Corinthia Palace Hotel Company Limited

Report and Financial Statements

31 December 2016

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 2016.

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, and services related to construction and catering.

Results

During the year under review the Group registered total comprehensive income of €20.5 million against a corresponding figure of €4.5 million in 2015. This is made up of a loss after tax of €22.3 million in the Income Statement (2015: loss of €31.1 million) and net other comprehensive income of €42.8 million (2015: €35.6 million). €6.6 million (2015: €0.6 million) of total comprehensive income is attributable to the shareholders of CPHCL whilst the balance 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 and 14 and in the related notes to the audited financial statements.

Review of Performance

Despite the prolonged period of political instability in Libya, the Group registered a better overall performance for the year than that for 2015. This was generally the result of a combination of sustained improvement in the Group's hotel operations and some significant uplifts in the value of these properties. These positive results were partially dented by the effects of the weakening of the Pound Sterling and the impairment in the value of the Group's Commercial Centre in St Petersburg. On the other hand, the sustained appreciation of the Russian Rouble partly mitigated the impairment on the investment property in St Petersburg.

As already reported last year, IHI acquired the Island Hotels Group (IHGH), in 2015. Through this acquisition, IHI has not only enhanced its development opportunities on the adjoining sites in St Julian's Malta, but also embarked on an intensive exercise aimed at maximizing synergies in its operations in Malta. The results of IHGH were consolidated in the Corinthia Group's results as from 1st July 2015. In 2016 the whole twelve months' results of IHGH were consolidated in the Group's Consolidated Income Statement and Statement of total Comprehensive Income, rather than being limited to six months as was the case the year before.

These consolidated amounts do not include, at EBITDA level, the results of the Corinthia Hotel in London, the Palm City Residences in Libya, and the Golden Sands Resorts (acquired through IHGH) in which the Group holds a 50% shareholding. The Group's 50% share of the net profit or loss of these three important investments are reflected in the line item 'Share of results of associate companies' and will be explained in more detail further on in this review.

Directors' report - continued

During 2016 the Group's revenue amounted to €207.9 million reflecting an increase of €29.5 million on the turnover of 2015 (€178.4 million).

At the operating level (EBITDA), the Group improved its performance from €33.0 million in 2015 to €43.8 million in 2016. This improvement of €10.8 million was mainly driven by a strong Hotel performances in Russia (€3.3 million), Portugal & Hungary (€1.3 million), and IHGH (€5.3 million) this principally due to the recognition of a full period of twelve months' results.

The 50% share of the EBITDA generated by the three associate companies referred to above amounted to €15.5 million and, as explained earlier are not included in the Group's reported EBITDA.

The depreciation charge for 2016 increased from €26.9 million in 2015 to €32.5 million in 2016 mainly in consequence of the inclusion of the IHGH's results in the Group's consolidated results for the whole year (€2.0 million), as opposed to six months the year before.

Finance costs decreased by €15.2 million (from €28.7 million in 2015 to €13.4 million in 2016) mainly in consequence of last year's exceptional loss of €8.3 million and this year's exceptional gain of €9.9 million in currency movements underpinned by the movements of the Rouble against the Euro (depreciation in 2015 and appreciation in 2016). On the other hand, borrowing costs increased by €2 million due to increased bond interest costs primarily due to the new €55 million Bond issued by IHI plc in July 2016 and the fact that IHGH's finance costs for 2015 only represent the charges for six months (post acquisition), whilst those for 2016 cover a full year.

The loss of €1.3 million registered on the Group's share of results of associate companies (2015 - loss of €3.9 million) mainly reflects the results of the Corinthia Hotel London and Residences (50% share of the 2016 loss of €4.8 million compared to a loss of €8.1 million in 2015) and MIH through its principal subsidiary company Palm City Ltd (50% share of the loss of €6.4 million in 2016 compared to a loss of €0.4 million in 2015). These losses were mitigated by the 50% share of the profit registered by the Golden Sands Resorts of €8.4 million compared to a profit of €2.0 million for the last six months of 2015.

With regards to Palm City the prolonged political unrest In Libya resulted in foreign companies downsizing their presence in the country and decreasing the number of their personnel on the ground. This situation continued to affect the occupancy levels and the financial performance of Palm City Residences (owned by MIH plc). Notwithstanding the low physical occupancy, Palm City remains open and operational, with a reduced staff compliment working around the clock to ensure that the complex is well maintained and secure. Such measures limited the operational loss to €0.8 million against a profit of €6.5 million in 2015. However, the loss after tax increased from €0.4 million in 2015 to €6.4 million in 2016 mainly due to the incidence of the relatively fixed financing costs on bank loans and corporate bonds.

Directors' report - continued

A net revaluation uplift of €3.0 million (2015: Impairment of €4.5 million) was recognised in the Income Statement mainly due to the improvement in results of Corinthia Hotel St Petersburg. On the other hand, the valuation of the commercial centre in St Petersburg resulted in an impairment of €19.76 million due to lower leasing rates achieved relative to those previously anticipated.

In consequence of the foregoing, in 2016 the Group registered a loss after tax of €22.3 million which is lower than the loss of €31.1 million sustained in 2015.

The positive result in the other comprehensive income of €42.8 million (2015: €35.6 million) reflects mainly the effect of the property revaluation uplifts amounting to €38.7 million net of tax, plus a favourable currency translation adjustment of €1.5 million, being mainly the net favourable effect of the appreciation of the Rouble and the weakening of the Pound Sterling.

The property revaluation uplifts were the result of the improved operating performances and positive outlooks registered by the Group's hotels located in Malta, Hungary, Portugal, London, Russia (recognised in the Income Statement) and in the Czech Republic.

The various and substantial positive effects described above helped the Group achieve a total comprehensive income for the year of €20.5 million against the €4.5 million registered in 2015.

State of Affairs

Development

During the year NLI Holdings Limited, the company owning the Corinthia Hotel in London, in which IHI is a 50 per cent shareholder, acquired the Grand Hotel Astoria, a landmark property in Brussels, Belgium. NLI has appointed Corinthia Hotels to operate this property as the Corinthia Grand Hotel Astoria, as well as QP Management Limited to supervise an extensive refurbishment over the next two years. The new Corinthia in Brussels will be positioned as one of the best hotels in the city.

In 2016 the Group also acquired the other 50% shareholding in Catermax and in MFCC thereby becoming the sole shareholder in these two Malta based companies operating in the catering, fairs, conventions, conferences, and entertainment events.

After announcing its intention to re-develop a site in St Julians, Malta, over which three of its hotels are located, the Group pursued the process of finalising the relative plans and documentation necessary to eventually submit a formal application for development.

Directors' report - continued

In 2016 the Group's hotel operating arm CHI made a significant break-through in the Middle-East by signing 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.

Financing

In April 2016, Corinthia Finance issued a €40.0 million 4.25% Unsecured Bonds maturing in 2026 to redeem the €39.9 million 6.25% Bonds due in September 2016.

On its part, in July 2016 IHI issued a €55.0 million 4.0% secured bond maturing in 2026 which was heavily oversubscribed. The proceeds of the issue were mainly used to refinance the bank loan secured by the Corinthia Hotel Budapest, to partially finance the final payment relating to the acquisition of IHGH, the professional fees incurred on the St George's Bay Development and for general funding purposes.

In December 2016 IHI also issued a €40.0 million unsecured bond maturing in 2026 at an interest rate of 4.0%. This Bond is being used to redeem its €24.8 million 6.25% Bonds 2017-2020 on 9 April 2017 and the IHG €14.0 million 6.5% bonds 2017-2019 on 1 July 2017.

In 2016 the Group also secured a loan of €12.0 million from Bank of Valletta repayable over a period of ten years to partially finance the final tranche payable on the acquisition of IHGH. It also re-structured two of its bank loans for two of its properties, one in Hungary and the other in Tunisia.

Early in 2017, IHI announced that it appointed Numis Securities to help it explore financing options, including the raising of capital to enable its developments and operating arms to take advantage of its growing pipeline of potential development project opportunities.

Working Capital

The Group's working capital as at the end of December 2016 shows a deficiency of €17.1 million (2015: €55.6 million). The Group's working capital deficiency is being addressed through various financing and other activities including the re-financing of existing credit facilities and the disposal of non-core assets. These initiatives supplement the excess cash flow that is being generated in 2017 from the Group's operations after deducting interest costs, capital expenditure and taxation. In the meantime, the Group's gearing ratio remains at the prudent level of 41% (2015: 40%).

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

Directors' report - continued

Outlook

The Corinthia Group's business as a developer and operator of hotels and real estate has evolved and diversified with the result that its dependence on any single hotel or business entity is now marginal. The profit outlook for 2017 is generally better than that of 2016.

The Group is currently pursuing opportunities for the development and management of new luxury Corinthia hotels in cities such as Doha, Rome and New York, where in some cases negotiations are at an advanced stage. The Group is committed to ensure that these properties are among the very best in the hotel industry, befitting the Corinthia brand.

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.

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). A number of the Group's major operations are located in stable economies. The Group also owns certain subsidiaries that have operations situated in emerging or instable markets. Such markets present different economic and political conditions from those of the more developed markets and present less social, political and economic stability. Businesses in instable markets are not operating in a market-oriented economy as known in other developed or emerging markets. Further information about the significant uncertainties being faced in Libya are included in Note 5.

The Group is exposed to various risks arising through its use of financial instruments including market risk, credit risk and liquidity risk, which result from both its operating activities. The most significant financial risks as well as an explanation of the risk management policies employed by the Group are included in Note 33 of the financial statements

Directors' report - continued

Subsequent events

In early 2017, the Group obtained control of NLI Group by securing the right to nominate and appoint the majority of the board of directors. Consequently, as from 2017, the results of this important operation will be consolidated rather than reported as share from joint venture.

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 the year under review:

Mr Alfred Pisani – Chairman
Mr Abuagila Almahdi – Vice Chairman
Mr Mustafa T. Mohamed Khattabi (resigned 16 August 2016)
Mr Joseph Pisani
Mr Victor Pisani
Mr Moftah Ali Suliaman Abdullah (resigned 16 August 2016)
Mr Sharafeddin Salem Abdullah Banghazi (appointed 16 August 2016)
Mr Mustafa Ali Ahmed Ghnedi (appointed 16 August 2016)

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

Statement of directors' responsibilities for the Financial Statements

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

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

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

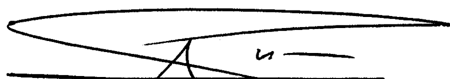
Directors' report - continued

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers have 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 2017

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 2016, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Corinthia Palace Hotel Company Limited's financial statements, set out on pages 13 to 121 comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2016;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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 results for 2016. The Note also explains the significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya that have also a bearing on the projected cash flows from the relative operations, 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, which at 31 December 2016 were carried at €329 million.

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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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 2017

Income statements

	Notes	The Group 2016 €000	The Group 2015 €000	The Company 2016 €000	The Company 2015 €000
Revenue	6.1	207,923	178,373	8,117	7,223
Net operating expenses		(165,549)	(146,603)	(13,053)	(13,394)
Depreciation, amortisation and impairment	6.2	(32,475)	(26,906)	(1,019)	(1,005)
Other income/(expenses)		(520)	2,087	1,072	1,290
Gain/(loss) on exchange		1,981	(1,103)	326	(874)
Net changes in fair value of investment property	12	(19,768)	193	-	-
Net impairment reversals/(losses) attributable to hotel properties		3,090	(4,454)	-	-
Net changes in fair value of indemnification liabilities		-	-	(1,787)	(551)
Results from operating activities		(5,318)	1,587	(6,344)	(7,311)
Investment income		1,487	-	-	-
Finance income	8	589	491	3,217	753
Finance costs	8				
- interest expense and similar charges		(23,378)	(20,378)	(5,994)	(6,182)
- exchange differences on borrowings		9,916	(8,305)	-	-
Share of net loss of associates and joint ventures accounted for using the equity method	15.1	(1,273)	(3,893)	-	-
Gain on sale of investment in subsidiary	31.2	-	-	5,490	-
Fair valuation of previously held interest in associate upon acquisition of control over the entity	31.2	(1,269)	-	-	-
Impairment losses on investments		-	-	-	(148)
(Loss)/Profit before tax		(19,246)	(30,498)	(3,631)	(12,888)
Income tax (expense)/income	9	(3,029)	(579)	1,165	165
Loss for the year		(22,275)	(31,077)	(2,466)	(12,723)
Loss for the year attributable to:					
- Owners of CPHCL		(19,228)	(24,763)	(2,466)	(12,723)
- Non-controlling interests		(3,047)	(6,314)	-	-
		(22,275)	(31,077)	(2,466)	(12,723)

Statements of total comprehensive income

	Notes	The Group 2016 €000	The Group 2015 €000	The Company 2016 €000	The Company 2015 €000
Loss for the year		**(22,275)**	(31,077)	**(2,466)**	(12,723)
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss					
Surplus arising on revaluation of hotel properties	13	**41,027**	44,233	**-**	-
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		**6,598**	9,676	**-**	-
Income tax relating to components of other comprehensive income		**(8,635)**	(11,650)	**-**	-
Items that may be subsequently reclassified to profit or loss					
Available-for-sale financial assets:					
- Net changes in fair value		**167**	544	**-**	-
- Amounts reclassified to profit or loss on disposal		**(1,487)**	-	**-**	-
Currency translation differences		**1,936**	(6,196)	**-**	-
Share of other comprehensive income of joint ventures and associates accounted for using the equity method:					
- Cash flow hedges		**16**	-	**-**	-
- Currency transaction differences		**(187)**	416	**-**	-
Income tax relating to components of other comprehensive income		**3,408**	(1,255)	-	-
Other		**(29)**	(153)	**-**	-
Other comprehensive income for the year, net of tax		**42,814**	35,615	**-**	-
Total comprehensive income/(loss) for the year		**20,539**	4,538	**(2,466)**	(12,723)
Total comprehensive income/(loss) attributable to:					
- Owners of CPHCL		**6,601**	(608)	**(2,466)**	(12,723)
- Non-controlling interests		**13,938**	5,146	**-**	-
		20,539	4,538	**(2,466)**	(12,723)

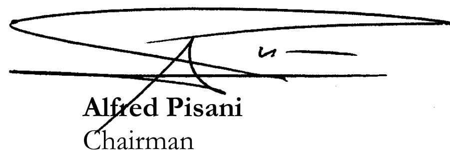
Statements of financial position

		The Group		The Company	
		As at 31 December			
	Notes	2016	2015	2016	2015
		€000	€000	€000	€000
Assets					
Non-current					
Intangible assets	11	**18,090**	18,343	**-**	-
Investment property	12	**196,684**	200,287	**5,932**	5,932
Property, plant and equipment	13	**747,611**	700,981	**20,642**	21,359
Investments in subsidiaries	14	**-**	-	**388,561**	384,905
Investments in associates and joint ventures	15	**320,959**	340,309	**29,432**	25,856
Deferred tax assets	26	**2,689**	3,190	**336**	-
Assets placed under trust arrangement	23.2	**1,752**	6,482	**-**	-
		1,287,785	1,269,592	**444,903**	438,052
Current					
Inventories	16	**9,406**	8,477	**380**	294
Trade and other receivables	17	**42,726**	47,068	**12,803**	15,867
Current tax assets		**4,710**	3,542	**45**	630
Assets placed under trust arrangement	23.2	**4,961**	-	**-**	-
Cash and cash equivalents	18	**40,039**	27,544	**46**	83
		101,842	86,631	**13,274**	16,874
Total assets		**1,389,627**	1,356,223	**458,177**	454,926

Statements of financial position – continued

		The Group		The Company	
		As at 31 December			
	Notes	2016 €000	2015 €000	2016 €000	2015 €000
Equity and liabilities					
Equity					
Capital and reserves attributable to owners of CPHCL:					
Issued capital	19	**20,000**	20,000	**20,000**	20,000
Other reserves	20	**266,304**	241,926	**19,158**	19,158
Retained earnings		**108,624**	125,506	**211,427**	214,893
		394,928	387,432	**250,585**	254,051
Non-controlling interests		**270,429**	253,599	**-**	-
Total equity		**665,357**	641,031	**250,585**	254,051
Liabilities					
Non-current					
Bank borrowings	22	**202,331**	227,484	**1,906**	3,515
Bonds	23	**249,396**	194,209	**-**	-
Other borrowings	24	**26,635**	24,193	**137,454**	128,305
Deferred tax liabilities	26	**123,651**	120,530	**-**	207
Indemnification liabilities	25	**-**	-	**24,026**	22,238
Trade and other payables	27	**3,146**	6,350	**-**	-
Provisions		**220**	220	**-**	-
		605,379	572,986	**163,386**	154,265
Current					
Bank borrowings	22	**37,033**	38,616	**7,254**	10,832
Bonds	23	**9,706**	-	**-**	-
Other borrowings	24	**228**	3,582	**13,187**	11,635
Current tax liabilities		**3,512**	2,654	**1,088**	1,693
Trade and other payables	27	**68,412**	97,354	**22,677**	22,450
		118,891	142,206	**44,206**	46,610
Total liabilities		**724,270**	715,192	**207,592**	200,875
Total equity and liabilities		**1,389,627**	1,356,223	**458,177**	454,926

The financial statements on pages 13 to 121 were approved by the board of directors, authorised for issue on 30 April 2017 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 2015		20,000	217,449	149,296	386,745	246,961	633,706
Comprehensive income:							
Loss for the year		-	-	(24,763)	(24,763)	(6,314)	(31,077)
Other comprehensive income		-	24,353	(198)	24,155	11,460	35,615
Total comprehensive income		-	24,353	(24,961)	(608)	5,146	4,538
Transactions with owners:							
Transfer to retained earnings		-	(1,171)	1,171	-	-	-
Dividends distributed	10	-	-	-	-	(228)	(228)
Change in ownership interests in subsidiaries that do not result in loss of control							
- Dilution of interest in IHI Group upon acquisition of IHGH Group	31.2	-	605	-	605	1,720	2,325
Others		-	690	-	690	-	690
Total transactions with owners, recognised directly in equity		-	124	1,171	1,295	1,492	2,787
Balance at 31 December 2015		20,000	241,926	125,506	387,432	253,599	641,031
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	21	-	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	21	-	(3,346)	3,346	-	-	-
Dividends distributed	10	-	-	(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	31.2	-	842	-	842	(842)	-
- Dilution of interest in IHI Group	31.2	-	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
At 31 December 2016		**20,000**	**266,304**	**108,624**	**394,928**	**270,429**	**665,357**

Statement of changes in equity – the Company

	Issued capital €000	Other reserves €000	Retained earnings €000	Total equity €000
Balance at 1 January 2015	20,000	19,158	227,616	266,774
Comprehensive Income:				
Loss for the year	-	-	(12,723)	(12,723)
Balance at 31 December 2015	20,000	19,158	214,893	254,051
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**

Statements of cash flows

	Notes	The Group 2016 €000	The Group 2015 €000	The Company 2016 €000	The Company 2015 €000
Loss before tax		**(19,246)**	(30,498)	**(3,863)**	(12,888)
Adjustments	28	**64,491**	63,438	**(362)**	7,196
Working capital changes:					
Inventories		**(544)**	544	**(86)**	(28)
Trade and other receivables		**4,833**	20,571	**3,527**	(45)
Trade and other payables		**(21,592)**	12,236	**90**	8,675
Cash generated from/(used in) operating activities		**27,942**	66,291	**(694)**	2,910
Interest paid		**(23,378)**	(28,950)	**(5,994)**	(6,182)
Tax paid		**(952)**	(441)	**(605)**	-
Tax refund received		**587**	-	**587**	89
Net cash generated from/(used in) operating activities		**4,199**	36,900	**(6,706)**	(3,183)
Investing activities					
Payments to acquire investment property		**(1,011)**	(559)	**-**	-
Proceeds from disposal of investment property		**1,142**	53	**-**	-
Payments to acquire intangible assets		**(1,088)**	(692)	**-**	-
Proceeds from disposal of intangible assets		**-**	463	**-**	-
Payments to acquire property, plant and equipment		**(13,947)**	(13,367)	**(302)**	(418)
Proceeds from disposal of property, plant and equipment		**389**	758	**-**	-
Acquisition of subsidiaries, net of cash acquired	31	**(16,943)**	(16,685)	**(692)**	-
Proceeds from the sale of subsidiary companies		**-**	-	**5,490**	-
Payments to acquire shares in associates		**(41)**	(4,057)	**(177)**	(893)
Proceeds from trustee following repayment of bond		**4,590**	6,348	**-**	-
Transfer of cash to trustee placed under trust arrangement		**(4,624)**	(1,875)	**-**	-
Loan repayments from subsidiary companies		**-**	-	**6,380**	-
Loans repayments from joint ventures		**486**	-	**-**	-
Loans to associate companies		**(717)**	-	**(3,489)**	-
Dividends received		**3,000**	-	**3,052**	-
Interest received		**589**	758	**165**	753
Net cash (used in)/generated from investing activities		**(28,175)**	(28,855)	**10,427**	(558)

Statements of cash flows – continued

	Notes	The Group 2016 €000	The Group 2015 €000	The Company 2016 €000	The Company 2015 €000
Financing activities					
Repayments of bank borrowings		**(49,171)**	(36,211)	**(1,652)**	-
Proceeds from bank borrowings		**20,405**	12,000	**-**	2,915
Repayment of loans from related parties		**(1,912)**	-	**-**	-
Proceeds from issue of bonds, net off bond issue costs		**64,605**	9,217	**-**	-
Proceeds from shareholders' loans		**-**	7,900	**1,430**	-
Dividends paid to non-controlling interests		**(1,487)**	(228)	**-**	-
Net cash generated from/(used in) financing activities		**32,440**	(7,322)	**(222)**	2,915
Net change in cash and cash equivalents		**8,464**	723	**3,499**	(826)
Cash and cash equivalents at beginning of year		**16,814**	16,091	**(9,039)**	(8,213)
Cash and cash equivalents at end of year	18	**25,278**	16,814	**(5,540)**	(9,039)

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

At 31 December 2016, the Group's current liabilities exceeded its current assets by €17.1 million compared to the €55.6 million shortfall reported as at 31 December 2015. The working capital deficiency at 31 December 2015 was mainly attributable to €22 million representing the second tranche of the consideration payable for the acquisition of the IHGH Group. Out of this amount, €17 million was payable in cash with the balance of €5 million payable through the issue of new shares in IHI.

During 2016, the Group has undertaken a number of financing initiatives, including bank financing and public borrowing, which generated a net total of €67.0 million in fresh funds. These funds were principally used for the above-mentioned payment to the previous shareholders of the IHGH Group, financing other capital transactions, and for general corporate funding purposes. The working capital position as at the end of 2016 shows a substantial improvement over the previous year. However, the Group is monitoring this situation closely and addressing it through various initiatives. Apart from the cash flow that will be generated from operations, net of interest costs, capital expenditure and tax payments, the Group is also planning to dispose of some of its non-core properties to retain working capital at manageable levels.

3. Summary of significant accounting policies - continued

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

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

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

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

3.4 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 2016. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application, except for IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'.

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

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

3. Summary of significant accounting policies - continued

3.5 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 31).

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

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

(ii) Associates

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

(iii) Joint arrangements

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

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

(iv) Equity method

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

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

3. Summary of significant accounting policies - continued

3.5 Principles of consolidation and equity accounting - continued

(iv) Equity method - continued

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

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

(v) Changes in ownership interests

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

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

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

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

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

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

3.9 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 13). An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

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

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

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

3. Summary of significant accounting policies - continued

3.11 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:

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

3. Summary of significant accounting policies - continued

3.13 Financial assets - continued

3.13.1 Classification - continued

Held-to-maturity financial assets

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

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

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

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

Available-for-sale financial assets

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

3.13.2 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.

3. Summary of significant accounting policies - continued

3.13 Financial assets - continued

3.13.3 Measurement - continued

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

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

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

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

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

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

3.13.4 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.

3. Summary of significant accounting policies - continued

3.13 Financial assets - continued

3.13.4 Impairment - continued

Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in Note 33.

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

Assets classified as available-for-sale

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

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

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

3.14 Derivatives and hedging activities

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

3. Summary of significant accounting policies - continued

3.14 Derivatives and hedging activities - continued

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

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

3.15 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.

3.16 Trade receivables

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

3.17 Inventories

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

3. Summary of significant accounting policies - continued

3.18 Cash and cash equivalents

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

3.19 Financial liabilities

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

3.20 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.

3.21 Borrowings

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

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

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

3. Summary of significant accounting policies - continued

3.22 Offsetting financial instruments

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

3.23 Income tax

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies - continued

3.24 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.

3.25 Contingent liabilities

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

3.26 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the 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

3.26 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.

3.27 Long-term contracts

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

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

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

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

3. Summary of significant accounting policies - continued

3.28 Leases

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

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

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

3.29 Borrowing costs

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

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

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

3.30 Employee benefits

(a) Short-term obligations

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

3.30 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.

3.31 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.

3.32 Dividends

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

4. Critical accounting estimates and judgements

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

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

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

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

5. The Group's operations in Libya

The Group's activities in Libya principally comprise:

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

The first three activities are managed through the Group's investment in Corinthia Towers Tripoli Limited, a company registered in Malta with a branch in Libya, which is 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 2016 continuing to have a negative effect on the Libyan hospitality and real estate sectors. This has impacted the Group's financial results in Libya.

The turnover registered during 2016 by Corinthia Towers Tripoli Limited amounts to €6.1 million (2015: €6.3 million) representing 3.9% (2015: 5%) of the Group's Revenue, with a loss before tax of €2.8 million (2015: €2.9 million). Current year revenue includes €5.3 million (2015: €5.5 million) generated from rental contracts attributable to the Commercial Centre that remained in operation throughout 2016, generating a steady income from the lease of commercial offices within the Centre. Accordingly, whilst the hotel sustained negative net financial results during 2016 and 2015 particularly in view of the relatively fixed nature of certain expenses, the net contribution from the Commercial Centre was positive. Management's objective for the hotel is to minimise operational losses and to ensure that payroll and other operating costs are managed in the context of the reduced operating income levels. At the same time, however, the company continues to invest significantly in maintenance and security costs to ensure that the hotel is kept in an intact condition that will allow it to resume operations once the situation improves.

5. The Group's operations in Libya - continued

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

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

The Group's investment property also includes a site surrounding the hotel, with no determined commercial use, having a carrying amount of €29.5 million as at 31 December 2016, which is unchanged from the carrying amount as at 31 December 2016.

The Palm City development operated with a 10.7% occupancy during 2016 and generated revenues of €3.5 million for the year. Notwithstanding the significantly reduced level of income, through cost control and hands on management of the facility Palm City achieved a break-even situation at operational level. This is deemed a remarkable achievement considering the multitude of challenges to maintain the operations of a large complex of this nature with a limited number of resources. The MIH Group registered a loss after tax of €6.4 million during the year under review taking into account the interest charges on the bank loan and the bonds in issue. These losses, together with the payment of the bank's capital repayments were, in the main, funded by further injections of shareholders' loans.

During the latter part of 2016, a number of international companies have shown interest in moving to Palm City if this was deemed adequately secure and a number of them have entered into new lease contracts. By March 2017, the occupancy level had increased to 13% and the company anticipates that this will increase further to 20% by June 2017. The directors of MIH are confident that more of these enquiries will continue to be converted into lease contracts especially given the limited options available, in terms of residential complexes and operational hotels, and considering the level of upkeep and security provided at the Palm City Complex.

In view of the prevailing circumstances in Libya, The Medina Towers Project carried out through an associate has slowed down considerably. The key assets within this company as at 31 December 2016 comprise the project site carried at €29.3 million (2015: €30.0 million), amounts capitalised in respect of the project amounting to €14.0 million (2015: €14.0 million) and cash balances amounting to €11.5 million (2015: €11.7 million).

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

5. The Group's operations in Libya - continued

	Carrying amount 31 December 2016	Carrying amount 31 December 2015
	€million	€million
Corinthia Towers Tripoli Limited		
Property, plant and equipment	81.2	84.1
Investment property	97.7	97.7
Inventories	1.9	1.8
Trade receivables	3.5	4.1
Current tax receivable	2.6	2.6
Mediterranean Investments Holding p.l.c.		
Share of total assets	138.6	141.9
Medina Towers J.S.C.		
Investment in associate accounted for using the equity method of accounting	14.7	14,2

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 Hotel, the Commercial Centre and the other property assets as at 31 December 2016 and 31 December 2015. The directors recognise the fact that the situation in Libya has not improved in line with their expectations and economic activity remains limited across all sectors in which the Group is involved. However, the directors also believe that the outlook has not changed significantly over the past twelve months and therefore they have retained the same expectations of a gradual recovery. As a result, the valuation 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 in these financial statements after taking into account the impairment charges of €40.5 million recognised in 2014, although a depreciation charge of €3.3 million and €2.6 million was recognised on the Hotel in 2016 and 2015 respectively.

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

Accordingly, the significant economic and political uncertainty prevailing in Libya at present, renders fair valuation of property assets situated in Libya, by reference to projected cash flows from operating the assets or to market sales prices, extremely difficult and judgemental. At this point in time, different scenarios in terms of the future political landscape in Libya are plausible, which scenarios, negative and positive, could significantly influence the timing and amount of projected cash flows and the availability of property market sales price information. The impact of these different plausible scenarios on the operating and financial performance of the properties and on the fair valuation of the related assets would accordingly vary in a significant manner.

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

6. Revenue and expenses

6.1 Revenue

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

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Hotel	**151,479**	140,088	**8,117**	7,223
Rental income	**10,720**	10,277	**-**	-
Catering	**32,010**	17,765	**-**	-
Project management	**3,141**	2,959	**-**	-
Construction	**5,056**	3,857	**-**	-
Others	**5,517**	3,427	**-**	-
	207,923	178,373	8,117	7,223

6.2 Expenses by nature

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Directors' remuneration	**1,040**	1,140	**463**	822
Directors' fees	**81**	66	**-**	-
Management fees	**-**	-	**1,600**	1,741
Depreciation of property, plant and equipment	**30,359**	25,486	**1,019**	1,005
Amortisation of intangible assets	**2,116**	1,420	**-**	-
Operating lease costs	**4,490**	2,810	**142**	134

6.3 Auditor's fees

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

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Annual statutory audit	**532**	595	**59**	59
Tax compliance	**21**	36	**-**	-
Other non-audit services	**27**	260	**-**	-
	580	891	**59**	59

7. Personnel expenses

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Wages and salaries	**60,228**	53,120	**5,173**	5,037
Social security contributions	**6,152**	5,438	**232**	210
Other staff costs	**5,669**	4,577	**986**	612
	72,049	63,135	**6,391**	5,859

The average number of employees is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	No.	No.	No.	No.
Management and administrative	**744**	611	**77**	75
Operating	**2,153**	2,253	**130**	123
	2,897	2,864	**207**	198

8. Finance income and finance costs

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Finance income:				
Dividend income from investments	**-**	-	**3,052**	535
Interest income charged to subsidiaries	**-**	-	**29**	138
Interest income charged to associates	**243**	80	**136**	80
Interest income charged to other related parties	**-**	2	**-**	-
Interest income on bank balances	**152**	48	**-**	-
Others	**194**	361	**-**	-
Finance income	**589**	491	**3,217**	753
Finance costs:				
Interest expense for bank borrowings	**9,114**	8,486	**391**	653
Interest expense for bonds in issue	**12,715**	10,268	**-**	-
Interest expense for shareholders' loans	**1,246**	1,182	**1,246**	1,182
Interest expense for subsidiaries' loans	**-**	-	**4,212**	4,260
Amortisation of bond issue costs	**295**	226	**-**	-
Exchange differences	**(9,916)**	8,305	**-**	-
Others	**8**	216	**145**	87
Finance costs	**13,462**	28,683	**5,994**	6,182

9. Tax (expense)/income

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

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Current taxation:				
- Current year tax expense	**(3,445)**	(789)	**(205)**	(4)
- Adjustment recognised in financial period for current tax of prior period	**2,582**	-	**-**	-
Deferred taxation:				
- Deferred tax income/(expense)	**1,567**	3,569	**608**	6
- Adjustment recognised in financial period for deferred tax of prior period	**(3,733)**	(3,359)	**-**	-
Group tax relief	**-**	-	**761**	163
	(3,029)	(579)	**1,165**	165

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

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

9.1 Tax (expense)/income reconciliation

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
(Loss)/profit before taxation	**(19,246)**	(30,498)	**(3,631)**	(12,888)
Income tax using the Company's domestic tax rate	**6,736**	10,610	**1,271**	4,511
Effect of income subject to foreign/different tax rates	**(1,968)**	(1,313)	**(2,179)**	(90)
Non-taxable income	**574**	41	**(1,746)**	21
Non-tax deductible expenses	**(3,217)**	(2,722)	**927**	(1,233)
Effect of reduction in foreign tax rates	**15**	-	**-**	-
Effect of other consolidation adjustments	**398**	(605)	**-**	-
Movement in unrecognised deferred tax	**(4,536)**	(3,349)	**(263)**	(2,884)
Under provision in respect of previous years	**(1,151)**	(3,359)	**-**	(160)
Other	**120**	118	**-**	-
Tax (expense)/ income	**(3,029)**	(579)	**1,165**	165

9. Tax (expense)/income - continued

9.2 Tax recognised in other comprehensive income

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

	2016			2015		
	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	41,027	(8,635)	32,392	44,233	(11,650)	32,583
Available-for-sale financial assets:						
- Net changes in fair value of available-for-sale financial assets	167	-	167	544	-	544
- Amounts reclassified to profit or loss on disposal of available-for-sale financial assets	(1,487)	-	(1,487)	-	-	-
Currency translation differences	1,936	3,408	5,344	(6,196)	(1,255)	(7,451)
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	6,598	-	6,598	9,676	-	9,676
- Currency translation differences	(187)	-	(187)	416	-	416
- Cash flow hedges	16	-	16	-	-	-
Other	(29)	-	(29)	(153)	-	(153)
	48,041	**(5,227)**	**42,814**	**48,520**	**(12,905)**	**35,615**

10. Dividends

	The Group		The Company	
	2016 €000	2015 €000	2016 €000	2015 €000
Dividend paid on ordinary shares	**1,000**	-	**1,000**	-
Dividends per share	**€0.05**	-	**€0.05**	-

11. Intangible assets

	The Group						
	Goodwill	Brand	Brand design fee and other rights	Operating contracts	Con-cessions	Others	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2015	815	-	-	7,000	-	1,732	9,547
Additions	-	-	572	-	-	120	692
Acquisition of subsidiaries	1,315	3,121	8,682	-	926	154	14,198
Disposals	-	-	-	-	(463)	-	(463)
At 31 December 2015	2,130	3,121	9,254	7,000	463	2,006	23,974
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**
Amortisation and impairment losses							
At 1 January 2015	48	-	-	2,859	-	1,304	4,211
Amortisation and impairment charges during the year	239	-	528	351	43	259	1,420
At 31 December 2015	287	-	528	3,210	43	1,563	5,631
At 1 January 2016	287	-	528	3,210	43	1,563	5,631
Amortisation and impairment charges during the year	120	-	1,306	348	144	198	2,116
Exchange differences	-	-	-	-	-	(3)	(3)
At 31 December 2016	**407**	**-**	**1,834**	**3,558**	**187**	**1,758**	**7,744**
Carrying amount							
At 1 January 2015	767	-	-	4,141	-	428	5,336
At 31 December 2015	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**

11. Intangible assets - continued

Goodwill

During the current financial year, the acquisition of CaterMax Limited and Malta Fairs and Conventions Centre Limited 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 31).

As disclosed in Note 31, during 2015, IHI acquired the IHGH Group. The goodwill arising on this major acquisition was of €1.3 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 which would have otherwise been required by the requirements of IFRSs.

During the current financial year, the directors carried out a value in use assessment of the carrying amount of goodwill arising on the acquisition of D.X. Design Consultancy Ltd. which had taken place in prior years and determined that an impairment charge of €0.2 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.

Brand

As part of the acquisition of the IHGH Group during 2015, the Group identified and recognised an amount of €3.1 million attributable to the 'Island Caterers' brand name. The value of the Brand was determined by independent experts.

The value of the brand determined as part of the acquisition process was deemed to be a good approximation of the fair value of the brand as at 31 December 2016 on the basis of projected discounted cash flows assessed by Group management. Accordingly, the Directors confirmed that there was no impairment indicator.

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 is identifying two cash-generating units ("CGUs") in this respect Costa Coffee Spain and Costa Coffee Malta. The total amount of brand design fees and other rights recognised on acquisition amount to €8.7m, of which €6.1m relate to Costa Coffee Spain.

Costa Coffee Malta

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

11. Intangible assets - 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.

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

	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 FY17 - 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 FY17-FY21	14.05	2.00	10.86

On this basis, the recoverable amount of the Costa Coffee Malta CGU exceeds the carrying amount with a reasonable headroom. In respect of the Costa Coffee Spain CGU, the carrying amount approximates the recoverable amount. However, in respect of the Costa Coffee Spain CGU, the directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based, would cause the carrying amount to exceed the recoverable amount of the CGU.

The impacts of applying sensitivity analysis in respect of shifts in the key assumptions applied within the model are reflected in the table below:

11. Intangible assets - continued

Sensitivity analysis parameter	**Related impact - Impairment charge of:**
1) Stabilising revenue level at 2021 amounts and applying solely 2% inflationary growth thereafter	€1.7m
2) Stabilising EBIDTA margin at 2024 level throughout the projection period	€1.4m
3) Increasing projection risk factor by 50% 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 acquisition of CHI in 2006.

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 2016 and 2015.

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

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

Others

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

12. Investment property

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
At 1 January	**200,287**	210,799	**5,932**	5,932
Change in fair value (a)	**(19,768)**	193	**-**	-
Additions	**1,011**	639	**-**	-
Disposals	**(1,142)**	(53)	**-**	-
Adjustments	**(122)**	(63)	**-**	-
Exchange differences	**16,418**	(11,228)	**-**	-
At 31 December	**196,684**	200,287	**5,932**	5,932

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

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

	The Group	
	2016	2015
	€'000	€'000
Investment property		
Commercial Centre in St Petersburg – Russia	**64,555**	67,231
Commercial Centre in Tripoli – Libya	**68,243**	68,243
Commercial Centre in Lisbon – Portugal	**1,980**	1,300
Site in Tripoli – Libya	**29,500**	29,500
Site in Marsa – Malta	**9,500**	9,500
Site in Konopiste - Czech Republic	**6,987**	7,000
Site in Ben Ghashir - Libya	**732**	732
Site in Misurata – Libya	**87**	87
Site at Corinthia Palace Hotel - Malta	**5,113**	-
Garage in Pankrac - Czech Republic	**5,263**	-
	191,960	183,593

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

b) Investment property with a carrying amount of €186 million is 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 €10.8 million (2015: €10.3 million) and direct expenses of €1.5 million (2015: €1.1 million).

d) All investment property is leased out on operating leases which are cancellable.

13. 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 2015	871,531	226,239	2,734	6,298	1,106,802
Revaluation	17,127	-	-	-	17,127
Additions	1,007	5,222	56	7,082	13,367
Reallocations	1,224	688	-	(1,912)	-
Disposals	(47)	(1,974)	(42)	(735)	(2,798)
Acquisition of subsidiaries	33,069	10,051	62	21,576	64,758
Exchange differences	(13,878)	(1,345)	(12)	(145)	(15,380)
Balance at 31 December 2015	910,033	238,881	2,798	32,164	1,183,876
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)	(12,441)
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**
Depreciation and impairment losses					
Balance at 1 January 2015	287,584	195,400	2,531	-	485,515
Depreciation for the year	17,242	8,124	120	-	25,486
Net impairment losses of hotel properties	(22,652)	-	-	-	(22,652)
Disposals	(47)	(1,949)	(44)	-	(2,040)
Exchange differences	(2,435)	(970)	(9)	-	(3,414)
Balance at 31 December 2015	279,692	200,605	2,598	-	482,895
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 losses of hotel 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**
Carrying amounts					
At 1 January 2015	583,947	30,839	203	6,298	621,287
At 31 December 2015	630,341	38,276	200	32,164	700,981
At 31 December 2016	**676,327**	**35,810**	**226**	**35,248**	**747,611**

13. Property, plant and equipment - continued

Changes in fair value during 2016 in respect of the Group's properties, amounting to €41.0 million (2015: €44.2 million) have been recognised within other comprehensive income while a gain of €3.1 million (2015: deficit of €4.5 million) has 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 2015	20,941	21,947	1,371	44,259
Additions	34	367	17	418
Exchange differences	-	-	(4)	(4)
Balance at 31 December 2015	20,975	22,314	1,384	44,673
Balance at 1 January 2016	20,975	22,314	1,384	44,673
Additions	44	299	(40)	303
Exchange differences	-	-	(1)	(1)
Balance at 31 December 2016	**21,019**	**22,613**	**1,343**	**44,975**
Depreciation and impairment losses				
Balance at 1 January 2015	1,225	19,857	1,231	22,313
Depreciation for the year	442	525	38	1,005
Exchange differences	-	-	(4)	(4)
Balance at 31 December 2015	1,667	20,382	1,265	23,314
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**
Carrying amounts				
At 1 January 2015	19,716	2,090	140	21,946
At 31 December 2015	19,308	1,932	119	21,359
At 31 December 2016	**18,909**	**1,659**	**74**	**20,642**

13. Property, plant and equipment - continued

13.1 Fair valuation of property

The principal elements of the Group's land and buildings, within property, plant and equipment, were revalued on 31 December 2016 by the Directors assisted by independent professionally qualified property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The book value of these properties has been adjusted as the Directors have reviewed the carrying amount of the property as at 31 December 2016 on the basis of assessments by the property valuers. The resultant shift in value, net of applicable deferred income taxes, has been reflected within the revaluation reserve in shareholders' equity (Note 20) or in profit or loss in accordance with the Group's accounting policy. Adjustments to the carrying amounts of the property have been disclosed within this note.

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

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

The Group's land and buildings, within property, plant and equipment, consists principally of hotel properties that are owned and managed by companies forming part of the Group. The Group's investment property comprises property that is held for long-term rental yields or for capital appreciation or both, and principally comprise the Commercial Centre in St Petersburg, the Commercial Centre in Tripoli and a site in Tripoli (Note 5). All the recurring property fair value measurements at 31 December 2016 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

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

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

Valuation processes

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

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

13. Property, plant and equipment - continued

13.1 Fair valuation of property - continued

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

Valuation techniques

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

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

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

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

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

13. Property, plant and equipment - continued

13.1 Fair valuation of property - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2016 in respect of 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 property, plant and equipment):		Income capitalisation approach (DCF)	Evolution of EBITDA over initial projected five-year period	Pre-tax discount rate (WACC)	Growth rate	Capitalisation rate
			FY17-FY21	%	%	%
Corinthia Hotel & Spa Lisbon	**93,428**		€5.9m - €7.6m	8.44	1.80	4.39
Corinthia Hotel Prague	**83,006**		€4.7m - €6.2m	7.79	1.80	4.87
Marina Hotel, St George's Bay, Malta	**31,115**		€2.9m - €3.1m	9.91	1.80	5.23
Corinthia Hotel, St George's Bay, Malta	**40,477**		€4.1m - €4.5m	10.56	1.80	5.66
Corinthia Hotel, St Petersburg	**85,710**		RUB433m – RUB599m		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

13. Property, plant and equipment - continued

13.1 Fair valuation of property – 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		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

13. Property, plant and equipment - continued

13.1 Fair valuation of property – 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

13. Property, plant and equipment - continued

13.1 Fair valuation of property - continued

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

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

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

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

13. Property, plant and equipment - continued

13.1 Fair valuation of property - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2015 in relation to the key properties.

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

13. Property, plant and equipment - continued

13.1 Fair valuation of property – continued

Use for redevelopment purposes		Adjusted sales comparison approach	Sales price per square metre
Corinthia Palace Hotel & Spa, Malta	**24,420**		€1,500

Current use as Commercial Centres investment property):		capitalisation approach (DCF)	Evolution of EBITDA over initial projected five-year FY16-FY20	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Commercial Centre in St Petersburg	**67,231**		€5.7m - €7.4m	10.50	2.25	8.25
Commercial Centre in Tripoli	**68,200**		€4.9m - €7.9m	12.15	3.50	8.65

Current use as land for commercial use investment property):		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

13. Property, plant and equipment - continued

13.1 Fair valuation of property - continued

As evidenced in the tables above, the highest and best use of the Group properties is equivalent to their current use as at 31 December 2016 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 2016 no further impairment charges were deemed necessary in these financial statements, after taking into account the impairment charges of €40.5 million recognised in 2014.

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

	Shift in discount rate (+/- 0.5%)		Shift in cash flows (EBITDA) (+/- 5%)	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Corinthia Hotel & Spa Lisbon	+/- 700	+/- 700	+/- 4,600	+/- 4,500
Corinthia Hotel Prague	+/- 600	+/- 600	+/- 4,100	+/- 4,100
Marina Hotel, St George's Bay, Malta	+/- 200	+/- 200	+/- 1,600	+/- 1,400
Corinthia Hotel, St George's Bay, Malta	+/- 250	+/- 300	+/- 2,000	+/- 1,900
Corinthia Hotel, St Petersburg	+/- 700	+/- 1,000	+/- 4,200	+/- 1,900
Corinthia Hotel Tripoli	+/- 800	+/- 700	+/- 4,000	+/- 4,300
Commercial Centre in St Petersburg	+/- 1,900	+/- 1,000	+/- 3,500	+/- 2,600
Commercial Centre in Tripoli	+/- 350	+/- 600	+/- 3,400	+/- 3,400
Radisson Blu Resort, Malta	+/- 250	+/- 300	+/- 2,000	+/- 1,900
Panorama Hotel Prague	+/- 2,000	+/- 2,700	+/- 2,300	+/- 1,600
Aquincum Hotel Budapest	+/- 2,100	+/- 2,900	+/- 2,000	+/- 1,700
Ramada Plaza Tunis Hotel	+/- 1,000	+/- 1,600	+/- 1,400	+/- 1,200

13.2 Historic cost basis of hotel properties

If the cost model had been used, the carrying amounts of the revalued properties would be €588.5 million (2015: €560.3 million). The revalued amounts include a revaluation surplus of €202.9 million before tax (2015: €182 million), which is not available for distribution to the shareholders of CPHCL.

13.3 Use as collateral

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

14. Investments in subsidiaries

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

	The Company 2016 €'000	2015 €'000
Equity in subsidiary companies (Note 14.2)	**373,773**	373,081
Loans to subsidiary companies (Note 14.2)	**16,610**	13,719
Impairment losses (Notes 14.4)	**(1,822)**	(1,895)
	388,561	384,905

14.1 Principal subsidiaries

The Group had the following subsidiaries as at 31 December:

Subsidiary company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group 2016 %	2015 %	Percentage of ownership and voting rights held directly by the Company 2016 %	2015 %	Percentage of ownership and voting rights held by non-controlling interests 2016 %	2015 %
Quoted								
International Hotel Investments p.l.c.	22, Europa Centre, Floriana, Malta	Investment Company	**58**	59	**58**	59	**42**	41
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**	59	**-**	-	**42**	41
Amber Hotels s.r.o.	Milevska 7, Prague 4 Czech Republic	Hotel Owner and Operator	**100**	100	**100**	100	**-**	-
Benghasir for Construction Company	Souk Al Thulatha Al Gadim Tripoli, Libya	Project Management services	**90**	90	**-**	-	**10**	10
Benghasir Concrete Manufacturing Joint Stock Company	Airport Highway Tripoli, Libya	Concrete manufacturer	**100**	90	**-**	-	**-**	10
Catering Contractors Limited	22, Europa Centre, Floriana, Malta	Restaurant and catering services	**100**	100	**100**	100	**-**	-

14. Investments in subsidiaries - continued

14.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
CHI Limited	22, Europa Centre, Floriana, Malta	Hotel management company	**58**	59	**-**	-	**42**	41
Comox Enterprises Limited	Agiou Nicolau, 41-49, Nimeli Court, Egkomi PC2408, Nicosia,Cyprus	Investment company	**100**	100	**100**	100	**-**	-
Corinthia Company Limited	22, Europa Centre, Floriana, Malta	Investment company	**58**	59	**-**	-	**42**	41
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 Investments Limited	1, Brentham House 43c High Street Hampton Wick, Kingston-Upon-Thames, Surrey, UK	Investment company	**100**	100	**100**	100	**-**	-
Corinthia Palace Holdings Limited	22, Europa Centre, Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-
CPHCL Investments Limited	22, Europa Centre Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-

14. Investments in subsidiaries - continued

14.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Corinthia Overseas Holdings Limited	22, Europa Centre, Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-
Corinthia Panorama s.r.o.	Milevska 7, Prague 4, Czech Republic	Hotel owner	**100**	100	**100**	100	**-**	-
Corinthia Restaurants Kft	3527 Miskolc Bajcsy Zsilinszky U.17 Budapest, Hungary	Property owner	**100**	100	**-**	-	**-**	-
Corinthia Services Limited	34, Place de 7 Novembre 1987 Tunis, Tunisia	Non-trading company	**100**	100	**100**	100	**-**	-
Corinthia Towers Tripoli Limited	22, Europa Centre, Floriana, Malta	Hotel owner	**58**	59	**-**	-	**42**	41
Corinthia Tunisie sarl	Les Cotes de Carthage, Ghammarth, Tunisia	Non-trading company	**100**	100	**100**	100	**-**	-
Corinthia Turizm Yatirimlari ve Ticaret a.s.	Tayyareci Ethem Sokak No.24 Kat4 Daire 13, 80090 Gumussuyu Istanbul, Turkey	Hotel owner	**100**	100	**-**	-	**-**	-

14. Investments in subsidiaries - continued

14.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Danish Bakery Limited	22, Europa Centre, Floriana, Malta	Bakery	**65**	65	**65**	65	**35**	35
D.X. Design Consultancy Ltd	22, Europa Centre, Floriana, Malta	Project management services	**58**	92	**-**	-	**42**	8
Five Star Hotels Limited	22, Europa Centre, Floriana, Malta	Hotel owner	**58**	59	**-**	-	**42**	41
Flight Catering Company Limited	22, Europa Centre, Floriana, Malta	Inflight services	**100**	100	**100**	100	**-**	-
HNS Consultancy Services Limited	22, Europa Centre, Floriana, Malta	Consultancy services	**100**	100	**100**	100	**-**	-
House of Catering for Catering Services Co. Limited	Souk Al Thulatha Al Gadim Tripoli, Libya	Catering services	**100**	90	**-**	-	**-**	10
International Operating and Managing Facilities Establishments Limited	Souk Al Thulatha Al Gadim Tripoli, Libya	Building and facilities management services	**100**	90	**-**	-	**-**	10

14. Investments in subsidiaries - continued

14.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
IHI Benelux Bv	Frederick Roeskestraat 123 1076 EE Amsterdam P.O. Box 72888 1070 AC Amsterdam The Netherlands	Hotel owner	**58**	59	**-**	-	**42**	41
IHI Benghazi Limited	22, Europa Centre, Floriana, Malta	Investment company	**44**	44	**-**	-	**66**	66
IHI Cyprus Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**58**	59	**-**	-	**42**	41
IHI Hungary Rt	1072, Budapest, Klauzal ter.3, Hungary	Hotel owner	**58**	59	**-**	-	**42**	41
IHI Lisbon Limited	22, Europa Centre, Floriana, Malta	Investment company	**58**	59	**-**	-	**42**	41
IHI St Petersburg LLC	1/36 Volynsky per., St. Petersburg, Russian Federation	Investment company	**58**	59	**-**	-	**42**	41
IHI Towers s.r.o	Kongresova 1655/1 1406/69 Praha 5 Czech Republic	Hotel owner	**58**	59	**-**	-	**42**	41

14. Investments in subsidiaries - continued

14.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
IHI Zagreb d.d.	Centar Kaptol, Nova Kes 11, 10000 Zagreb, Croatia	Investment company	**58**	59	**-**	-	**42**	41
Internasyonal Turizm ve Otelcilik a.s.	Osmanli Sokok No.24 Kat 4 Daire 13 80090 Gumussuyu Istanbul, Turkey	Hotel owner	**100**	100	**-**	-	**-**	-
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
Marina San Gorg Limited	22, Europa Centre Floriana, Malta	Hotel owner	**58**	59	**-**	-	**42**	41
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	**-**	-

14. Investments in subsidiaries - continued

14.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
QPM Limited	22, Europa Centre Floriana, Malta	Project management services	**58**	92	**-**	80	**42**	8
Pankrac Property Holdings s.r.o.	Milevska 1695/7, Prague 4, Czech Republic	Investment property owner	**100**	100	**100**	100	**-**	-
Palm Waterfront Development Ltd	22, Europa Centre Floriana, Malta	Non-trading company	**100**	100	**100**	100	**-**	-
QPM (Africa) Limited	22, Europa Centre Floriana, Malta	Non-trading company	**58**	93	**-**	20	**42**	7
Swan Laundry and Drycleaning Company Limited	22, Europa Centre, Floriana, Malta	Laundry company	**100**	100	**100**	100	**-**	-
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	**-**	-

14. Investments in subsidiaries - continued

14.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Island Hotels Group Limited	Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391	Holding and management company	**58**	59	**-**	-	**42**	41
Bay Point Hotel Limited	Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391	Owner and operator of hotel	**58**	59	**-**	-	**42**	41
Bay Point Properties Limited	Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391	Non-operating	**58**	59	**-**	-	**42**	41
Bay Point Collection Limited	Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391	Vacation ownership company	**58**	59	**-**	-	**42**	41

14. Investments in subsidiaries - continued

14.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Island Caterers Limited	Radisson Blu Resort St.Julians, Louis V.Farrugia Street, St.George's Bay, St.Julians STJ3391	Event catering company	**58**	59	**-**	-	**42**	41
Buttigieg Holdings Limited	The Penthouse, Papillon Court A, Birbal Street, Balzan BZN 9019	Retail catering and holding company	**58**	59	**-**	-	**42**	41
RJC Caterers Limited	The Penthouse, Papillon Court A, Birbal Street, Balzan BZN 9019	Contract catering company	**58**	59	**-**	-	**42**	41
The Heavenly Collection Limited	Radisson Blu Resort & Spa Golden Sands, Golden Bay limits of Mellieha MLH 5510	Owner of tract land in Golden Bay	**58**	59	**-**	-	**42**	41

14. Investments in subsidiaries - continued

14.1 Principal subsidiaries - continued

Subsidiary Company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
The Coffee Company Malta Limited	The Penthouse, Papillon Court A, Birbal Street, Balzan BZN 9019	Franchise retail catering company	**58**	59	**-**	-	**42**	41
The Coffee Company Spain S.L.	COSTA Diagonal, Avinguda Diagonal, 566, Barcelona 08021	Franchise retail catering company	**58**	59	**-**	-	**42**	41
CaterMax Limited	22 Europa Centre, Floriana FRN 1400, Malta	Catering services	**100**	-	**-**	-	-	-
Malta Fairs and Conventions Centre Limited (MFCC Limited)	Millenium Stand, Level 1, National Stadium, Ta' Qali, Attard ATD 4000, Malta	Trade conference and leisure conventions	**100**	-	**-**	-	-	-

As disclosed in Note 31 during the year the Group acquired the remaining 50% in CaterMax Limited and MFCC Limited. The investment in these entities were previously recognised as investments in associates.

14. Investments in subsidiaries - continued

14.2 Exposure to subsidiary companies

	The Company €000
At 1 January 2015, at 31 December 2015 and at 1 January 2016	373,081
Additions	1,933
Disposals	(1,241)
At 31 December 2016	**373,773**

The movements during the current year 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..

In addition, 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 €2.9 million and relate to Corinthia Palace Holdings Limited, the owning company of CaterMax Limited and MFCC

Limited (€1.2 million), Corinthia Holdings Overseas (€1.1 million), and €0.6 million to other group companies.

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.

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

14.3 Subsidiaries with material non-controlling interests

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

Name of subsidiary	Proportion of ownership interest and voting rights held by NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	2016 %	2015 %	2016 €000	2015 €000	2016 €000	2015 €000
Danish Bakery Limited	35	35	227	246	1,203	1,185
IHI Group	42	41	(3,184)	(1,540)	269,205	243,234

Dividends paid to NCI of Danish Bakery Limited amounted to €0.2 million (2015: €0.2 million).

The total non-controlling interest as at 31 December 2016 is €270.4 million (2015: €253.6 million), of which €269.2 million (2015: €243.2 million) is attributable to the IHI Group and €1.2 million (2015: €1.4 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.

14. Investments in subsidiaries - continued

14.3 Subsidiaries with material non-controlling interests - continued

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

	Danish Bakery Limited		IHI Group	
	2016	2015	2016	2015
	€000	€000	€000	€000
Non-current assets	**2,291**	2,600	**1,119,397**	1,091,247
Current assets	**2,704**	2,826	**100,857**	68,396
Total assets	**4,995**	5,426	**1,220,254**	1,159,643
Non-current liabilities	**(316)**	(364)	**(487,851)**	(451,356)
Current liabilities	**(1,243)**	(1,674)	**(85,581)**	(99,999)
Total liabilities	**(1,559)**	(2,038)	**(573,432)**	(551,355)
Equity attributable to owners of CPHCL	**2,233**	2,202	**381,625**	358,890
Non-controlling interests	**1,203**	1,186	**265,197**	249,398

	Danish Bakery Limited		IHI Group	
	2016	2015	2016	2015
	€000	€000	€000	€000
Revenue	**5,759**	5,891	**157,901**	134,074
Profit/(loss) for the year attributable to owners of the parent	**421**	458	**(4,518)**	(2,207)
Profit/(loss) for the year attributable to NCI	**227**	246	**(3,140)**	(1,540)
Profit/(loss) for the year	**648**	704	**(7,658)**	(3,747)
Other comprehensive income attributable to owners of the parent	**-**	-	**23,933**	8,772
Other comprehensive income attributable to NCI	**-**	-	**16,631**	6,124
Other comprehensive income for the year	**-**	-	**40,564**	14,896
Total comprehensive income for the year attributable to owners of the parent	**421**	458	**19,415**	6,566
Total comprehensive income/ for the year attributable to NCI	**227**	246	**13,491**	4,583
Total comprehensive income for the year	**648**	704	**32,906**	11,149

14. Investments in subsidiaries - continued

14.3 Subsidiaries with material non-controlling interests - continued

	Danish Bakery Limited		IHI Group	
	2016	2015	2016	2015
	€000	€000	€000	€000
Net cash from operating activities	**1,038**	1,589	**28,877**	29,502
Net cash used in investing activities	**(336)**	(512)	**(30,341)**	(28,555)
Net cash used in financing activities	**(601)**	(1,071)	**10,632**	(7,133)
Net cash inflow/(outflow)	**101**	6	**9,168**	(6,186)

14.4 Impairment losses

The carrying amount of the investment in and loan to Corinthia Tunisie Sarl were deemed to be impaired in prior years and a total impairment loss of €1.8 million (2015: € 1.9 million) has been recognised in profit or loss by CPHCL by the end of 2016.

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

15. Other investments

15.1. Investments accounted for using the equity method - Group

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

	The Group	
	2016	2015
	€'000	€'000
Associates (Note 15.3)	**80,693**	84,735
Joint ventures (Note 15.4)	**240,266**	255,574
At 31 December	**320,959**	340,309

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

	The Group	
	2016	2015
	€'000	€'000
Associates	**(3,073)**	(1,778)
Joint ventures	**1,800**	(2,115)
At 31 December	**(1,273)**	(3,893)

As at 31 December 2016, the Group, through IHI p.l.c., held 50% of the ordinary shares and voting rights of NLI Holdings Limited ("NLI"). All decisions required the unanimous consent of the parties involved for all relevant activities, as at the end of the reporting period.

15. Other investments - continued

15.1. Investments accounted for using the equity method - continued

NLI is structured as a limited liability company and provides the Group and the parties to the agreements with the rights to the net assets of the limited company under the arrangement. Therefore, the investment in NLI has been classified as an investment in joint venture until the end of the reporting period. The Group's effective ownership is of 29%.

15.2 Investments in associates and joint ventures - Company

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

	The Company	
	2016	**2015**
	€'000	**€'000**
Associates - at 31 December (Note 15.3)	**29,432**	25,856

15.3 Investments in associates

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	€'000	**€'000**	**€'000**	**€'000**
Equity in associate companies (Note 15.3.1)	**72,062**	76,821	**24,181**	24,094
Loans to associate companies	**8,631**	7,914	**5,251**	1,762
	80,693	84,735	**29,432**	25,856

The main movements in the Group's loans to associate companies during the year comprised the granting of additional advances of €3.6 million by the Company to Mediterranean Investment Holding plc., 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 current year (Note 31).

The Company's movement for the year mainly comprises additional long-term advances to Mediterranean Investment Holdings p.l.c.

15. Other investments - continued

15.3.1 Equity in associate companies

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	€'000	**€'000**	**€'000**	**€'000**
At 1 January	**76,821**	77,155	**24,094**	24,094
Additions	**41**	336	**-**	-
Derecognition of investment in associate (Note 31)	**(1,244)**	-	**-**	-
Share of results	**(3,073)**	(1,778)	**-**	-
Share of other comprehensive income	**(187)**	416	**-**	-
Exchange differences	**(271)**	692	**-**	-
Other movements	**(25)**	-	**87**	-
At 31 December	**72,062**	76,821	**24,181**	24,094

Set out below are the associates of the Group as at 31 December 2016 and 31 December 2015. The associates listed below have share capital consisting solely of ordinary shares.

Company name	Registered office	Nature of business	% of ownership interest held by			
			The Group		The Company	
			2016	2015	2016	2015
			%	%	%	%
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	Restaurant and café	**50**	50	**50**	50
CaterMax Limited	22 Europa Centre, Floriana, Malta	Catering services	**-**	50	**-**	-
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment	**29**	29	**-**	-

15. Other investments - continued

15.3 Investments in associates - continued

15.3.1 Equity in associate companies - continued

Company name	Registered office	Nature of business	% of ownership interest held by			
			The Group		The Company	
			2016 %	2015 %	2016 %	2015 %
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment	**29**	29	**-**	-
Malta Fairs and Conventions Centre Limited (MFCC Limited)	Millenium Stand, Level 1, 33, National Stadium, Ta' Qali	Trade conference and leisure conventions	**-**	50	**-**	-
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	**50**	50	**50**	50
Norm Turizm Yatirim Isletmeleri a.s.	Mobucan Yokusu, 17/2 Findikli, Istanbul, Turkey	Hotel owner	**40**	40	**-**	-
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 and there is no quoted market price available for their shares.

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

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 14.1)

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

15. Other investments – continued

15.3 Investments in associates - continued

15.3.2 Summarised financial information for material associates

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

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

	Mediterranean Investments Holding p.l.c. Group	
	2016	2015
	€000	€000
Non-current assets	**272,869**	273,423
Current assets	**4,309**	10,394
Total assets	**277,178**	283,817
Non-current liabilities	**(91,358)**	(128,731)
Current liabilities	**(54,141)**	(16,589)
Total liabilities	**(145,499)**	(145,320)
Revenue	**3,627**	11,340
Loss for the year	**(6,443)**	(383)
Other comprehensive income	**(375)**	831
Total comprehensive income	**(6,817)**	448

15. **Other investments** - continued

15.3 **Investments in associates** - continued

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

	2016 €000	2015 €000
Loss for the year	**(2,727)**	(960)
Other comprehensive income	**(540)**	-
Total comprehensive income	**(3,267)**	(960)

15.4 Investments in joint ventures

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

	The Group		The Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Equity in joint ventures (Note 15.4.1)	**237,346**	252,168	**-**	-
Loans to joint ventures	**2,920**	3,406	**-**	-
At 31 December	**240,266**	255,574	**-**	-

Loans during the year decreased by €0.5 million as a result of repayments effected by a joint venture.

15.4.1 Equity in joint ventures

	The Group		The Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
At 1 January	**252,168**	199,535	**-**	-
Acquisition of subsidiary (Note 31)	**-**	39,597	**-**	-
Derecognition of investment in joint venture following stepped acquisition (Note 31)	**-**	(1,072)	**-**	-
Share of results	**1,800**	(2,115)	**-**	-
Share of other comprehensive income	**6,598**	9,676	**-**	-
Dividend	**(1,757)**	-	**-**	-
Exchange differences	**(21,463)**	6,547	**-**	-
At 31 December	**237,346**	252,168	**-**	-

15. Other investments - continued

15.4 Investments in joint ventures - continued

15.4.1 Equity in joint ventures - continued

Set out below are the significant joint ventures of the Group as at 31 December 2016 and 31 December 2015. The joint ventures listed below have share capital consisting solely of ordinary shares, which are held by the Group through IHI p.l.c.

Company name	Registered office	Nature of business	% of ownership interest held by the Group % ownership 2016	2015
NLI Holding Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a group that owns and operates the Corinthia Hotel London and 10 Whitehall Place in London, UK	**29**	29
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owns the Corinthia Hotel London, UK	**29**	29
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owns apartment 12, 10 Whitehall Place	**29**	29
NLI Finance Limited	CTV House La Pouquelaye St Helier Jersey	Provision of finance to companies within the NLI Holdings Limited group structure.	**29**	29
NLI Operator Limited	CTV House La Pouquelaye St Helier Jersey	Operates Corinthia Hotel London, a five-star luxury hotel	**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**	-

15. Other investments - continued

15.4 Investments in joint ventures - continued

15.4.1 Equity in joint ventures - continued

Company name	Registered office	Nature of business	% of ownership interest held by the Group % ownership 2016	2015
Golden Sands Resort Limited	The Radisson SAS Golden Resort & Spa Golden Bay I/o Mellieha, Malta	A five-star luxury hotel	**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
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
Heathfield Overseas Limited	325, Waterfront Drive Omar Holding Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Payment solutions	**29**	29

15. Other investments - continued

15.4 Investments in joint ventures - continued

15.4.1 Equity in joint ventures - continued

Company name	Registered office	Nature of business	% of ownership interest held by the Group % ownership 2016	2015
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
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
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

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

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

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

15. Other investments – continued

15.4 Investments in joint ventures - continued

15.4.1 Equity in joint ventures – continued

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

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

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

(ii) NLI Holdings Group

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

15.4.2 Summarised financial information for material joint ventures

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

	NLI Holdings Group		Golden Sands Resort Group	
	2016 €000	2015 €000	2016 €000	2015 €000
Cash and cash equivalents	**9,222**	7,919	**4,461**	4,422
Non-current assets	**558,880**	631,360	**63,018**	65,343
Other current assets	**10,137**	9,937	**15,306**	20,230
Total assets	**578,239**	649,216	**82,785**	89,995
Current financial liabilities (excluding trade and other payables and provisions)	**13,887**	9,660	**4,664**	4,974
Current liabilities	**19,020**	26,846	**17,402**	18,803
Non-current financial liabilities (excluding trade and other payables and provisions)	**147,576**	171,522	**30,367**	34,803
Non-current liabilities	**148,378**	171,522	**30,367**	34,803
Total liabilities	**167,398**	198,368	**47,769**	53,606

15. Other investments – continued

15.4 Investments in joint ventures - continued

15.4.2 Summarised financial information for material joint ventures - continued

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

	NLI Holdings Group		Golden Sands Resort Group	
	2016 €000	2015 €000	2016 €000	2015 €000
Revenue	**67,114**	72,373	**40,197**	42,483
Depreciation and amortisation	**(13,132)**	(15,332)	**3,301**	3,781
Interest income	**4**	9	**695**	648
Interest expense	**(5,760)**	(5,951)	**(1,087)**	841
(Loss)/profit for the year	**(3,267)**	(6,401)	**8,318**	6,843
Income tax (expense)/income	**(1,451)**	(1,684)	**(1,777)**	1,057
Other comprehensive income	**13,150**	19,351	**(1,509)**	1,403
Total comprehensive income	**8,432**	11,266	**5,032**	9,303
Dividends received	**-**	-	**1,757**	2,582

16. Inventories

	The Group		The Company	
	2016 €000	2015 €000	2016 €000	2015 €000
Food and beverages	**1,863**	1,849	**104**	74
Consumables and other	**6,971**	5,856	**276**	220
Goods held for resale	**335**	217	**-**	-
Loose tools	**237**	210	**-**	-
Work-in-progress	**-**	345	**-**	-
	9,406	8,477	**380**	294

17. Trade and other receivables

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Trade receivables	**21,378**	22,458	**1,354**	1,831
Provision for impairment	**(4,902)**	(4,768)	**(760)**	(737)
	16,476	17,690	**594**	1,094
Amounts owed by:				
- Subsidiary companies	**-**	-	**7,454**	9,684
- Associate companies	**6,245**	2,744	**304**	1,360
- Other related parties	**-**	-	**-**	-
Other receivables	**10,627**	14,390	**2,917**	2,120
Accrued income	**5,615**	5,066	**5**	216
Financial assets	**38,963**	39,890	**11,274**	14,474
Prepayments	**3,799**	7,178	**1,529**	1,393
Total receivables – current	**42,762**	47,068	**12,803**	15,867

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

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

18. Cash and cash equivalents

Cash and cash equivalents include the following components:

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Cash and bank balances:				
Current	**40,039**	27,544	**46**	83
Cash and cash equivalents in the balance sheet	**40,039**	27,544	**46**	83
Bank overdraft	**(14,761)**	(10,730)	**(5,586)**	(9,122)
Cash and cash equivalents	**25,278**	16,814	**(5,540)**	(9,039)

The bank balances include amounts of €2.6 million (2015: €4.6 million) set aside by four subsidiary companies for debt servicing requirements and €1.1 million (2015: €1.3 million) set aside by another subsidiary for capital expenditure purposes.

19. Share capital

	The Group		The Company	
	2016	2015	2016	2015
	€'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

19.1 Shareholder rights

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

20. Other reserves

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

The Group	Translation reserve €000	Revaluation reserve €000	Other equity components €000	Total €000
At 1 January 2015	51,394	155,909	10,146	217,449
Reclassifications to retained earnings	(6)	(1,165)	-	(1,171)
Current year gains	-	60	368	428
Net revaluation/(impairment) of properties	-	27,362	-	27,362
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	(3,437)	-	-	(3,437)
Dilution of interest in IHI Group upon acquisition of IHGH Group	-	-	605	605
Other	-	-	690	690
At 31 December 2015	47,951	182,166	11,809	241,926
At 1 January 2016	47,951	182,166	11,809	241,926
Reclassifications to retained earnings	-	(3,345)	-	(3,345)
Current year gains	-	-	97	97
Net revaluation/(impairment) of properties	-	24,163	-	24,163
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	2,553	-	-	2,553
Transfer of QPM Limited to IHI Group (Note 31.2)	-	-	842	842
Dilution of interest in IHI Group (Note 31.2)	-	-	1,684	1,684
Reclassification adjustments to profit or loss	-	-	(976)	(976)
Other	-	(2)	(638)	(640)
At 31 December 2016	**50,504**	**202,982**	**12,818**	**266,304**

20. Other reserves - continued

The Company	Translation reserve €000	Revaluation reserve €000	Total €000
At 1 January 2015 and at 31 December 2015	**2,950**	**16,208**	**19,158**
At 1 January 2016 and at 31 December 2016	**2,950**	**16,208**	**19,158**

21. Retained earnings

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

22. Bank borrowings

	The Group		The Company	
	2016 €000	2015 €000	2016 €000	2015 €000
Bank overdraft	**14,761**	10,730	**5,586**	9,122
Bank loans	**224,603**	255,370	**3,574**	5,225
	239,364	266,100	**9,160**	14,347
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 - 5 years	**134,787**	138,069	**1,906**	3,515
Bank loans due later than 5 years	**67,544**	89,415	**-**	-
	202,331	227,484	**1,906**	3,515
Current bank borrowings				
Bank overdraft	**14,761**	10,730	**5,586**	9,122
Bank loans due within 1 year	**22,273**	27,886	**1,667**	1,710
	37,033	38,616	**7,254**	10,832

Bank borrowings are subject to variable interest rates linked to Euribor, other reference rates or bank base rates with a weighted average interest rate of 3.23% annually at 31 December 2016 (2015: 4.28% annually).

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

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

23. Bonds

23.1 Bonds in issue

The Group	2016 €000	2015 €000
Redeemable bonds		
Bond 8	**-**	39,994
Bond 9	**6,572**	24,695
Bond 10	**19,722**	19,676
Bond 11	**7,500**	7,513
Bond 12	**9,899**	9,887
Bond 13	**44,138**	44,060
Bond 14	**3,134**	14,000
Bond 15	**34,457**	34,384
Bond 16	**40,000**	-
Bond 17	**54,230**	-
Bond 18	**39,450**	-
	259,102	194,209
Non-current	**249,396**	194,209
Current	**9,706**	-
	259,102	194,209

(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 8	Corinthia Finance plc	2010	40,000	6.25	23 September 2019	2016 - 2019
Bond 9	IHI plc	2010	25,000	6.25	8 April 2020	2016-2020
Bond 10	IHI plc	2012	20,000	5.80	21 December 2021	-
Bond 11	Corinthia Finance plc	2012	7,500	6.00	29 March 2022	2019-2022
Bond 12	IHI plc	2013	10,000	5.80	14 November 2023	-
Bond 13	IHI plc	2015	45,000	5.75	13 May 2025	-
Bond 14	IHGH plc	2009	14,000	6.50	30 June 2019	2017-2019
Bond 15	IHGH plc	2014	35,000	6.00	15 May 2024	-
Bond 16	Corinthia Finance plc	2016	40,000	4.25	12 April 2026	-
Bond 17	IHI plc	2016	55,000	4.00	29 July 2026	-
Bond 18	IHI plc	2016	40,000	4.00	20 December 2026	-

23. Bonds - continued

23.1 Bonds in issue - continued

The prospectus for bond permitted the Company to redeem the bonds or any part thereof at any time during the redemption option period. During the year, the Group exercised the early redemption option and replaced them by a new bond of €40 million issued by Corinthia Finance (bond 16).

In the case of bonds 9 and 14, in November 2016, the bond holders were informed of the company's intention to early redeem these bonds in April 2017 and July 2017 respectively. These bond holders were offered the opportunity to subscribe to new IHI bonds referred to as bond 18 amounting to €40 million by surrendering the corresponding nominal value of their existing bonds in favour of IHI.

During the year IHI also issued a new bond for €55 million.

(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 8, 9, 10, 11 and 14 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 2016 the amounts set aside for this purpose totalled €6.7 million (2015 - €6.5 million).

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

	€ 000
At 1 January 2015	136,340
Acquisition of subsidiary	48,347
Proceeds from issue	10,000
Issue costs	(783)
Amortisation of transaction costs	305
At 31 December 2015	194,209
Proceeds from issue	65,953
Issue costs	(1,348)
Amortisation of issue costs	288
At 31 December 2016	**259,102**

23. **Bonds** - continued

23.1 **Bonds in issue** - continued

The market price of bonds in issue is as follows:

	2016 €	2015 €
Bond 8	**-**	103.99
Bond 9	**102.00**	105.50
Bond 10	**108.50**	108.50
Bond 11	**106.00**	106.50
Bond 12	**107.50**	108.50
Bond 13	**110.80**	106.50
Bond 14	**102.00**	103.50
Bond 15	**107.30**	108.50
Bond 16	**105.00**	-
Bond 17	**102.00**	-
Bond 18	**102.00**	-

23.2 **Investments held by trustees**

Investment held by trustees comprise the following:

The Group	2016 €000	2015 €000
Available-for-sale financial assets:		
- Malta Government Stocks	**118**	1,062
Loans and receivables:		
- Interest-bearing bank accounts	**6,558**	5,420
	6,676	6,482

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

24. Other borrowings

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Shareholders' loans	**21,953**	22,356	**21,953**	20,523
Loans from associates	**4,910**	5,419	**-**	-
Loans from subsidiaries	**-**	-	**128,688**	119,417
	26,863	27,775	**150,641**	139,940
Non-current	**26,635**	24,193	**137,454**	128,305
Current	**228**	3,582	**13,187**	11,635
	26,863	27,775	**150,641**	139,940

€'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
9,662	1.5% over 6 month Euribor	After more than 1 year
17,866	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.

25. Indemnification liabilities

	The Company	
	2016	2015
	€'000	€'000
At 1 January	**22,238**	21,687
Disposal of investment in subsidiary (Note 14)	**1,997**	-
Change in fair value	**(209)**	551
At 31 December	**24,026**	22,238

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

The indemnity agreement provides that in the event of a sale of the shares in IHIT and/or CTTL and/or their underlying properties outside the group, CPHCL will be liable for the tax that will be due on the gain that was exempt in the hands of CPHCL at the time of the sale. Since it is certain that reimbursements will be 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 current year, CPHCL provided a tax indemnity to IHI. The sales contract was exempt from taxation on the basis that CPHCL and IHI form part of the same ultimate group for tax purposes. Should IHI dispose of the shares 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, which was estimated to amount to €2.0 million, has been recognised in the Company's financial statements within Indemnification liabilities, with a corresponding charge to profit or loss, representing the tax that will be due by IHI on the gain that was untaxed in the hands of CPHCL.

26. Deferred tax assets and liabilities

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

The balance at 31 December represents temporary differences attributable to:

The Group	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	€'000	€'000	€'000	€'000	€'000	€'000
Difference between tax base and carrying amount of tangible and intangible fixed assets	**432**	470	**(39,663)**	(46,205)	**(39,231)**	(45,735)
Revaluation of land, buildings and investment property	**-**	-	**(87,924)**	(80,937)	**(87,924)**	(80,937)
Investments in associates	**101**	101	**-**	-	**101**	101
Investments in joint ventures	**-**	-	**(24,441)**	(27,385)	**(24,441)**	(27,385)
Unrelieved tax losses and unabsorbed capital allowances	**29,244**	35,439	**-**	-	**29,244**	35,439
Provision for doubtful debts	**1,013**	793	**-**	-	**1,013**	793
Others	**282**	384	**(6)**	-	**276**	384
Tax assets/(liabilities)	**31,072**	37,187	**(152,034)**	(154,527)	**(120,962)**	(117,340)
Offsetting	**(28,383)**	(33,997)	**28,383**	33,997	**-**	-
Net tax assets/(liabilities)	**2,689**	3,190	**(123,651)**	(120,530)	**(120,962)**	(117,340)

The Company	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	€'000	€'000	€'000	€'000	€'000	€'000
Revaluation of land, buildings and investment property	**-**	-	**(3,072)**	(3,072)	**(3,072)**	(3,072)
Unrelieved tax losses and Unabsorbed capital allowances	**3,408**	2,863	**-**	-	**3,408**	2,865
Tax assets/(liabilities)	**3,408**	2,863	**(3,072)**	(3,072)	**336**	(207)

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

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

26. Deferred tax assets and liabilities - continued

The Group	Balance 1.1.2016 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Acquisition 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)**

26. Deferred tax assets and liabilities - continued

The Group	Balance 1.1.2015 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Acquisition of subsidiaries €'000	Balance 31.12.2015 €'000
Difference between tax base and carrying amount of tangible and intangible fixed assets	(39,661)	(4,988)	6	(1,092)	**(45,735)**
Revaluation of land, buildings and investment property	(31,166)	(25,983)	(10,697)	(13,091)	**(80,937)**
Investments in associates	-	-	101	-	**101**
Investments in joint ventures	(24,006)	(209)	(3,170)	-	**(27,385)**
Unrelieved tax losses and unabsorbed capital allowances	3,249	30,195	-	1,995	**35,439**
Provision for doubtful debts	43	750	-	-	**793**
Others	(1,070)	440	1,682	(668)	**384**
	(92,611)	205	(12,078)	(12,856)	**(117,340)**

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 1.1.2016 €'000	Recognised in profit or loss €'000	Other movements €'000	Balance 31.12.2016 €'000
Unrelieved tax losses and unabsorbed capital allowances	(207)	608	**(65)**	**336**

The Company	Balance 1.1.2015 €'000	Recognised in profit or loss €'000	Other movements €'000	Balance 31.12.2015 €'000
Unrelieved tax losses and unabsorbed capital allowances	(278)	71	**-**	**(207)**

26. Deferred tax assets and liabilities – continued

Unrecognised deferred tax assets

Deferred income taxes are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of €19.0 million (2015: €18.3 million), in respect of losses amounting to €75.9 million (2015: €73.1 million) that can be carried forward against future taxable income. The Group did not recognise deferred income tax assets of €27.8 million (2015: €20.4 million), in respect of losses amounting to €105.2 million (2015: €80.3 million) that can be carried forward against future taxable income.

27. Trade and other payables

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Non-current				
Trade payables	**-**	275	**-**	-
Other payables	**2,358**	6,001	**-**	-
Financial liabilities	**2,358**	6,276	**-**	-
Advance payments	**788**	74	**-**	-
Total payables – non-current	**3,146**	6,350	**-**	-
Current				
Trade payables	**19,334**	21,569	**1,499**	2,180
Amounts owed to:				
Subsidiary companies	**-**	-	**16,504**	14,340
Associate companies	**384**	442	**291**	296
Joint ventures	**1,037**	721	**-**	-
Other related parties	**-**	4	**-**	-
Other payables	**17,368**	39,077	**938**	292
Accrued expenses	**26,667**	28,352	**3,293**	5,233
Financial liabilities	**64,790**	90,165	**22,525**	22,341
Advance deposits	**240**	6,032	**-**	-
Statutory liabilities	**3,382**	1,157	**152**	109
Total payables – current	**68,412**	97,354	**22,677**	22,450

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

In 2015, other payables for the Group comprised an amount of €22.4 million in respect of the deferred component of the purchase consideration of the acquisition of Island Hotels Group Holdings p.l.c. The settlement of the deferred component, effected on 11 August 2016, was partly due in cash (€16.8 million) and partly (€5.6 million) due in 6,507,168 shares of IHI issued to the previous shareholders of Island Hotels Group Holdings p.l.c. (Note 31).

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

28. Cash flow information

	The Group		The Company	
	2016	2015	2016	2015
	€000	€000	€000	€000
Adjustments:				
Amortisation of intangible assets	**2,116**	1,181	**-**	-
Depreciation of property, plant and equipment	**30,359**	25,486	**1,050**	1,005
Loss on disposal of property, plant and equipment	**988**	-	**-**	-
Net impairment losses on property, plant and equipment	**(3,090)**	4,693	**-**	-
Impairment losses on investments	**-**	-	**-**	148
Fair value movements on investment properties	**19,768**	(273)	**-**	-
Share of results of associates and joint ventures	**1,273**	3,893	**-**	-
Movement in indemnification liabilities	**-**	-	**1,787**	551
Gain on sale of investment in subsidiary	**-**	-	**(5,490)**	-
Provision for impairment of receivables	**134**	264	**-**	63
Gains on disposal of available-for-sale financial assets	**(1,487)**	-	**-**	-
Loss on remeasurement of interest in associate to fair value	**1,269**	-	**-**	-
Interest income	**(589)**	(758)	**(165)**	(753)
Interest expense	**13,462**	28,950	**5,994**	6,182
Dividend income	**-**	-	**(3,052)**	-
Other	**288**	2	**(486)**	-
	64,491	63,438	**(362)**	7,196

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 31.

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

29. Commitments

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

	The Group	
	2016	2015
	€'000	€'000
Contracted for:		
Property, plant and equipment	**10,251**	4,652
Authorised but not yet contracted for:		
Property, plant and equipment	**22,776**	45,707
	33,027	50,359

29. Commitments - continued

	The Company	
	2016	2015
	€'000	€'000
Contracted for:		
Property, plant and equipment	**300**	-
Authorised but not yet contracted for:		
Property, plant and equipment	**3,200**	-
	3,500	-

Operating leases

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

	The Group	
	2016	2015
	€'000	€'000
Less than one year	**3,549**	2,924
Between one and five years	**6,918**	7,454
More than five years	**22,194**	22,906
	32,661	33,284

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 2016, €4.6 million (2015: €0.5 million) and €0.1 million (2015: €0.1 million) for the Group and Company respectively were recognised as an expense in the income statement in respect of operating leases.

30. Contingencies

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

30. Contingencies – continued

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

The Group	2016 €000	2015 €000
Guarantees given to secure bank facilities for related companies	**166,530**	155,782
	166,530	155,782

The Company	2016 €000	2015 €000
Guarantees given to secure bonds	**66,870**	20,000
Guarantees given to secure bank facilities for related companies	**31,043**	16,644
	97,913	36,644

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

31.1 Business combinations

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.

The CaterMax group was a loss-making business as at the date of acquisition, 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 have 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 estimate the fair value of the 50% equity interest to equate to a negligible amount.

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

31.1 Business combinations - continued

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	**-**

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.

Acquisitions during 2015

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

As a result of the acquisition, the Group is expecting to increase its presence in these markets. The goodwill of €1.3 million arising from the acquisition is attributable to cost synergies expected from combining the operations of the IHI Group and IHGH Group.

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

31.1 Business combinations - continued

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

No goodwill or gain on bargain purchase arose as at the date of acquisition of THCL as the consideration paid for the acquisition was equal to the fair value of net assets acquired. Accordingly, no gain or loss was recognised in the Group's income statement for the year ended 31 December 2015 as a result of remeasuring at fair value its previously held equity interest in THCL.

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

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

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

31.1 Business combinations - continued

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

Purchase consideration – cash outflow

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

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

31.1 Business combinations - continued

Acquisition of IHGH Group

Acquisition related costs of €0.3 million have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2015.

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

The deferred consideration of €16.8 million was payable within one year from the date of acquisition and was discounted using a rate of 3%. Up to 4,6 million shares in IHI were pledged in favour of the previous shareholder of IHGH Group as security for default on the deferred consideration. The contractual amount of the deferred consideration was paid during 2016 and amounted to €17.0 million.

As part of the share component of the consideration, IHI was required to issue a total of 9.2 million ordinary shares to the previous shareholders of the IHGH Group. 2.7 million shares, with a fair value of €2.3 million, were issued on 10 August 2015, whilst the remainder (6.5 million shares with a fair value of €5.6 million) were issued on 11 August 2016. The issuance of 9.2 million shares of IHI to non-controlling interests resulted in a dilution in the Group's proportion of ownership in IHI (refer to Note 31.2).

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

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

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

Had IHGH Group been consolidated from 1 January 2015, the consolidated income statement for the year ended 31 December 2015 would have shown pro-forma revenue of €140.9 million and loss of €2.4 million. The pro-forma figures include the results of the IHGH Group for the accounting period from 1 November 2014 to 31 December 2015 (14 months). The directors do not consider the effect of the months from 1 November 2014 to 31 December 2014 to be material to these consolidated financial statements.

Acquisition of THCL

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

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

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

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

31.2 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

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

As described in Note 27, 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

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

31.2 Transactions with non-controlling interests - continued

Transactions during 2015

Acquisition of IHGH Group

The above-disclosed acquisition of the IHGH Group, in particular the issue of IHI shares as part of the consideration, resulted in the following effect on the Group's equity:

The Group	€'000
Fair value of shares issued upon acquisition of IHGH Group	2,325
Increase in non-controlling interests' share of IHI's net assets	(1,720)
Increase in parent's equity recognised in Other reserves	605

32. Related parties

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

Key management personnel includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is disclosed in Note 32.1.

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 17, 24 and 27.

	The Group		The Company	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Revenue				
Services rendered to:				
Associates	**5,402**	5,938	**331**	293
Related companies	**529**	315	**-**	315
	5,931	6,253	**331**	608
Financing				
Interest income				
Subsidiaries	**-**	-	**28**	138
Associates	**242**	80	**135**	80
Interest expense				
Subsidiaries	**-**	-	**4,212**	4,260
Shareholders' loan	**1,245**	1,182	**1,245**	1,182
	1,487	1,262	**5,620**	5,660
Purchases and sales	**-**	-	**1,600**	1,600

32. Related parties

32.1 Transactions with key management personnel

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

In 2016, the remuneration of the executive directors and senior executives of the Company and its subsidiaries amounted to €7.3 million (2015: €6.0 million).

33. Risk management objectives and policies

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

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

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

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

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

33. Risk management objectives and policies - continued

33.1 Credit risk

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

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Loans and receivables:				
Trade and other receivables	**43,828**	44,658	**12,034**	15,211
Long term receivables from related parties	**13,750**	11,320	**21,861**	15,481
Cash at bank	**40,039**	27,544	**46**	83
Assets held by trustee placed under trust arrangement	**6,713**	6,482	**-**	-
Gross exposure	**104,330**	90,004	**33,941**	30,775
Provision for impairment	**(4,902)**	(4,768)	**(2,582)**	(2,632)
Net exposure	**99,428**	85,236	**31,359**	28,143

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

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

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

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

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

33. Risk management objectives and policies - continued

33.1 Credit risk - continued

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

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

	The Group	
	2016	2015
	€'000	€'000
Past due 0-30 days	1,558	4,118
Past due 31-120 days	3,436	3,357
Past due 121-360 days	886	1,256
More than one year	3,939	4,078
Gross amount	**9,819**	**12,809**

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

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
At 1 January	**4,768**	4,640	**737**	800
Written-off balances	**(703)**	(224)	**-**	-
Impairment losses recognised	**776**	364	**33**	-
Impairment losses reversed	**(193)**	(12)	**(10)**	(63)
Exchange differences	**254**	-	**-**	-
At 31 December	**4,902**	4,768	**760**	737

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

All impaired balances were unsecured.

33. Risk management objectives and policies - continued

33.1 Credit risk - continued

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

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

Cash at bank

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

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

33.2 Liquidity risk

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

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

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

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

33.2 **Liquidity risk** - continued

At 31 December 2016 and 2015 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Group	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2016	€'000	€'000	€'000
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**

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

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

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

33. Risk management objectives and policies - continued

33.2 Liquidity risk - continued

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

The Company	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2016	€'000	€'000	€'000
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**

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

The Company	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2015	€'000	€'000	€'000
Bank borrowings	11,133	4,112	-
Other borrowings	37,771	43,626	57,097
Trade and other payables	22,341	-	-
	71,245	**47,738**	**57,097**

33.3 Market risk

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

(i) Foreign currency risk

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 (LBY). 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 and Company's main 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:

33. Risk management objectives and policies - continued

33.3 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	HUF €'000	EUR €'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)

33. Risk management objectives and policies – continued

33.3 Market risk - continued

(i) Foreign currency risk - continued

	2015 Functional currency												
	EUR					RUB	STG		LYD	CZK	HUF	TND
	GBP €'000	HUF €'000	LYD €'000	CZK €'000	SDG €'000	EUR €'000	HUF €'000	EUR €'000	EUR €'000	EUR €'000	EUR €'000	EUR €'000
Group												
Assets:												
Loans and receivables:												
Trade receivables	-	977	3,611	588	-	42	-	399	-	-	250	-
Other receivables	3,406	400	874	697	-	-	668	3,169	-	-	-	-
Cash and cash equivalents	-	-	-	-	1,740	-	-	-	-	-	1,300	-
Liabilities:												
Bank borrowings	-	-	-	-	-	(54,226)	-	-	-	(1,319)	(13,731)	(5,423)
Other borrowings	-	-	-	(58)	-	-	-	-	-	-	-	(2,079)
Trade payables	-	(914)	(1,726)	(1,003)	-	-	-	(121)	-	-	-	(37)
Other payables	(2,504)	(2,349)	(3,944)	(2,334)	(418)	-	-	(984)	(6,492)	(3,557)	(1,001)	(4,634)
Net exposure	902	(1,886)	(1,185)	(2,110)	1,322	(54,184)	668	2,463	(6,492)	(4,876)	(13,182)	(12,173)

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

33. Risk management objectives and policies - continued

33.3 Market risk - continued

(i) Foreign currency risk - continued

At 31 December 2016, if the EUR had weakened/strengthened by 5% against the Rouble with all other variables held constant, Group post-tax profit for the year would have been €2.8 million lower/€2.8 million higher (2015: €2.9 million lower/2.9 million higher) as a result of foreign exchange losses/gains on translation of the EUR denominated borrowings.

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

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

The other three main currency exposures of the Group relate to the following intra-group arrangements:

- A long-term loan of €28.1 million, denominated in CZK, given to CPHCL by one of its Czech registered subsidiary companies.
- €6.6 million of loans and accounts payable denominated in euro serviced by the Group's subsidiary company in Tunisia.
- A long-term loan of €17.9 million, denominated in euro given to CPHCL by its subsidiary company in Hungary.

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

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

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

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

ii) Interest rate risk

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

33. Risk management objectives and policies - continued

33.3 Market risk - continued

(ii) Interest rate risk - continued

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Fixed rate instruments				
Financial assets:				
Assets placed under trust arrangement	**6,676**	6,482	**-**	-
Financial liabilities:				
Bonds	**(259,102)**	(194,209)	**-**	-
Other borrowings	**(26,650)**	(27,557)	**(61,432)**	(73,013)
	(279,076)	(215,284)	**(61,432)**	(73,013)
Variable rate instruments				
Financial liabilities:				
Bank borrowings	**(239,364)**	(266,100)	**(5,586)**	(9,122)
Other borrowings	**-**	-	**(89,209)**	(66,927)
	(239,364)	(266,100)	**(94,795)**	(76,049)

The Group manages its exposure to changes cash flows in relation to interest rates on interest-bearing borrowings due by the parent company and its subsidiaries, by entering into financial arrangements subject to fixed rates of interest whenever as much as is practicable. The Group is exposed to fair value interest rate risk on its financial assets and liabilities bearing fixed rates of interest, but all these instruments are measured at amortised cost and accordingly a shift in interest rates would not have an impact on profit or loss or other comprehensive income.

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

33.4 Capital management policies and procedures

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

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

33. Risk management objectives and policies – continued

33.4 Capital management policies and procedures - continued

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

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Bank Borrowings (Note 22)	**239,364**	266,100	**9,160**	10,832
Bonds (Note 23)	**259,102**	194,209	**-**	-
Other borrowings (Note 24)	**26,863**	27,775	**150,641**	139,940
Less: Cash and cash equivalents	**(25,277)**	(16,814)	**(5,540)**	(9,039)
Net debt	**462,807**	471,270	**154,261**	141,733
Total equity	**665,357**	641,031	**250,585**	254,051
Total capital	**1,128,164**	1,112,301	**404,846**	395,784
Net debt ratio	**41.0%**	42.4%	**38.1%**	35.8%

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

33.5 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at balance sheet date of the reporting periods under review may also be categorised as follows. See Note 3.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Assets				
Non-current assets				
AFS financial assets				
- Malta Government Stocks				
- presented within assets placed under trust arrangement	**118**	2,362	**-**	-

33. Risk management objectives and policies - continued

33.5 Summary of financial assets and liabilities by category - continued

	The Group		The Company	
	2016	2015	2016	2015
	€'000	€'000	€'000	€'000
Loans and receivables				
- Amounts due from related companies	**11,551**	11,320	**5,251**	15,481
- Cash and cash equivalents				
- presented within assets placed under trust arrangement	**1,715**	4,120	**-**	-
Current assets				
Loans and receivables				
– Trade receivables and other receivables	**38,963**	39,890	**11,274**	14,474
– Cash and cash equivalents	**40,039**	27,544	**(5,540)**	83
Total assets	**92,268**	82,874	**10,985**	30,038
Liabilities				
Non-current liabilities				
Other financial liabilities				
– Bank borrowings	**202,331**	227,484	**1,906**	3,515
– Bonds	**249,396**	194,209	**-**	-
– Other borrowings	**26,635**	24,193	**137,454**	128,305
– Trade payables and other payables	**2,358**	6,276	**-**	-
Current liabilities				
– Bank borrowings	**37,033**	38,616	**7,254**	10,832
– Bonds	**9,706**	-	**-**	-
– Other borrowings	**228**	3,582	**13,187**	11,635
– Trade payables and other payables	**64,784**	90,165	**22,525**	22,341
Total liabilities	**592,471**	584,525	**182,326**	185,750

33. Risk management objectives and policies – continued

33.6 Financial instruments measured at fair value

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

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: based on information other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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 balance sheet are grouped into the fair value hierarchy as follows:

	The Group	
	2016 €'000	2015 €'000
	Level 1	
Assets		
Malta Government Stocks – presented within assets placed under trust Arrangement	118	1,062

Measurement of fair value

The fair value of Malta Government Stocks 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.

33.7 Financial instruments not measured at fair value

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

34. Ultimate controlling party

The 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.

35. Events after the reporting period

Business combinations

In early 2017, the Group obtained control over NLI Holding Limited ("NLI") and its subsidiaries disclosed in Note 14 (together, the "NLI Group"), because IHI has secured the right to nominate and appoint the majority of the board of directors, which are in turn responsible for decisions in relation to NLI's relevant activities.

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

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

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