Hotel London, a five-star luxury hotel	**-**	29
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owns apartment 12, 10 Whitehall Place	**-**	29
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 their shares.

The Board of Directors of joint venture companies have authorised capital commitments for property, plant and equipment amounting to €2.3 million (2016: €2.5 million). The Group's share of these commitments is equivalent to 50%.

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

The directors consider Golden Sands Resort Limited to constitute a material joint venture of the Group during the current year.

16. Other investments - continued

16.4 Investments in joint ventures - continued

16.4.1 Equity in joint ventures – continued

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

This joint venture includes the Group's investment in Golden Sands Resort Limited and Azure Resorts Group (made up of Azure Resorts Limited, Azure Services Limited, Azure Ultra Limited, Azure XP Limited (formerly known as 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 a credit institution in relation to banking facilities granted to the Group.

16.4.2 Summarised financial information for material joint ventures

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

	NLI Group	Golden Sands Resort Group	
	2016 €000	2017 €000	2016 €000
Non-current assets	558,880	**80,193**	63,018
Cash and cash equivalents	9,222	**4,579**	4,461
Other current assets	10,137	**5,746**	15,306
Total assets	578,239	**90,518**	82,785
Current financial liabilities (excluding trade and other payables and provisions)	13,887	**2,382**	4,664
Current liabilities	32,908	**12,610**	17,402
Non-current financial liabilities (excluding trade and other payables and provisions)	147,576	**14,488**	30,367
Non-current liabilities	148,378	**30,588**	30,367
Total liabilities	181,286	**43,198**	47,769

16. Other investments – continued

16.4 Investments in joint ventures - continued

16.4.2 Summarised financial information for material joint ventures - continued

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

	NLI Group	Golden Sands Resort Group	
	2016	2017	2016
	€000	€000	€000
Revenue	67,114	**41,214**	40,197
EBITDA	15,930	**9,889**	14,451
Depreciation and amortisation	(13,132)	**(3,329)**	(3,303)
Interest income	4	**13**	34
Interest expense	(6,068)	**(1,725)**	(1,087)
Income tax expense	(1,451)	**(687)**	(1,777)
(Loss)/profit for the year	(4,717)	**4,161**	8,318
Other comprehensive income	13,150	**14,556**	(3,285)
Total comprehensive income	8,433	**18,717**	5,033
Dividends received	-	**979**	1,757

17. Inventories

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Food and beverages	**2,436**	1,863	**123**	104
Consumables and other	**9,619**	6,971	**467**	276
Goods held for resale	**309**	335	**-**	-
Loose tools	**736**	237	**-**	-
	13,100	9,406	**590**	380

18. Trade and other receivables

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Non-current				
Other receivables	484	-	484	-
Total receivables – non-current	**484**	-	**484**	-
Current				
Trade receivables	**24,235**	21,378	**591**	1,354
Provision for impairment	**(4,936)**	(4,902)	**-**	(760)
	19,299	16,476	**591**	594
Amounts owed by:				
- Subsidiary companies	**-**	-	**9,016**	7,454
- Associate companies	**3,208**	6,245	**686**	304
Other receivables	**7,296**	10,591	**3,542**	2,917
Accrued income	**4,551**	5,615	**-**	5
Financial assets	**34,354**	38,927	**13,835**	11,274
Prepayments	**8,777**	3,799	**1,305**	1,529
Total receivables – current	**43,131**	42,726	**15,140**	12,803
Total receivables	**43,615**	**42,726**	**15,624**	**12,803**

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

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

19. Available-for-sale investments

	The Group	
	2017	2016
	€'000	€'000
At 1 January	**-**	-
Additions	**8,132**	-
Fair value movements recognised in other comprehensive income	**472**	-
At 31 December	**8,604**	-
Listed securities:		
Equity securities	**3,116**	-
Funds	**943**	-
Mutual funds	**4,545**	-
Total	**8,604**	-

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

20. Cash and cash equivalents

Cash and cash equivalents include the following components:

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Cash and bank balances:				
Current	**62,694**	40,039	**61**	46
Cash and cash equivalents in the statement of financial position	**62,694**	40,039	**61**	46
Bank overdraft	**(17,873)**	(14,761)	**(9,286)**	(5,586)
Cash and cash equivalents	**44,821**	25,278	**(9,225)**	(5,540)

The bank balances include amounts of €6.3 million (2016: €2.7 million) set aside by six subsidiary companies for debt servicing requirements and €3.2 million (2016: €2.5 million) set aside for capital expenditure purposes.

21. Assets classified as held for sale

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Property, plant and equipment	**-**	**-**	**20,858**	-
Investment property	**1,689**	**-**	**5,113**	-
Total assets held for sale	**1,689**	**-**	**25,971**	-

The Group's assets held for sale, are two 3-star hotel properties located in Bodrum, Turkey with a stock of 288 and 72 beds respectively, each operating in the hospitality sector. Both properties are not operated by the Group but leased out with an opt-out clause permitting their disposal before the expiry of the lease. Since these properties do not have the level of luxury of the other hotels operated by the Group they have been put on the market and it is expected that they will be sold within the next twelve months.

The Company's assets classified as held for sale relate to the disposal of the division of Corinthia Palace Hotel business in Attard, Malta refer to Note 10.2.

22. Share capital

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Authorised, issued and fully paid				
20,000,000 ordinary shares at €1 each	**20,000**	20,000	**20,000**	20,000

22.1 Shareholder rights

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

23. Other reserves

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

The Group	Translation reserve €000	Revaluation reserve €000	Other equity components €000	Total €000
At 1 January 2016	47,951	182,166	11,809	241,926
Recognised in other comprehensive income:				
Current year gains	-	-	97	97
Net revaluation of properties	-	24,163	-	24,163
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	13,044	-	-	13,044
Share of OCI of associates and joint ventures:				
- Exchange difference arising from translating foreign operations:	(10,491)	-	-	(10,491)
Reclassification adjustments to profit or loss	-	-	(976)	(976)
Recognised directly in equity:				
Reclassifications to retained earnings	-	(3,346)	-	(3,346)
Transfer of QPM Limited to IHI Group (Note 34.2)	-	-	842	842
Dilution of interest in IHI Group (Note 34.2)	-	-	1,684	1,684
Other	-	(1)	(638)	(639)
At 31 December 2016	**50,504**	**202,982**	**12,818**	**266,304**
At 1 January 2017	50,504	202,982	12,818	266,304
Recognised in other comprehensive income:				
Current year gains	-	-	89	89
Net revaluation of properties	-	12,816	-	12,816
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	(8,164)	-	-	(8,164)
Share of results of associates and joint ventures:				
- Exchange difference arising from translating foreign operations:	(949)	-	-	(949)
- Revaluation of properties	-	3,889	-	3,889
Reversal of deferred tax attributable to interest in joint venture upon acquisition of control over entity	-	13,875	-	13,875
Reclassification adjustment in respect of currency translation reserve upon acquisition of control over entity previously categorised as joint venture	1,047	-	-	1,047
Other	-	40	58	98
Recognised directly in equity:				
Reclassifications to retained earnings	-	(2,404)	-	(2,404)
Reclassification of Group's share of revaluation reserve upon acquisition of control over entity previously categorised as joint venture	-	(127,982)	-	(127,982)
At 31 December 2017	**42,438**	**103,216**	**12,965**	**158,619**

23. Other reserves - continued

The Company	Translation reserve €000	Revaluation reserve €000	Total €000
At 1 January 2016 and at 31 December 2016	2,950	16,208	19,158
At 1 January 2017	2,950	16,208	19,158
Other movements	-	62	62
At 31 December 2017	**2,950**	**16,270**	**19,220**

24. Retained earnings

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

25. Bank borrowings

	The Group		The Company	
	2017 €000	2016 €000	2017 €000	2016 €000
Bank overdraft	**17,873**	14,761	**9,286**	5,586
Bank loans	**380,430**	224,603	**3,375**	3,574
	398,303	239,364	**12,661**	9,160
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 - 5 years	**190,965**	134,787	**1,579**	1,906
Bank loans due later than 5 years	**164,637**	67,544	**112**	-
	355,602	202,331	**1,691**	1,906
Current bank borrowings				
Bank overdraft	**17,873**	14,761	**9,286**	5,586
Bank loans due within 1 year	**24,828**	22,273	**1,684**	1,668
	42,701	37,033	**10,970**	7,254

Bank borrowings are subject to variable interest margins plus Euribor or other such bank base rates with a total weighted average interest rate of 3.03% per annum at 31 December 2017 (2016: 3.23% per annum).

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

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

26. Bonds

26.1 Bonds in issue

The Group	2017 €000	2016 €000
Redeemable bonds		
Bond 9	**-**	6,572
Bond 10	**19,770**	19,722
Bond 11	**7,500**	7,500
Bond 12	**9,912**	9,899
Bond 13	**44,220**	44,138
Bond 14	**-**	3,134
Bond 15	**34,530**	34,457
Bond 16	**40,000**	40,000
Bond 17	**54,297**	54,230
Bond 18	**39,427**	39,450
	249,656	259,102
Non-current	**249,656**	249,396
Current	**-**	9,706
	249,656	259,102

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

	Issuing company	Year of issue	Nominal amount €'000	Rate of interest %	Maturity date	Redemption option period
Redeemable bonds						
Bond 10	IHI p.l.c	2012	20,000	5.80	21 December 2021	-
Bond 11	Corinthia Finance p.l.c	2012	7,500	6.00	29 March 2022	2019-2022
Bond 12	IHI p.l.c	2013	10,000	5.80	14 November 2023	-
Bond 13	IHI p.l.c	2015	45,000	5.75	13 May 2025	-
Bond 15	IHI p.l.c	2014	35,000	6.00	15 May 2024	-
Bond 16	Corinthia Finance p.l.c	2016	40,000	4.25	12 April 2026	-
Bond 17	IHI p.l.c	2016	55,000	4.00	29 July 2026	-
Bond 18	IHI p.l.c	2016	40,000	4.00	20 December 2026	-

26. Bonds - continued

26.1 Bonds in issue - continued

In the case of Bonds 9 and 14, the Group exercised its early redemption rights, and these liabilities were therefore extinguished. The relative bond holders were offered the opportunity to subscribe to new IHI bonds referred to as Bond 18 amounting to €40 million issued in December 2016 by surrendering the corresponding nominal value of their existing bonds in favour of IHI. The bond holders who did not opt for subscribing in the new IHI bonds (Bond 18) were paid in full in April 2017 and July 2017 respectively.

(ii) Interest

Interest is payable annually in arrears on the due date.

(iii) Security

The bonds constitute the general, direct, unconditional, unsecured and unsubordinated obligations of the issuing companies and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations of the issuing companies. The only exception is Bond 17 for €55 million which is secured by the Hotel property owned by IHI Hungary.

(iv) Sinking funds

The prospectuses for Bonds 10 and 11 provided for the setting up of a sinking fund administered by a trustee or a custodian to cover 50% of the repayment of the bonds on maturity. By 31 December 2017 the amounts set aside for this purpose totalled €3.4 million (2016 - €6.7 million).

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

	€ 000
At 1 January 2016	194,209
Proceeds from issue	65,953
Issue costs	(1,348)
Amortisation of issue costs	288
At 31 December 2016	259,102
Redemptions	(9,706)
Issue costs	(75)
Amortisation of issue costs	335
At 31 December 2017	249,656

26. **Bonds** - continued

26.1 **Bonds in issue** - continued

The market price of bonds in issue is as follows:

	2017 €	2016 €
Bond 9	-	102.00
Bond 10	**105.00**	108.50
Bond 11	**103.50**	106.00
Bond 12	**107.50**	107.50
Bond 13	**107.50**	110.80
Bond 14	-	102.00
Bond 15	**107.50**	107.30
Bond 16	**104.00**	105.00
Bond 17	**103.00**	102.00
Bond 18	**102.00**	102.00

26.2 Investments held by trustees

Investments held by trustees comprise the following:

The Group	2017 €000	2016 €000
Available-for-sale financial assets:		
- Malta Government Stocks	-	118
Cash at bank:		
- Interest-bearing bank accounts	**3,380**	6,595
	3,380	6,713

The Malta Government Stocks held as at 31 December 2016 were listed and publicly traded in Malta. Fair values of these stocks had been estimated by reference to quoted bid prices in an active market at the reporting date.

27. Other borrowings

	The Group		The Company	
	2017	2016	**2017**	2016
	€000	€000	**€000**	€000
Shareholders' loans	**22,095**	21,953	**22,095**	21,953
Loans from associates	**4,664**	4,910	**-**	-
Loans from subsidiaries	**-**	-	**126,297**	128,688
	26,759	26,863	**148,392**	150,641
Non-current	**22,207**	26,635	**125,705**	137,454
Current	**4,552**	228	**22,687**	13,187
	26,759	26,863	**148,392**	150,641

As at 31 December 2017 €'000	Interest Rate	Repayable
The Group		
22,095	4%	€4.5 million due within one year and €17.6 million due after more than 1 year
4,500	3.7%	Due by 15 February 2019
164	-	Lease obligation
26,759		
The Company		
250	5%	Within 1 year
17,937	3.65%/5%	Within 1 year
1,368	5%	September 2019
6,460	6.4%	14 March 2022
40,000	4.45%	12 April 2026
29,722	0.05% over 3 month Euribor	After more than 1 year
11,970	1.25% over 3 month Euribor	After more than 1 year
291	2.3%	After more than 1 year
18,299	2.75% over 3 month Euribor	After more than 1 year
22,095	4%	€4.5 million due within one year and €17.6 million due after more than 1 year
148,392		

27. Other borrowings - continued

As at 31 December 2016		
€'000	Interest Rate	Repayable
The Group		
21,953	6%	After more than 1 year
4,500	3.7%	End 2018
213	-	Lease obligation
197	6%	On demand
26,863		
The Company		
250	5%	Within 1 year
12,937	3.65%/5%	Within 1 year
1,365	3.65%/5%	September 2019
6,880	6.4%	14 March 2022
40,000	4.45%	12 April 2026
28,085	0.05% over 3 month Pribor	After more than 1 year
11,643	1.25% over 3 month Euribor	After more than 1 year
9,642	1.5% over 6 month Euribor	After more than 1 year
17,886	2.75% /3.25% over 3 month Euribor	Between 2 and 5 years
21,953	6%	After more than 1 year
150,641		

None of the loans are secured. The carrying amount of these borrowings is considered a reasonable approximation of fair value on the basis of discounted cash flows.

28. Indemnification liabilities

	The Company	
	2017	2016
	€'000	€'000
At 1 January	**24,026**	22,238
Disposal of investment in subsidiary	**-**	1,997
Change in fair value	**(210)**	(209)
At 31 December	**23,816**	24,026

28. Indemnification liabilities - continued

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

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

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

On the sale of its shares in QPM Limited effected during the year ended 31 December 2016, CPHCL provided a tax indemnity to IHI. The sales contract was exempt from taxation on the basis that CPHCL and IHI form part of the same ultimate group for tax purposes. Should IHI dispose of the shares outside of the Group, it may become liable to tax that it would not have become liable to pay had CPHCL not been a related party. The indemnity, was estimated to amount to €2.0 million and has been recognised as an indemnification liability representing the tax that will be due by IHI on the gain that was untaxed in the hands of CHPCL.

29. 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.

29. Deferred tax assets and liabilities - continued

The balance at 31 December represents temporary differences attributable to:

The Group	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	€'000	€'000	€'000	€'000	€'000	€'000
Difference between tax base and carrying amount of tangible and intangible fixed assets	**10**	432	**(39,456)**	(39,663)	**(39,446)**	(39,231)
Revaluation of land, buildings and investment property	**-**	-	**(88,878)**	(87,924)	**(88,878)**	(87,924)
Investments in associates	**101**	101	**-**	-	**101**	101
Investments in joint ventures	**-**	-	**-**	(24,441)	**-**	(24,441)
Unrelieved tax losses and unabsorbed capital allowances	**36,291**	29,244	**-**	-	**36,291**	29,244
Provision for doubtful debts	**1,265**	1,013	**-**	-	**1,265**	1,013
Others	**428**	282	**(5)**	(6)	**423**	276
Tax assets/(liabilities) – before offsetting	**38,095**	31,072	**(128,339)**	(152,034)	**(90,244)**	(120,962)
Offset in the statement of financial position	**(25,110)**	(28,383)	**25,110**	28,383	**-**	-
Tax assets/(liabilities) – as presented in statement of financial position	**12,985**	2,689	**(103,229)**	(123,651)	**(90,244)**	(120,962)

29. Deferred tax assets and liabilities – continued

The Company	Assets		Liabilities		Net	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Revaluation of land, buildings and investment property	**-**	-	**(3,009)**	(3,072)	**(3,009)**	(3,072)
Unrelieved tax losses and Unabsorbed **c**apital allowances	**2,976**	3,408	**-**	-	**2,976**	3,408
Tax (liabilities)/assets - before offsetting	**2,976**	3,408	**(3,009)**	(3,072)	**(33)**	336
Offset in the statement of financial position	**(2,976)**	(3,072)	**2,976**	3,072	**-**	-
Tax (liabilities)/assets - as presented in statement of financial position	**-**	336	**(33)**	(3,072)	**(33)**	336

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

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

The Group	Balance 1.1.2017 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Acquisition/ derecognition of subsidiaries €'000	Balance 31.12.2017 €'000
Difference between tax base and carrying amount of tangible and intangible fixed assets	(39,231)	(223)	8	-	(39,446)
Revaluation of land, buildings and investment property	(87,924)	747	(1,749)	48	(88,878)
Investments in associates	101	-	-	-	101
Investments in joint ventures	(24,441)	783	23,658	-	-
Unrelieved tax losses and unabsorbed capital allowances	29,244	7,135	-	(88)	36,291
Provision for doubtful debts	1,013	252	-	-	1,265
Others	276	1,498	(1,052)	(299)	423
	(120,962)	**10,192**	**20,865**	**(339)**	**(90,244)**

29. Deferred tax assets and liabilities - continued

The Group	Balance 1.1.2016 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Acquisition/ derecognition of subsidiaries €'000	Balance 31.12.2016 €'000
Difference between tax base and carrying amount of tangible and intangible fixed assets	(45,735)	5,814	6	684	(39,231)
Revaluation of land, buildings and investment property	(80,937)	1,313	(7,940)	(360)	(87,924)
Investments in associates	101	-	-	-	101
Investments in joint ventures	(27,385)	774	2,170	-	(24,441)
Unrelieved tax losses and unabsorbed capital allowances	35,439	(8,885)	-	2,690	29,244
Provision for doubtful debts	793	164	-	56	1,013
Others	384	(1,346)	1,238		276
	(117,340)	(2,166)	(4,526)	3,070	(120,962)

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

The Company	Balance 1.1.2017 €'000	Recognised in profit or loss €'000	Other movements €'000	Balance 31.12.2017 €'000
Unrelieved tax losses and unabsorbed capital allowances	**336**	**(432)**	**62**	**2,976**
Revaluation of land, buildings and investment property	**(3,072)**	**-**	**63**	**(3,009)**
	336	**(432)**	**23**	**(33)**

29. Deferred tax assets and liabilities - continued

The Company	Balance 1.1.2016 €'000	Recognised in profit or loss €'000	Other movements €'000	Balance 31.12.2016 €'000
Unrelieved tax losses and unabsorbed capital allowances	2,800	608	-	3,408
Revaluation of land, buildings and investment property	**(3,007)**	**-**	**(65)**	**(3,072)**
	207	**608**	**(65)**	**336**

Unrecognised deferred tax assets

Deferred income taxes are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of €17.2 million (2016: €19.0 million), in respect of losses and capital allowances amounting to €68.7 million (2016: €75.9 million) that can be carried forward against future taxable income.

The Group did not recognise deferred income tax assets of €25.6 million (2016: €27.8 million), in respect of losses and capital allowances amounting to €97.2 million (2016: €105.2 million) that can be carried forward against future taxable income.

30. Trade and other payables

	The Group 2017 €000	The Group 2016 €000	The Company 2017 €000	The Company 2016 €000
Non-current				
Other payables	**2,311**	2,358	**-**	-
Financial liabilities	**2,311**	2,358	**-**	-
Advance payments	**78**	788	**-**	-
Deferred income	**2,910**	-	**-**	-
Statutory liabilities	**544**	-	**-**	-
Total payables – non-current	**5,843**	3,146	**-**	-
Current				
Trade payables	**19,134**	19,334	**1,092**	1,499
Amounts owed to:				
Subsidiary companies	**-**	-	**19,312**	16,504
Associate companies	**9**	384	**5**	291
Joint ventures	**155**	1,037	**-**	-
Other payables	**9,867**	10,526	**578**	938
Accrued expenses	**28,411**	26,667	**2,907**	3,293
Financial liabilities	**57,576**	57,948	**23,894**	22,525
Advance deposits	**10,257**	7,082	**367**	-
Statutory liabilities	**6,374**	3,382	**155**	152
Total payables – current	**74,207**	68,412	**24,416**	22,677

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

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

31. Cash flow information

	The Group		The Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Adjustments:				
Amortisation of intangible assets	**2,091**	2,116	**-**	-
Depreciation of property, plant and equipment	**36,281**	30,359	**1,062**	1,050
Loss on disposal of property, plant and equipment	**1,011**	988	**-**	-
Net reversals of impairment losses on property, plant and equipment	**(1,471)**	(3,090)	**-**	-
Impairment losses on intangible assets	**3,000**	-	**-**	-
Impairment losses on investments	**-**	-	**(131)**	-
Fair value movements on investment properties	**(213)**	19,768	**-**	-
Share of results of associates and joint ventures	**(2,241)**	1,273	**-**	-
Movement in indemnification liabilities	**-**	-	**(210)**	1,787
Gain on sale of investment in subsidiary	**(182)**	-	**-**	(5,490)
Provision for impairment of receivables	**1,073**	134	**(759)**	-
Gains on disposal of available-for-sale financial assets	**-**	(1,487)	**-**	-
Amortisation of transaction costs	**1,375**	295	**93**	-
Remeasurement of interest in associate to fair value	**-**	1,269	**-**	-
Interest income	**(1,083)**	(589)	**(229)**	(165)
Interest expense	**25,918**	23,378	**5,061**	5,994
Dividend income	**-**	-	**(11,770)**	(3,052)
Net exchange differences	**4,406**	(9,916)	**-**	-
Reclassification adjustment in respect of currency translation reserve upon acquisition of control previously categorised as join venture	**1,809**	-	**-**	-
Other	**(2,423)**	(7)	**-**	(486)
	69,351	64,491	**(6,883)**	(362)

Significant non-cash transactions

The Group's significant non-cash transactions for 2016 relate to transactions with non-controlling interests, the effects of which are disclosed in Note 34.

31. Cash flow information

31.2 Reconciliation of financing liabilities

The Group	Assets	Liabilities from financing activities			
	Assets placed under trust arrangement	Bonds	Bank loans	Other borrowings	Total
	€'000	€'000	€'000	€'000	€'000
As at 1 Jan 2017					
- Principal	6,713	(259,102)	(224,603)	(26,863)	(503,855)
- Accrued interest	-	(6,750)	(2,249)	-	(8,999)
	6,713	(265,852)	(226,852)	(26,863)	(512,854)
Cash flows	(3,333)	25,064	9,534	3,925	35,190
Acquisition of subsidiaries	-	-	(156,751)	(2,853)	(159,604)
Foreign exchange differences	-	-	(4,406)	-	(4,406)
Currency translation differences	-	-	8,242	35	8,277
Other movements	-	(14,495)	(11,287)	(1,003)	(26,786)
As at 31 December 2017	**3,380**	**(255,284)**	**(381,520)**	**(26,759)**	**(660,182)**
Comprising:					
- Principal	3,380	(249,656)	(380,430)	(26,759)	(653,465)
- Accrued interest	-	(5,627)	(1,090)	-	(6,717)
As at 31 December 2017	**3,380**	**(255,283)**	**(381,520)**	**(26,759)**	**(660,182)**

The Company	Liabilities from financing activities		
	Bank loans	Other borrowings	Total
	€'000	€'000	€'000
As at 1 Jan 2017			
- Principal	(3,574)	(150,641)	(154,215)
- Accrued interest	(38)	(1,789)	(1,827)
	(3,612)	(152,430)	(156,042)
Cash flows	474	(3,151)	(2,677)
Other movements	(255)	5,515	5,260
As at 31 December 2017	**(3,393)**	**(150,067)**	**(153,460)**
Comprising:			
- Principal	(3,375)	(148,392)	(151,767)
- Accrued interest	(18)	(1,675)	(1,693)
As at 31 December 2017	**(3,393)**	**(150,067)**	**(153,460)**

32. Commitments

Capital expenditure commitments at the end of the reporting period are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Contracted for:				
Property, plant and equipment	**10,300**	10,250	**2,100**	300
Authorised but not yet contracted for:				
Property, plant and equipment	**59,600**	22,800	**3,200**	3,200
	69,900	33,050	**5,300**	3,500

32.1 Operating leases

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

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Less than one year	**3,617**	3,549	**88**	88
Between one and five years	**7,373**	6,918	**176**	264
More than five years	**21,335**	22,194	**-**	-
	32,325	32,661	**264**	352

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 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 establishments at the expiry of the lease periods.

During the year ended 31 December 2017, €5.0 million (2016: €4.6 million) and €0.1 million (2016: €0.1 million) for the Group and Company respectively were recognised as an expense in the income statement in respect of operating leases.

33. Contingencies

The Company, together with a related company, is a co-defendant in court proceedings against them for unpaid professional fees of €3.2 million. In addition, a further claim in relation to brokerage fees on the sale of Lisbon Hotel to IHI p.l.c. in 2000 amounting to €1.7 million is being made by an individual against 8 defendants including IHI p.l.c. No provision has been made in these financial statements as the Company and the Group believe that it has a strong defence in respect of these claims.

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

33. Contingencies - continued

The Group	2017 €000	2016 €000
Guarantees given to secure bank facilities for related companies	**3,876**	166,530
Guarantees given to secure bonds	**60,000**	-
	63,876	166,530

The Company	2017 €000	2016 €000
Guarantees given to secure bonds	**106,438**	66,870
Guarantees given to secure bank facilities for related companies	**21,985**	31,043
	128,423	97,913

34. Business combinations and other changes to the composition of the Group

34.1 Business combinations

Acquisition during 2017

In early 2017, the Group through International Hotel Investments p.l.c obtained control of the NLI Group, because IHI has secured the right to nominate and appoint the majority of the board of directors, which are in turn responsible for decisions in relation to NLI's relevant activities. IHI's economic interest in NLI as a result of obtaining control remained 50%.

The NLI Group was previously recognised as a joint venture and accounted for using the equity method in the Group's consolidated financial statements, however, as from 1 January 2017, being the date on which control was obtained, NLI Group's results and financial position have been consolidated.

The following table summarises the consideration given up, representing the fair value of the previously-held interest in the joint venture, the fair value of assets and liabilities acquired and the non-controlling interest at the acquisition date.

34. Business combinations and other changes to the composition of the Group - continued

34.1 Business combinations - continued

Acquisitions during 2017 – continued

The Group	NLI Group €'000
Purchase consideration	
Fair value of equity interest in NLI Group held before the business combination	198,495
Fair value of receivables due from NLI	2,930
	201,425
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	9,222
Property, plant and equipment	512,091
Investment property	46,874
Inventories	3,327
Trade and other receivables	6,850
Trade and other payables	(19,464)
Current income tax liabilities	(59)
Other financial liabilities	(2,930)
Borrowings	(155,604)
Deferred tax liabilities	(387)
Total identifiable net assets	**399,920**
Non-controlling interest	**(198,495)**
Total	**201,425**

The fair value of the NLI Group on the date of acquisition was equivalent to the carrying amount of the Group's joint venture in respect of this investment. Accordingly, no gain or loss arose on acquisition, other than for the reclassification of the Group's share of NLI's currency translation reserve, amounting to a negative €1.8 million, being recognised as a loss for the year. The Group also reclassified its share of revaluation reserves, having a carrying amount of €128.0 million to retained earnings, through a transfer in the statement of changes in equity.

Non-controlling interests were recognised as a proportionate share of the fair value of net assets acquired. No goodwill was recognised on acquisition.

No cash consideration was payable on acquisition, and the Group acquired cash and cash equivalents amounting to €9.2 million. This amount is presented in the statement of cash flows as an inflow within investing activities.

The fair value of trade and other receivables is €6.8 million and includes trade receivables with a fair value of €3.9 million. The gross contractual amount for traded receivables due is €4.0 million, of which €0.1 million is expected to be uncollectible.

The revenue included in the consolidated statement of comprehensive income since 1 January 2017 contributed by the NLI Group was €68.7 million. The NLI Group also contributed profit after tax of €5.7 million for the same period.

34. Business combinations and other changes to the composition of the Group - continued

34.1 Business combinations - continued

Acquisition during 2016

On 1 January 2016, the Group, through Corinthia Palace Holdings Limited ("CPHL"), acquired the remaining 50% of the share capital of CaterMax Limited and its subsidiary, Malta Fairs and Convention Centre Limited (together referred to as "CaterMax"), a Group in the catering and conventions business, operating in Malta. Prior to the acquisition, the Group held 50% of CaterMax, by virtue of which it exercised significant influence. Accordingly, the investment in CaterMax was classified as an investment in associate and measured using the equity method up to the date of acquiring control.

At the date of acquisition, the CaterMax group was a loss-making business. However, the directors of CPHCL are optimistic about the acquiree's future prospects and expect to increase their market share in this business segment as a result of the acquisition. The goodwill of €0.8 million arising on the acquisition is attributable to the synergies expected between the acquired business and the Group's previously owned business line operating within CaterMax's sector.

The Group paid a negligible consideration for the acquisition of the 50% interest, and, as part of the arrangement, CPHL also acquired title to a receivable amounting to €2.3 million, which was due to the previous shareholder of CaterMax. The directors of CPHL had assessed the receivable to have a fair value of nil on initial recognition.

After taking cognisance of the financial position of CaterMax as at the date of acquisition, the directors estimated the fair value of the 50% equity interest to equate to a negligible amount.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The Group	CaterMax €'000
Consideration at 1 January 2016	-
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	4,280
Inventories	384
Trade and other receivables	1,868
Cash and cash equivalents	56
Deferred tax assets	3,430
Trade and other payables	(4,435)
Bank borrowings	(4,981)
Current income tax liabilities	(1,017)
Deferred tax liabilities	(360)
Total identifiable net assets	(775)
Goodwill	775
Total	-

34. Business combinations and other changes to the composition of the Group - continued

34.1 Business combinations - continued

Acquisition during 2016 - continued

The fair value of trade and other receivables is €1.9 million and includes trade receivables with a fair value of €1.0 million. The gross contractual amount for trade receivables due is €1.2 million, of which €0.2 million is expected to be uncollectible.

The Group recognised a loss of €1.3 million as a result of remeasuring at fair value (negligible amount) its previously held 50% equity interest in CaterMax prior to the business combination. The loss is included on the face of the consolidated income statement and presented as "Fair valuation of previously held interest in associate upon acquisition of control over the entity".

The revenue included in the consolidated statement of comprehensive income since 1 January 2016 contributed by the CaterMax group was €3.6 million. CaterMax group also contributed a loss of €5.7 million over the same period.

34.2 Transactions with non-controlling interests

Transactions during 2016

Transfer of QPM Limited to IHI p.l.c.

During June 2016, the Company transferred its 80% interest in QPM Limited to its subsidiary IHI p.l.c., which previously owned the remaining 20%.

The consideration comprised cash of €4.6 million together with an element of conditional consideration. The conditional consideration arrangement requires IHI p.l.c to pay CPHCL, in cash, 15.5% of any revenue generated by QPM Limited from a project that the latter 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 10-year period ranging between €2.5 million and €5.0 million. The measurement is categorised as a Level 3 fair value measurement.

The Company recognised a gain of €5.5 million upon the transfer of its interest in the subsidiary.

This transfer resulted in a dilution of the Group's effective ownership interest in QPM Limited from 92% to 59%. The effect on the Group's equity was as follows:

The Group	€'000
Proceeds, represented by the Group's increase in ownership of the consideration	2,410
Increase in non-controlling interests' share of QPM Limited's net assets	(1,568)
Increase in parent's equity recognised in Other reserves	842

34. Business combinations and other changes to the composition of the Group - continued

34.2 Transactions with non-controlling interests - continued

Dilution of ownership interest in IHI p.l.c.

Other payables for the Group as at 31 December 2015 included an amount of €5.6 million in respect of an obligation to issue, in August 2016, shares of IHI to the previous shareholders of Island Hotels Group Holdings p.l.c.. The issue of the shares in accordance with the share purchase agreement resulted in a dilution of the Group's ownership interest in IHI from 58.5% to 57.8%, with the following effect on the Group's equity:

The Group	€'000
Proceeds, represented by the derecognition of the related payable	5,628
Increase in non-controlling interests' share of IHI's net assets	(3,944)
Increase in parent's equity recognised in Other reserves	1,684

35. Related parties

All companies controlled, jointly controlled or significantly influenced by CPHCL are considered to be related parties; a list of these companies is included in Notes 15 and 16. Related parties also comprise the shareholders of CPHCL together with the Group companies' key management personnel.

Key management personnel includes directors (executive and non-executive) and senior management members. The compensation paid or payable to key management personnel for employee services is disclosed in Note 35.1.

None of the transactions with related parties incorporate special terms and conditions and, no guarantees were given or received. Transactions with related companies are generally effected on a cost-plus basis or on the basis of pre-agreed arrangements. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in Notes 18, 27 and 30.

35. Related parties - continued

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Revenue				
Services rendered to:				
Associates	**355**	5,402	**347**	331
Related companies	**768**	529	**-**	-
	1,123	5,931	**347**	331
Financing				
Interest income				
Subsidiaries	**-**	-	**-**	28
Associates	**242**	242	**229**	135
Interest expense				
Subsidiaries	**-**	-	**3,636**	4,212
Shareholders' loan	**861**	1,245	**861**	1,245
	1,103	1,487	**4,726**	5,620
Dividend income from subsidiaries	**-**	-	**11,770**	3,052
Management fee	**-**	-	**1,100**	1,600

35.1 Transactions with key management personnel

In addition to the remuneration paid to the Directors included in Note 6.2, in the course of its operations the Group has a number of arrangements in place with its officers, executives and other related parties whereby concessions are made available for hospitality services rendered to them according to accepted industry norms.

In 2017, the total remuneration of the executive directors and the senior management members of both the Company and of all the group entities located in Malta and in various other countries amounted to €11.2 million (2016: €9.1 million).

36. Risk management objectives and policies

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

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

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

36. Risk management objectives and policies - continued

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

The most significant financial risks to which the Group is exposed to are described below. See also Note 36.5 for a summary of the Group's financial assets and liabilities by category.

36.1 Credit risk

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

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Loans and receivables:				
Trade and other receivables	**39,774**	43,829	**14,319**	12,034
Long term receivables from related parties	**8,406**	11,551	**25,332**	21,861
Cash at bank	**62,694**	40,039	**61**	46
Assets held by trustee placed under trust arrangement	**3,380**	6,713	**-**	-
Gross exposure	**114,254**	102,132	**39,712**	33,941
Provision for impairment	**(4,936)**	(4,902)	**(1,691)**	(2,582)
Net exposure	**109,318**	97,230	**38,021**	31,359

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

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

The Group has a credit policy in place under which new customers are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The

Group's review includes external ratings, where available, and in some cases bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a cash basis.

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

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

36. Risk management objectives and policies - continued

36.1 Credit risk - continued

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

Past due but not impaired trade receivables at the reporting date were:

	The Group	
	2017	2016
	€'000	€'000
Past due 0-30 days	**2,680**	1,558
Past due 31-120 days	**3,302**	3,436
Past due 121-360 days	**1,258**	886
More than one year	**2,677**	3,939
Gross amount	**9,917**	9,819

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

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
At 1 January	**4,902**	4,768	**760**	737
Acquisition of subsidiary	**70**	-	**-**	-
Written-off balances	**(995)**	(703)	**(744)**	-
Impairment losses recognised	**1,165**	776	**-**	33
Impairment losses reversed	**(92)**	(193)	**(16)**	(10)
Exchange differences	**(114)**	254	**-**	-
At 31 December	**4,936**	4,902	**-**	760

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 and which are past due by up to 120 days as these amounts relate to customers that have a good track record with the Group.

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

36. Risk management objectives and policies - continued

36.1 Credit risk - continued

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

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

36.2 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 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. This is performed at a central treasury function, which controls the overall liquidity requirements of the Group within certain parameters. Each subsidiary company within the Group updates its cash flow on a monthly basis. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financing or borrowing obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably forecasted.

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

At 31 December 2017 and 2016 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

36. Risk management objectives and policies - continued

36.2 Liquidity risk - continued

The Group	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2017	€'000	€'000	€'000
Bank borrowings	48,661	321,572	55,139
Bonds	11,928	75,552	258,411
Other borrowings	5,229	12,094	17,595
Trade and other payables	57,580	40	10,789
	123,398	**409,257**	**341,933**

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 2016	€'000	€'000	€'000
Bank borrowings	66,511	165,061	74,334
Bonds	24,043	75,887	269,462
Other borrowings	2,661	9,499	21,953
Trade and other payables	64,784	1,214	1,144
	157,999	**251,661**	**366,893**

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

At 31 December 2017, the Company has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Company	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2017	€'000	€'000	€'000
Bank borrowings	11,080	1,667	-
Other borrowings	26,713	40,550	107,294
Trade and other payables	23,894	-	-
	61,687	**42,217**	**107,294**

36. Risk management objectives and policies - continued

36.2 Liquidity risk – continued

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

The Company			
	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2016	€'000	€'000	€'000
Bank borrowings	8,990	1,929	-
Other borrowings	5,112	57,270	119,059
Trade and other payables	22,525	-	-
	36,627	**59,199**	**119,059**

36.3 Market risk

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

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily, from its operations in Russia (RUB), Hungary (HUF), Czech Republic (CZK), Tunisia (TND) and Libya (LYD). 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.

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

36. Risk management objectives and policies - continued

36.3 Market risk - continued

(i) Foreign currency risk – continued

	2017 Functional currency									
	EUR					RUB	STG	HUF	TND	TL
	USD	HUF	LYD	CZK	SDG	EUR	EUR	EUR	EUR	EUR
	€'000	€'000	€'000	€'000	€'000	€000	€'000	€'000	€'000	€'000
Group										
Assets:										
Loans and receivables:										
Trade receivables	267	1,835	2,353	934	467	-	-	300	100	-
Other receivables	-	377	768	1,001	-	-	982	-	-	-
Cash and cash equivalents	-	-	-	-	957	-	-	750	-	50
Liabilities:										
Bank borrowings	-	-	-	-	-	(50,935)	-	(11,809)	-	-
Other borrowings	-	-	-	(50)	-	-	-	-	-	-
Trade payables	-	(884)	(1,175)	(1,596)	-	-	-	-	(100)	-
Other payables	-	(2,888)	(3,099)	(1,953)	(40)	-	-	(1,000)	-	-
Net exposure	267	(1,560)	(1,153)	(1,664)	1,384	(50,935)	982	(11,759)	-	50

36. Risk management objectives and policies – continued

36.3 Market risk - continued

(i) Foreign currency risk - continued

	2016 Functional currency											
	EUR					RUB	STG			CZK	HUF	TND
	GBP €'000	HUF €'000	LYD €'000	CZK €'000	SDG €'000	EUR €000	TL €'000	HUF €'000	EUR €'000	EUR €'000	EUR €'000	EUR €'000
Group												
Assets:												
Loans and receivables:												
Trade receivables	-	1,262	3,625	714	-	213	-	-	450	-	250	100
Other receivables	2,920	352	962	1,286	-	-	100	668	3,170	-	-	-
Cash and cash equivalents	-	-	-	-	1,007	-	-	-	-	-	1,000	-
Liabilities:												
Bank borrowings	-	-	-	-	-	(52,820)	-	-	-	-	(12,797)	-
Other borrowings	-	-	-	(60)	-	-	-	-	-	-	-	(2,100)
Trade payables	-	(647)	(1,552)	(1,355)	-	(198)	-	-	(120)	-	-	(50)
Other payables	(2,504)	(2,691)	(3,399)	(2,107)	(40)	-	-	-	(1,000)	(3,973)	(1,000)	(4,500)
Net exposure	416	(1,724)	(364)	(1,522)	967	(52,805)	100	668	2,500	(3,973)	(12,547)	(6,550)

36. Risk management objectives and policies - continued

36.3 Market risk - continued

(i) Foreign currency risk - continued

Although the Group operates internationally most of the Group's entities have the euro as their functional currency. The main exceptions are IHI Benelux BV through its hotel in St Petersburg (Russian Rouble), NLI through its hotel in London (GBP), Thermal Hotel Aquincum through its hotel in Budapest (HUF), SPH Khamsa through its hotel in Tunis (TND), and Marsa Investments through its operation in Sudan (SDG).

The Group company that is most exposed to foreign currency risk is IHI Benelux which has the Russian Rouble as its functional currency. This risk results from the fact that its bank borrowings are denominated in euro while a portion of its revenues and costs are also denominated in euro. As at 31 December 2017, if the EUR had weakened/strengthened by 10% (2016: 5%) against the Rouble with all other variables remaining constant, the Group's post tax profit for the year would have been €5.8 million lower/€5.8 million higher (2016: €2.8 million lower/2.8 million higher) as a result of foreign exchange losses/gains.

Additionally, IHI Benelux is also exposed to other financial liabilities and other payables due to Group companies which are eliminated on consolidation. These balances amounting to €54.1 million (€2016: €54.1 million) and €22.7 million (2016: €21.1 million) respectively, are considered to be part of the Group's net investment in the foreign operation. Accordingly, any foreign exchange differences with respect to these balances, which at IHI Benelux standalone level are recognised in profit or loss, were reclassified to other comprehensive income on consolidation.

At 31 December 2017, if the euro had weakened/strengthened by 10% (2016: 5%) against the Rouble with all other variables held constant, the Group's equity would have been €8.0 million lower/€8.0 million higher (2016: €4.0 million lower/€4.0 million higher) as a result of foreign exchange losses/gains recognised in other comprehensive income on translation of the euro denominated payables.

Although the Group has a significant amount of borrowings in HUF, management do not deem a sensitivity analysis will be required in view that these exchange rates are relatively stable.

The other exposure for the Group relate to a long-term loan of €28.1 million denominated in CZK, given to CPHCL by one of its Czech registered subsidiary companies. Similarly, management do not deem a sensitivity analysis will be required in view that these exchange rates are relatively stable.

Although these balances are eliminated on consolidation, the effect of movements in exchange rates are recognised in the consolidated income statement.

Apart from the above, management does not consider the foreign exchange risk attributable to recognised assets and liabilities arising from transactions denominated in foreign currencies that are not the respective entities' functional currency 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.

36. Risk management objectives and policies - continued

36.3 Market risk - continued

(i) Foreign currency risk - continued

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.

Wherever possible, borrowings to fund certain operations are denominated in currencies that match the cash flows generated by the respective operations in order to provide a natural economic hedge.

(ii) Interest rate risk

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

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Fixed rate instruments				
Financial assets:				
Assets placed under trust arrangement	**3,380**	6,676	**-**	-
Financial liabilities:				
Bonds	**(249,656)**	(259,102)	**-**	-
Other borrowings	**(26,595)**	(26,650)	**(88,401)**	(61,432)
	(272,871)	(279,076)	**(88,401)**	(61,432)
Variable rate instruments				
Financial liabilities:				
Bank borrowings	**(398,303)**	(239,364)	**(12,661)**	(9,160)
Other borrowings	**-**	-	**(59,991)**	(89,209)
	(398,303)	(239,364)	**(72,652)**	(98,369)

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

The Group's interest rate risk principally arises from bank borrowings issued at variable rates that are partially offset by balances held with banks subject to floating interest rates, which expose the Group to cash flow interest rate risk. Floating interest rates on these financial instruments are linked to reference rates such as Euribor or the respective banker's base rate.

36. Risk management objectives and policies - continued

36.3 Market risk – continued

(ii) Interest rate risk - continued

The Company's interest rate risk principally arise from other borrowings issued at fixed rates and balances held with banks and other related parties issued at variable rates. The Company is exposed to fair value interest rate risk on instruments issued at fixed rates but all these instruments are measured at amortised cost and according a shift in interest rates would not have an impact on profit or loss or other comprehensive income. Instruments issued at floating rates are linked to reference rates such a Euribor and management have assessed that a reasonable shift in the interest rate would not result in a material impact on the profit or loss or equity.

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 2017, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year for the Group would have been €2.7 million (2016: €2.3 million) lower/higher as a result of higher/lower net interest expense.

(iii) Price risk

The Group's exposure to equity securities price risk arises from its investments in equities, funds and mutual funds, which are classified in the statement of financial position as available-for-sale financial assets. As at 31 December 2017, the carrying amount of these investments amounted to €8.6 million (2016: nil). All investments are publicly traded.

Management does not consider that a reasonable shift in indices will have a significant impact on the Group's equity and post-tax profit. Accordingly, a sensitivity analysis disclosing how profit or loss and equity would have been affected by changes in indices that were reasonably possible at the end of the reporting period is not deemed necessary.

36.4 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.

36. Risk management objectives and policies - continued

36.4 Capital management policies and procedures - continued

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

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Bank loans (Note 25)	**380,430**	224,603	**3,375**	3,574
Bonds (Note 26)	**249,656**	259,102	**-**	-
Other borrowings (Note 27)	**26,759**	26,863	**148,392**	150,641
Less: cash and cash equivalents	**(44,821)**	(25,278)	**9,225**	5,540
Net debt	**612,024**	485,290	**160,992**	159,755
Total equity	**901,595**	665,357	**254,537**	250,585
Total capital	**1,513,619**	1,150,647	**415,529**	410,340
Net debt ratio	**40.4%**	42.2%	**38.7%**	39.5%

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.

36.5 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 3.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Assets				
Non-current assets				
Available-for-sale financial assets				
- Malta Government Stocks				
- presented within assets placed under trust arrangement	**-**	118	**-**	-

36. Risk management objectives and policies - continued

36.5 Summary of financial assets and liabilities by category - continued

	The Group		The Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Loans and receivables				
- Amounts due from related companies	**8,406**	11,551	**23,641**	20,039
- Trade receivables and other receivables	**484**	-	**484**	-
- Cash and cash equivalents - presented within assets placed under trust arrangement	**3,258**	1,752	**-**	-
Current assets				
Available-for-sale financial assets				
- Equity securities	**3,116**	-	**-**	-
- Funds	**943**	-	**-**	-
- Mutual funds	**4,545**	-	**-**	-
Loans and receivables				
− Trade receivables and other receivables	**34,354**	38,927	**13,835**	11,274
− Cash and cash equivalents	**62,694**	40,039	**61**	46
Total assets	**117,800**	92,387	**38,021**	31,359
Liabilities				
Non-current liabilities				
Other financial liabilities				
− Bank borrowings	**355,602**	202,331	**1,691**	1,906
− Bonds	**249,656**	249,396	**-**	-
− Other borrowings	**22,207**	26,635	**125,705**	137,454
− Trade payables and other payables	**2,311**	2,358	**-**	-
Current liabilities				
− Bank borrowings	**42,701**	37,033	**10,970**	7,254
− Bonds	**-**	9,706	**-**	-
− Other borrowings	**4,552**	228	**22,687**	13,187
− Trade payables and other payables	**57,576**	57,948	**23,894**	22,525
Total liabilities	**734,605**	585,635	**184,947**	182,326

36. Risk management objectives and policies - continued

36.6 Financial instruments measured at fair value

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

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

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

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

	The Group	
	2017	2016
	€'000	€'000
	Level 1	
Assets		
Malta Government Stocks – presented within assets placed under trust Arrangement	**-**	118
Equity securities	**3,116**	-
Funds	**943**	-
Mutual funds	**4,544**	-
Total	**8,603**	118

Measurement of fair value

The fair value of the available-for-sale financial assets was based on quoted market prices.

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

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

36.7 Financial instruments not measured at fair value

Disclosures in respect of the fair value of financial instruments not carried at fair value are presented within Notes 18, 26, 27 and 30. The Directors consider the carrying amounts to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods.

37. Ultimate controlling party

The Company is the ultimate parent of the Corinthia Group.

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

38. Events after the reporting period

On 10 April 2018, the Company transferred the division of the Corinthia Palace Hotel business in Attard to a newly formed subsidiary of IHI p.l.c. for a consideration of €26.6 million. Details on the disposal of this division can be found in Note 10.