Corinthia Palace Hotel Company Limited

Report and Financial Statements

31 December 2014

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 2014.

Principal activities

The group's main business is connected with the ownership, development and operation of hotels, leisure facilities, and other activities related to the tourism industry and commercial centres. The group is also actively engaged in the provision of residential accommodation, project management services and industrial catering.

Results

During the year under review the group registered a loss after tax of € 38.7 million (2013: profit of € 4.8 million). After adding other comprehensive income of € 3.3 million (2013: € 42.1 million), the total comprehensive loss for the year amounted to € 35.4 million against a profit of € 46.9 million registered in 2013. Whilst at the operating level, the group more or less achieved the same level of profitability year-on-year, the current year's results were characterised by significant reductions in the fair value of its two hotel properties and commercial centres in Tripoli, Libya and St Petersburg, Russian Federation, because of *force majeure* situations prevailing in each of these countries.

Details of the results for the year are set out in the consolidated income statement and the statement of comprehensive income page 7 and 8 of the Annual Report and in the related notes to the financial statements.

Review of performance

During 2014 the group's revenue amounted to € 159.2 million reflecting a decrease of € 5.7 million on the turnover registered in 2013 (€ 164.9 million). These consolidated figures do not include the revenue of the Corinthia Hotel in London and Palm City Residences in Libya in which the group holds a 50% shareholding. The group's 50% share of the net profit or loss of these two important investments are reflected in the line item 'Share of results of associate companies' and will be explained further on in this review.

In view of the instability in Libya in the second half of the year under review and the economic conditions in the Russian Federation, revenue generated by Corinthia Hotel Tripoli and Corinthia Hotel St Petersburg for the year ended 31 December 2014 was lower than the prior year by *circa* € 16.1 million. This reduction was, however, in the main compensated by increased revenues registered by the group's other hotel properties across Europe. The group's earnings before interest, tax depreciation and amortisation (EBITDA) for 2014 at € 28.6 million (excluding London and Palm City) represents a reduction of only € 2.6 million on the EBITDA of € 31.2 million reported in 2013 on account of rationalisation of operating costs.

The depreciation charge for 2014 reduced by more than € 4.1 million (from € 28.2 million in 2013 to € 24.1 million in 2014) as provision was not required on assets that were already fully depreciated.

In 2014 there was also a reduction of approximately € 2.6 million in finance costs (from € 24.0 million in 2013 to € 21.4 million in 2014) in consequence of reduced Euribor rates coupled with the further reduction of the group's indebtedness due to scheduled repayments of bank loans.

The loss of € 29.1 million (2013: profit of € 0.4 million) registered on the group's share of results of associate companies mainly reflects the developments at the Corinthia Hotel London and Residences (50% share of the performance registered on this investment - 2014: loss of € 29.1 million - 2013: loss of € 11.8 million), and at Mediterranean Investments Holding p.l.c. (MIH) through its principal subsidiary company Palm City Limited (50% share of the performance registered on this investment - 2014: loss of €28.1 million - 2013: profit of € 13.8 million).

In 2014 the Corinthia Hotel London registered a marginal improvement in its operating performance over 2013. However, depreciation and interest costs turned this profit into a loss of € 11.2 million. The continued positive trend in operational performance resulted in an uplift of € 17.9 million in this property's value. This uplift was however recognised in other comprehensive income. Moreover, in April 2014, 11 apartments in Whitehall Place, adjacent to the Corinthia Hotel London, in which International Hotel Investments p.l.c. (IHI) holds a 50% stake, were sold to third parties. The penthouse apartment was retained and will be sold when the right opportunity arises. Except for one-off property costs resulting from this sale of apartments, this disposal of assets had no effect on the group's financial results since in 2013 these apartments had already been valued at their market price.

For MIH, 2014 has been a year of mixed experiences, with the first semester proving to be a record performance at Palm City Residences, whilst the second semester was overshadowed by the political conflict that developed in Libya. In fact, in the first half of 2014, Palm City registered an outstanding performance with revenues reaching € 16.3 million, representing a year-on-year increase of 4%. Following the unrest in Libya that started in July 2014, the revenue generation and EBITDA started to deteriorate with occupancy levels at Palm City eventually reducing from 95% to 66% by the year-end. Despite these difficult circumstances, management remained resolute in primarily ensuring the safety of its clients and staff, but also in keeping this property operational at all times. This helped to achieve a profit after tax, but before impairment charges, of € 12.0 million (2013: €13.8 million). However, in view of the reduced profitability and the higher country risk, MIH recognised an impairment charge on this property of € 40.1 million net of tax.

Although, as already stated, in 2014 the group registered an encouraging operational performance despite the problems in Libya and Russia, its profitability for 2014 was adversely impacted by the resultant impairment in value of its properties in these two countries. In fact, the group recognised a reduction of € 69.2 million in the value of its hotels and commercial centres in Tripoli and St Petersburg due to the already mentioned *force majeure* situation and the devaluation of the Russian rouble. On the other hand, through the robust performance achieved by a number of the group's hotels in Europe, the group registered a total uplift of € 52.7 million in the fair values of these properties, most notable of which were the ones located in London (limited to 50% share), in Lisbon and in Budapest. The net effect of these revaluation adjustments, excluding that on Palm City, was a loss of € 9.4 million reflected in the income statement and a further charge of € 8.4 million in the statement of comprehensive income with the relative tax effect mitigating the overall net impairment loss to € 6.2 million.

In consequence of the foregoing, in 2014 the group registered a loss after tax of € 38.7 million compared to a profit of € 4.8 million in 2013.

The other comprehensive income of € 3.3 million (2013: € 42.2 million) mainly reflects a favourable translation adjustment of € 6.4 million on the investment in the Corinthia Hotel London and Residences, and the effect, net of tax, of the group's share of impairment charges of € 4.3 million.

Property revaluation adjustments feature prominently in both the group's income statement and in the comprehensive income statement for the year under review. The net impairment charges were significant in 2014 and are the principal factor for the deviation in the loss for year when compared to 2013.

After adding the net comprehensive income of € 3.3 million to the loss after tax of € 38.7 million, the group's total comprehensive expense for 2014 amounted to € 35.4 million against a total comprehensive income of € 46.9 million registered in 2013.

State of affairs

On 27 January 2015, the Corinthia Hotel Tripoli was the scene of an armed attack. The hotel's management has carried out an assessment of the affected parts of the hotel and this has revealed that damages were contained. The estimated cost of repairs, which are currently underway, is in the region of € 1 million.

While management is committed to resume the operation of this hotel within the shortest time possible, it is likely that the situation of low occupancy at the Corinthia Hotel Tripoli will persist in 2015. It is the hotel management's objective to minimise losses on the operation of the hotel, and to ensure that payroll and other operating costs are matched to operating income and contribute in some manner towards general overheads such as utilities, security and maintenance. In the meantime, the commercial centre adjoining the hotel remains in operation and generating around € 6 million in rental income.

In 2014 MIH successfully issued another bond for an amount of € 12 million redeemable in 2021 at a coupon of 6% per annum, the proceeds of which were used to partly finance the redemption of the outstanding € 15 million bond that matured on 4 December 2014.

On 16 January 2015, IHI announced that it had executed a preliminary conditional agreement with the majority shareholders in the Island Hotels Group Holdings p.l.c. with a view to consider making a voluntary offer for the purchase of 100% of the issued share capital of this group. Such an eventual acquisition would be financed through additional funding.

Corinthia group's working capital as at the end of December 2014 showed a deficiency of € 19.8 million (2013: € 48.9 million). The disposal of the 11 apartments in London, which took place in 2014, helped in reducing the group's current liabilities and also enabled IHI to distribute a 3% dividend to its shareholders. The 2014 working capital deficiency is being addressed through the projected improvements in the operating performance of the various business units of the Group, the disposal of non-core assets, and the refinancing of loan facilities. In the meantime, the gearing ratio remained at a prudent level of 37% (2013: 38%).

Despite the *force majeure* situations in Russia and Libya the group remained resilient through its robust asset base which exceeded € 1.2 billion at the end of 2014, its diversified portfolio, its prudent gearing ratio, and the unbending commitment of its two shareholding blocks and its employees. It is also important to highlight the fact that the total comprehensive expense of € 35.4 million includes € 44 million of non-cash related adjustments relating to impairments, depreciation and translation adjustments.

At the company level the loss for the year was mitigated by the receipt of a net dividend of € 9.77 million from IHI. The directors expect that the company's working capital deficiency of € 17.2 million will be addressed through the receipt of dividends from group companies, the repayment of loans advanced in past years to related parties, refinancing of loan facilities and the disposal of non-core assets.

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 2015 in all the group's properties, excluding Libya, remains better than that of 2014.

Directors

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

Mr Alfred Pisani – Chairman
Mr Abuagila Almahdi (appointed 16 January 2014) – Vice-Chairman
Mr Yousef A. Abdelmaula (resigned 1 February 2015)
Mr Mustafa T. Mohamed Khattabi
Mr Joseph Pisani
Mr Victor Pisani
Mr Farag Gheryani (resigned 16 January 2014)
Mr Moftah Ali Suliaman Abdullah (appointed 1 February 2015)

Disclosure of information to the auditor

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

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

Statement of directors' responsibilities

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the company and group for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386.

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

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

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

Auditor

A resolution proposing the appointment of the auditor of the Company will be submitted at the forthcoming Annual General Meeting.

By order of the board

Alfred Pisani
Chairman

Abuagila Almahdi
Vice-Chairman

22, Europa Centre
Floriana FRN 1400
Malta

29 April 2015

Income statements

	Notes	The Group 2014 €000	The Group 2013 €000	CPHCL 2014 €000	CPHCL 2013 €000
Continuing operations					
Revenue	6	**159,238**	164,901	**6,452**	6,345
Net operating expenses		**(131,185)**	(133,221)	**(13,477)**	(13,887)
Depreciation and amortisation		**(24,129)**	(28,169)	**(1,029)**	(111)
Other income		**1,295**	1,687	**1,113**	1,018
(Loss) gain on exchange		**(788)**	(2,175)	**220**	(13)
Net reversal of impairment of hotel properties	15.1	**5,170**	5,000	**-**	-
Operating profit (loss)	7	**9,601**	8,023	**(6,721)**	(6,648)
Finance income	9	**3,835**	6,625	**15,884**	3,725
Finance costs	9	**(21,408)**	(23,950)	**(6,668)**	(7,765)
Movement in tax indemnity		**-**	-	**879**	882
Share of results of associate companies	16.4	**(29,075)**	425	**-**	-
Impairment loss on fixed assets other than hotel property		**(15)**	-	**(15)**	-
Gain on sale of investment in associate		**938**	-	**-**	-
Gain on sale of investment property		**-**	3,447	**-**	6,894
Reinstatement of depreciation on non-current assets no longer held for sale		**-**	(1,681)	**-**	(2,209)
Impairment loss on investments		**-**	(31)	**(624)**	(410)
Revaluation to fair value of investment properties	14	**(14,629)**	7,159	**-**	-
(Loss) profit before taxation		**(50,753)**	17	**2,735**	(5,531)
Tax income (expense)	10.1	**12,028**	4,653	**(5,065)**	1,718
(Loss) profit for the year from continuing operations		**(38,725)**	4,670	**(2,330)**	(3,813)
Discontinued operations					
Profit for the year from discontinued operations	11	**-**	99	**-**	-
(Loss) profit for the year		**(38,725)**	4,769	**(2,330)**	(3,813)
Non-controlling interest		**6,474**	(640)	**-**	-
(Loss) profit attributable to owners of the parent		**(32,251)**	4,129	**(2,330)**	(3,813)
(Loss) earnings per share	12				
Continuing operations		**(1.61)**	0.20	**(0.12)**	(0.19)
Discontinued operations		**-**	0.01	**-**	-
		(1.61)	0.21	**(0.12)**	(0.19)

Statements of comprehensive income

		The Group		CPHCL	
	Notes	2014 €000	2013 €000	2014 €000	2013 €000
(Loss) profit for the year		**(38,725)**	4,769	**(2,330)**	(3,813)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of hotel properties		**17,199**	21,315	**-**	19,468
Impairment of hotel properties	15.1	**(44,713)**	(8,200)	**-**	-
Share of other comprehensive income of equity accounted investments					
- Revaluation of hotel property		**17,933**	39,466	**-**	-
- Revaluation of land		**1,264**	-	**-**	-
Items that will be reclassified subsequently to profit or loss					
Translation difference		**6,407**	(4,567)	**32**	3
Available-for-sale financial assets		**780**	(39)	**-**	-
Share of other comprehensive income of equity accounted investments					
- Hedging reserve		**447**	2,150	**-**	-
Tax income (expense) relating to components of other comprehensive income	10.3	**3,964**	(7,973)	**62**	(3,134)
Other comprehensive income for the year, net of tax		**3,281**	42,152	**94**	16,337
Total comprehensive (expense) income for the year		**(35,444)**	46,921	**(2,236)**	12,524
Attributable to:					
Owners of the parent		**(29,216)**	35,576	**(2,236)**	12,524
Non-controlling interest		**(6,228)**	11,345	**-**	-
		(35,444)	46,921	**(2,236)**	12,524

Balance sheets

	Notes	The Group 2014 €000	The Group 2013 €000	The Group 2012 €000	CPHCL 2014 €000	CPHCL 2013 €000	CPHCL 2012 €000
Assets							
Non-current							
Intangible assets	13	**5,336**	5,823	6,239	**-**	-	-
Investment property	14	**210,799**	225,379	209,800	**5,932**	5,932	925
Property, plant and equipment	15	**621,287**	662,385	660,485	**21,946**	22,782	346
Investments in subsidiaries	16	**-**	-	-	**393,649**	405,008	406,341
Investments in associates	16	**284,277**	325,462	286,180	**25,856**	25,856	25,869
Other investments		**-**	-	19	**-**	-	19
Deferred tax assets	17	**4,814**	6,576	2,566	**2,795**	3,883	2,172
Investment held by trustees	25.2	**10,411**	3,465	2,626	**-**	-	3
		1,136,924	1,229,090	1,167,915	**450,178**	463,461	435,675
Current							
Inventories	18	**7,379**	7,560	7,298	**266**	271	241
Investments		**-**	-	14	**-**	-	-
Trade and other receivables	19	**35,096**	43,854	56,880	**15,885**	14,380	14,347
Taxation		**2,642**	2,891	621	**-**	-	-
Cash and cash equivalents	20	**26,404**	15,249	21,649	**154**	368	117
		71,521	69,554	86,462	**16,305**	15,019	14,705
Assets held for sale	21	**-**	1,222	9,404	**-**	-	9,848
Total assets		**1,208,445**	1,299,866	1,263,781	**466,483**	478,480	460,228

Balance sheets – continued

		The Group			CPHCL		
	Notes	2014 €000	2013 €000	2012 €000	2014 €000	2013 €000	2012 €000
Equity							
Called-up issued share capital	22	**20,000**	20,000	20,000	**20,000**	20,000	20,000
Other reserves	23	**211,477**	211,016	183,552	**19,158**	20,217	2,172
Retained earnings		**155,268**	187,195	179,083	**237,105**	240,532	246,053
		386,745	418,211	382,635	**276,263**	280,749	268,225
Non-controlling interest		**246,961**	259,609	248,457	**-**	-	-
Total equity		**633,706**	677,820	631,092	**276,263**	280,749	268,225
Liabilities							
Non-current							
Bank borrowings	24	**224,768**	234,000	264,070	**4,841**	3,721	14,679
Bonds	25	**136,340**	136,361	138,843	**-**	-	-
Other borrowings	26	**19,954**	17,287	16,571	**127,161**	127,265	132,930
Long term payables		**4,721**	4,088	5,108	**-**	-	165
Taxation		**-**	987	1,626	**-**	665	1,390
Deferred tax liabilities	17	**97,425**	110,711	102,762	**3,072**	3,134	-
Tax indemnity	27	**-**	-	-	**21,687**	22,566	23,448
Derivative financial instruments	28	**-**	-	4,884	**-**	-	-
Provision for charges	29	**206**	206	206	**-**	-	-
		483,414	503,640	534,070	**156,761**	157,351	172,612
Current							
Bank borrowings	24	**39,179**	52,679	37,020	**11,745**	22,277	6,965
Bonds	25	**-**	2,500	5,744	**-**	-	-
Other borrowings	26	**611**	-	-	**6,870**	4,314	400
Derivative financial instruments	28	**-**	2,349	-	**-**	-	-
Trade and other payables	30	**49,658**	54,605	47,793	**13,775**	12,668	11,207
Current tax liabilities		**1,877**	6,273	8,062	**1,069**	1,121	819
		91,325	118,406	98,619	**33,459**	40,380	19,391
Total liabilities		**574,739**	622,046	632,689	**190,220**	197,731	192,003
Total equity and liabilities		**1,208,445**	1,299,866	1,263,781	**466,483**	478,480	460,228

The financial statements on pages 7 to 82 were approved by the board of directors, authorised for issue on 29 April 2015 and signed on its behalf by:

Alfred Pisani
Chairman

Abuagila Almahdi
Vice-Chairman

Statement of changes in equity – the group

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Total attributable to owners of the parent €000	Non-controlling interest €000	Total equity €000
At 1 January 2012	20,000	192,947	153,952	366,899	254,534	621,433
Profit (loss) for the year	-	-	7,023	7,023	(4,109)	2,914
Other comprehensive income	-	3,774	-	3,774	3,431	7,205
Total comprehensive income	**-**	**3,774**	**7,023**	**10,797**	**(678)**	**10,119**
Reversal from retained earnings	-	(10,150)	10,150	-	-	-
Dividends paid	-	-	-	-	(210)	(210)
Payment to non-controlling interest	-	-	-	-	(250)	(250)
Transfer from the acquisition of non-controlling interest	-	-	5,745	5,745	(5,745)	-
Transfer to non-controlling interest on transfer of Marina San Gorg Limited	-	(3,019)	2,213	(806)	806	-
At 31 December 2012	**20,000**	**183,552**	**179,083**	**382,635**	**248,457**	**631,092**
At 1 January 2013	20,000	183,552	179,083	382,635	248,457	631,092
Profit for the year	-	-	4,129	4,129	640	4,769
Other comprehensive income	-	31,447	-	31,447	10,705	42,152
Total comprehensive income	**-**	**31,447**	**4,129**	**35,576**	**11,345**	**46,921**
Reversal from retained earnings	-	(3,983)	3,983	-	-	-
Dividends paid	-	-	-	-	(193)	(193)
At 31 December 2013	**20,000**	**211,016**	**187,195**	**418,211**	**259,609**	**677,820**

* Not available for distribution (refer to note 23)

Statement of changes in equity – the group – continued

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Total attributable to owners of the parent €000	Non-controlling interest €000	Total equity €000
At 1 January 2014	20,000	211,016	187,195	418,211	259,609	677,820
Loss for the year	-	-	(32,251)	(32,251)	(6,474)	(38,725)
Other comprehensive income	-	3,035	-	3,035	246	3,281
Total comprehensive income	**-**	**3,035**	**(32,251)**	**(29,216)**	**(6,228)**	**(35,444)**
Reversal from retained earnings	-	(2,574)	2,574	-	-	-
Issue of share capital	-	-	-	-	661	661
Dividends paid	-	-	(2,250)	(2,250)	(7,081)	(9,331)
At 31 December 2014	**20,000**	**211,477**	**155,268**	**386,745**	**246,961**	**633,706**

* Not available for distribution (refer to note 23)

Statement of changes in equity – CPHCL

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Total equity €000
1 January 2012	20,000	2,527	244,892	267,419
Profit for the year	-	-	871	871
Other comprehensive expense	-	(65)	-	(65)
Total comprehensive income	**-**	**(65)**	**871**	**806**
Reversal from retained earnings	-	(16,404)	16,404	-
Transfer from retained earnings				
- Net unrealised difference on exchange	-	96	(96)	-
- Reversal of impairment on investment	-	9,793	(9,793)	-
Transfer to retained earnings	-	6,225	(6,225)	-
At 31 December 2012	**20,000**	**2,172**	**246,053**	**268,225**
1 January 2013	20,000	2,172	246,053	268,225
Loss for the year	-	-	(3,813)	(3,813)
Other comprehensive income	-	16,337	-	16,337
Total comprehensive income	**-**	**16,337**	**(3,813)**	**12,524**
Reversal from retained earnings	-	(6,225)	6,225	-
Transfers from retained earnings:				
- Net unrealised difference on exchange	-	2,289	(2,289)	-
- Impairment of investment	-	(144)	144	-
- Deferred taxation	-	1,711	(1,711)	-
Transfer to retained earnings	-	4,077	(4,077)	-
At 31 December 2013	**20,000**	**20,217**	**240,532**	**280,749**

* Not available for distribution (refer to note 23)

Statement of changes in equity – CPHCL – continued

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Total equity €000
1 January 2014	20,000	20,217	240,532	280,749
Loss for the year	-	-	(2,330)	(2,330)
Other comprehensive income	-	94	-	94
Total comprehensive income	**-**	**94**	**(2,330)**	**(2,236)**
Dividends paid	-	-	(2,250)	(2,250)
Reversal from retained earnings	-	(4,077)	4,077	-
Transfers from/to retained earnings:	-			
- Net unrealised difference on exchange	-	2,231	(2,231)	-
- Depreciation on revaluation surplus	-	(188)	188	-
- Deferred taxation	-	(1,026)	1,026	-
Transfer to retained earnings	-	1,907	(1,907)	-
At 31 December 2014	**20,000**	**19,158**	**237,105**	**276,263**

* Not available for distribution (refer to note 23)

Statements of cash flows

	Notes	The Group 2014 €000	The Group 2013 €000	CPHCL 2014 €000	CPHCL 2013 €000
Operating activities					
(Loss) profit before taxation					
- Continuing operations		**(50,753)**	17	**2,735**	(5,531)
- Discontinued operations		**-**	99	**-**	-
		(50,753)	116	**2,735**	(5,531)
Adjustments	31	**78,419**	33,757	**(8,624)**	(936)
Net changes in working capital	31	**4,577**	17,767	**3,657**	2,483
Interest paid		**(22,635)**	(24,544)	**(7,029)**	(8,041)
Taxes paid		**(666)**	(5,985)	**(4,891)**	(423)
		8,942	21,111	**(14,152)**	(12,448)
Investing activities					
Proceeds from sale of investment property		**-**	7,000	**-**	7,000
Proceeds from sale of assets held for sale		**2,160**	-	**-**	-
Proceeds from sale of short-term investments		**-**	14	**-**	-
Payments to acquire intangible fixed assets		**(139)**	(310)	**-**	
Payments to acquire investment property		**(350)**	(215)	**-**	-
Payments to acquire property, plant and equipment		**(6,588)**	(14,841)	**(219)**	(162)
Payments to acquire property, plant and equipment classified as held for sale		**-**	(399)	**-**	(399)
Proceeds from disposal of property, plant and equipment		**806**	915	**7**	2
Payments to acquire shares in subsidiaries		**-**	-	**-**	(4)
Deposit received from sale of associate classified as held for sale		**-**	200	**-**	-
Transfer from bond redemption sinking fund		**-**	-	**-**	3
Loans repaid by subsidiary companies		**-**	-	**10,734**	2,057
Loans repaid by (advanced to) associate companies		**40,684**	(3,870)	**-**	-
Dividends received		**71**	131	**12,200**	358
Interest received		**2,718**	4,192	**426**	1,006
		39,362	(7,183)	**23,148**	9,861

Statements of cash flows – continued

	Note	The Group 2014 €000	The Group 2013 €000	CPHCL 2014 €000	CPHCL 2013 €000
Financing activities					
Repayments of bank borrowings		**(34,049)**	(18,979)	**(12,785)**	(2,154)
Proceeds from bank borrowings		**16,300**	-	**5,000**	-
Deposits into redemption sinking fund		**(6,946)**	(839)	**-**	-
Proceeds from bond issue		**-**	10,000	**-**	-
Share capital contribution of non-controlling interest		**661**	-	**-**	-
Payments for redemption of bonds		**(2,712)**	(15,917)	**-**	-
Movement on long term creditors		**3,911**	(1,020)	**2,452**	(1,516)
Dividends paid		**(9,331)**	(193)	**(2,250)**	-
		(32,166)	(26,948)	**(7,583)**	(3,670)
Net change in cash and cash equivalents		**16,138**	(13,020)	**1,413**	(6,257)
Cash and cash equivalents at beginning of year		**(47)**	12,973	**(9,626)**	(3,369)
Cash and cash equivalents at end of year	20	**16,091**	(47)	**(8,213)**	(9,626)

Notes to the financial statements

1 Nature of operations

The group's main business is connected with the ownership, development and operation of hotels, leisure facilities, and other activities related to the tourism industry and commercial centres. The group is also actively engaged in the provision of residential accommodation, project management services and industrial catering.

2 General information and statement of compliance with IFRS

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

The financial statements of the company and the consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and in accordance with the Companies Act, Cap 386.

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

3 Going concern

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

At balance sheet date the group and the company had a working capital deficiency of € 19.8 million and € 17.2 million respectively. This has principally been brought about by the significant borrowings taken in previous years to finance capital projects on which repayments will continue being made in 2015.

The directors have taken and are still taking various measures to ensure that the group will continue to have adequate levels of cash to sustain its operations and investments. These include initiatives aimed at increasing revenues and simultaneously improving operational efficiencies, the sale of assets no longer considered to be core to the group's activities, and loan refinancing initiatives. These measures are expected to generate sufficient funds to enable the group and the company to meet their financial obligations.

The group is also continuing discussions with potential equity investors to increase the capital base of some of the group companies.

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

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

4 Change in accounting policies

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

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on the new standards relevant to the group is presented below.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the consolidated financial statements for any period presented.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions.

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

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the group. Information on those expected to be relevant to the group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018 subject to endorsement by the EU.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017 subject to endorsement by the EU. The group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

Annual Improvements to IFRS

Annual Improvements to IFRS (2010-2012 Cycle)

IAS 16 (Amendment) 'Property, Plant and Equipment' and IAS 38 (Amendment), 'Intangible Assets'

The Amendment clarifies that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

IAS 24 (Amendment) 'Related Party Disclosures'

The Amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

IFRS 3 (Amendment) 'Business Combinations'

The Amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

IFRS 13 (Amendment), 'Fair Value Measurement' (IFRS 13)

The Amendment, through a revision only in the basis of conclusion of IFRS 13, clarifies that issuing IFRS 13 and amending certain provisions of IFRS 9 and IAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. However, the improvements were not legally come into force until January 2015 as indicated by the EU. Management does not anticipate a material impact on the group's consolidated financial statements from these Amendments.

5 Summary of accounting policies

5.1 Overall considerations

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

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

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

The financial information has been prepared from the audited financial statements of the companies comprising the group (see note 16.1).

5.2 Presentation of financial statements

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

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

5.3 Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2014. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

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

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

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

5.4 Business combinations

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

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

5.5 Investments in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. The group's investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is included in the amount recognised as investment in associates.

The carrying amount of the investment in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

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

5.6 Income and expense recognition

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

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

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

Rental income from operating leases of the group's investment properties is recognised on a systematic basis over the lease term.

Interest income and expenses are reported on an accrual basis using the effective interest method.

Dividend income from investments is recognised at the time the right to reserve payment is established.

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

5.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the rate of interest on bank borrowings. All other borrowing costs are expensed in the period in which they are incurred and recognised in 'finance costs'.

5.8 Foreign currency translation

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

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

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

Foreign operations

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

5.9 Operating lease payments

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

5.10 Retirement benefit costs

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

5.11 Construction contracts revenue

The group provides construction management, project management and ancillary services in respect of construction and refurbishment work. These contracts specify a fixed price for each contract and are within the scope of IAS 11, *Construction contracts*.

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue recognised for each milestone is determined by estimating relative contract fair values of each contract phase, i.e. by comparing the group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within trade and other payables for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

5.12 Intangible assets

Intangible assets are subject to impairment testing as described in note 5.15.

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

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

	Years
- Operating contracts	20
- Others	3

5.13 Property, plant and equipment

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

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

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

Any revaluation surplus arising upon appraisal of property is recognised in other comprehensive income and credited to revaluation reserve, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in 5.15. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is booked to profit or loss with the remaining part of the increase charged to other comprehensive income. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss.

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

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

	%
- Freehold buildings	1-3
- Plant and equipment	5-10
- Motor vehicles	15-20

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

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in other comprehensive income. Any loss is recognised immediately in profit or loss.

5.14 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

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

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

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

Rental income and operating expenses from investment property are reported within 'revenue' and 'net operating expenses' respectively.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of fair value less costs to sell and value in use. To determine the value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Cash flows and discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset-specific risk factors (see notes 13 and 15).

Impairment losses on cash-generating units first reduce the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.16 Investments in subsidiaries and associates

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

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

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

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

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

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

5.18 Profit or loss from discontinued operations

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

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

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the income statement. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also note 5.17), is further analysed in note 21.

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

5.19 Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

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

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

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. The group does not have any HTM investments in any reporting periods presented. Different criteria to determine impairment are applied for each category of financial assets, and are described below.

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

Loans and receivables

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

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

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

Financial assets at FVTPL

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

AFS financial assets

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

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'. Reversals of impairment losses for AFS securities are recognised in profit or loss if the reversal can be objectively related to an event after the impairment loss was recognised. For AFS equity instruments, impairment reversals are not recognised in profit or loss and any subsequent change in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities

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

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

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

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

Derivative financial instruments

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

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

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

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

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

5.20 Inventories

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

5.21 Investments

Current asset investments held on a short-term basis, which are those which are expected to be disposed of within the next twelve months, are stated at market value. Any increase or decrease in carrying amounts is accounted for through profit or loss.

5.22 Income taxes

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future.

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

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

Deferred tax assets and liabilities are offset only when the group has a right and intention to set-off current tax assets and liabilities from the same taxation authority.

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

5.23 Cash and cash equivalents

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

5.24 Equity, reserves and dividend payments

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

Other reserves include revaluation reserve and foreign currency translation reserve.

The revaluation reserve comprises gains and losses due to the revaluation of property, plant and equipment.

Foreign currency translation differences arising on the translation of the group's foreign entries are included in the translation reserve (see note 5.8).

Retained earnings include all current and prior period retained profits less losses.

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

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

5.25 Provisions and contingent liabilities

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

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

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

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

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

5.26 Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the group that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 5.27.

Deferred tax assets

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

Recognition of service and construction contract revenues

Determining when to recognise revenues from after-sales services requires an understanding of the customer's use of the related products, historical experience and knowledge of the market. Recognising construction contract revenue also requires significant judgment in determining milestones, actual work performed and the estimated costs to complete the work (see note 5.11).

Control assessment

IFRS 10 requires the parent to assess its involvement in its investee companies. Refer to note 16.9 for further details.

5.27 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below. Actual results may be substantially different.

Income taxes

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

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 5.15).

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

The group has incurred a net impairment loss of € 39.5 million (2013: € 3.2 million) on its hotel properties to reduce the carrying amount to their recoverable amounts (see note 15.1). If the independent valuer's discount rate was increased by 1% a further impairment loss of € 78.7 million (2013: € 86.9 million) would have to be recognised, of which € 13.7 million (2013: € 43.9 million) would be written off against reserves and € 65 million (2013: € 43 million) in profit or loss.

Business combinations

Management uses valuation techniques in determining the fair value of various elements of a business combination (see note 5.4).

Fair value of investment properties

At each reporting date investment properties are revalued by independent valuers based either on management's estimates of expected future cash flows or market values. The group has recognised fair value adjustments to investment properties of € 14.6 million (2013: € 7.2 million). When based on management's estimates of expected future cash flows the value of each property is determined by applying a suitable discount rate. If the discount rate is changed by 1%, the fair value of investment property would change by € 7 million (2013: € 7 million).

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the group. The carrying amounts are analysed in note 15. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty (see note 5.11).

5.28 Segment reporting

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

An operating segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from that of other segments. The operating segments can be classified as hotel, investment property rental, industrial catering and construction.

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

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

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

6 Segment reporting

The Group	Malta €000	North Africa €000	Europe €000	Total €000
Year ended 31 December 2014				
Revenue:				
Hotels	27,643	14,014	87,093	128,750
Net rental income from investment property	-	6,117	4,610	10,727
Industrial catering	6,613	-	-	6,613
Construction	3,543	2,936	69	6,548
Other	6,540	26	34	6,600
	44,339	23,093	91,806	159,238
EBITDA	6,611	1,290	20,659	28,560
Depreciation and amortisation	(4,429)	(5,204)	(14,496)	(24,129)
Reversal of impairment losses	-	4,112	1,058	5,170
Segment operating profit	2,182	198	7,221	9,601
Non-current assets	374,957	222,180	516,964	1,114,101
Year ended 31 December 2013				
Revenue:				
Hotels	24,952	24,288	85,659	134,899
Net rental income from investment property	-	6,220	5,108	11,328
Industrial catering	6,572	-	-	6,572
Construction	2,652	3,758	-	6,410
Other	5,541	52	99	5,692
	39,717	34,318	90,866	164,901
EBITDA	536	11,384	19,272	31,192
Depreciation and amortisation	(4,495)	(8,368)	(15,306)	(28,169)
Impairment losses	-	-	5,000	5,000
Segment operating (loss) profit	(3,959)	3,016	8,966	8,023
Non-current assets	374,201	264,457	531,842	1,170,500

CPHCL	Malta €000	North Africa €000	Total €000
Year ended 31 December 2014			
Revenue:			
Hotels	5,919	-	5,919
Other	533	-	533
	6,452	-	6,452
EBITDA	(5,724)	32	(5,692)
Depreciation and assets written off	(1,023)	(6)	(1,029)
Segment operating (loss) profit	(6,747)	26	(6,721)
Non-current assets	433,659	834	434,493
Year ended 31 December 2013			
Revenue:			
Hotels	4,660	-	4,660
Other	1,685	-	1,685
	6,345	-	6,345
EBITDA	(6,555)	18	(6,537)
Depreciation	(106)	(5)	(111)
Segment operating (loss) profit	(6,661)	13	(6,648)
Non-current assets	434,505	820	435,325

7 Operating profit (loss)

The operating profit (loss) is stated after charging:

	The Group		CPHCL	
	2014 €000	2013 €000	2014 €000	2013 €000
Directors' remuneration	**895**	826	**691**	576
Loss on disposal of property, plant and equipment	**14**	2	**4**	7
Operating lease costs	**728**	1,035	**272**	489
Auditor's remuneration	**550**	532	**65**	76

8 Staff costs

	The Group		CPHCL	
	2014 €000	2013 €000	2014 €000	2013 €000
Wages and salaries	**45,310**	44,203	**4,540**	4,303
Social security contributions	**5,632**	6,119	**204**	211
Other staff costs	**4,468**	4,333	**422**	370
	55,410	54,655	**5,166**	4,884

Weekly average number of employees:

	The Group		CPHCL	
	2014 No.	2013 No.	2014 No.	2013 No.
Management and administrative	**590**	600	**78**	76
Operating	**2,127**	2,267	**126**	136
	2,717	2,867	**204**	212

9 Finance income and finance costs

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

	The Group		CPHCL	
	2014 €000	2013 €000	2014 €000	2013 €000
Dividend income from investments	**71**	-	**15,458**	358
Interest income charged to subsidiaries	**-**	-	**338**	886
Interest income charged to associates	**80**	1,117	**80**	80
Interest income charged to other related parties	**-**	101	**-**	-
Interest income on bank balances	**134**	62	**-**	-
Non-operating difference on exchange	**1,047**	2,433	**-**	2,361
Net fair value gain on interest rate swap	**2,349**	2,742	**-**	-
Others	**154**	170	**8**	40
Finance income	**3,835**	6,625	**15,884**	3,725

	The Group		CPHCL	
	2014 €000	2013 €000	2014 €000	2013 €000
Interest expense for bank borrowings	**9,662**	10,482	**1,374**	2,147
Interest expense for bonds in issue	**8,459**	8,753	**-**	-
Interest expense for shareholders' loans	**1,092**	988	**1,092**	988
Interest expense for subsidiaries' loans	**-**	-	**4,108**	4,165
Interest expense for associate loans	**10**	324	**9**	316
Amortisation of bond issue costs	**191**	191	**-**	-
Non-operating difference on exchange	**1,894**	2,962	**-**	-
Others	**100**	250	**85**	149
Finance costs	**21,408**	23,950	**6,668**	7,765

10 Tax income (expense)

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

10.1 Tax income (expense) reconciliation

	The Group		CPHCL	
	2014	2013	2014	2013
	€000	€000	€000	€000
(Loss) profit before taxation	**(50,753)**	116	**2,735**	(5,531)
Income tax using the company's domestic tax rate	**17,764**	(41)	**(957)**	1,936
Effect of income subject to foreign/different tax rates	**(5,415)**	(203)	**(4,012)**	(553)
Non-tax income	**170**	3,362	**-**	882
Non-tax deductible expenses	**(2,009)**	(3,448)	**(841)**	(922)
Effect of reduction in foreign tax rates	**1,290**	-	**-**	
Current year losses for which no deferred income is recognised	**(2,454)**	(2,840)	**-**	-
Effect of other consolidation adjustments	**(3,021)**	1,488	**-**	-
Change in unrecognised temporary differences	**(560)**	6,286	**548**	375
Overprovision in previous years	**6,263**	49	**197**	-
Tax income (expense)	**12,028**	4,653	**(5,065)**	1,718

10.2 Tax recognised in income statement

	The Group		CPHCL	
	2014	2013	2014	2013
	€000	€000	€000	€000
Current taxation	**(1,795)**	1,238	**(4,639)**	-
Overprovision in previous years	**6,263**	49	**197**	-
Group tax relief	**-**	-	**465**	7
Deferred taxation	**7,560**	3,366	**(1,088)**	1,711
	12,028	4,653	**(5,065)**	1,718

Up to September 2008 Corinthia Towers Tripoli Limited (CTTL), one of the Group's subsidiaries, benefitted from a tax holiday granted by the Libyan tax authorities. CTTL applied for a three year extension of this tax holiday but in the absence of a confirmation that this was accepted by the Libyan authorities, CTTL provided for tax payable in Libya for the period October 2008 to September 2011. During the year under review CTTL received communications from Libyan authorities which show that it is entitled to benefit from an extended tax holiday period of three years starting from October 2008, being the date when the original tax holiday ended. In view of this CTTL reversed a provision for tax of € 4.7 million which was reflected in the audited financial statements for the years ended 31 December 2010 and 2011.

10.3 Tax recognised in other comprehensive income

	The Group		CPHCL	
	2014	2013	2014	2013
	€000	€000	€000	€000
Tax effect on items:				
Subsequently not reclassified:				
Impairment/revaluation of hotel properties	**5,493**	(7,866)	**62**	(3,134)
Subsequently reclassified:				
Fair value adjustment on hedging instruments	**(84)**	(403)	**-**	-
Exchange translation difference	**(1,445)**	296	**-**	-
	3,964	(7,973)	**62**	(3,134)

Refer to note 17 for information on the entity's deferred tax assets and liabilities.

11 Profit for the year from discontinued operations

At the end of 2013, the directors had agreed upon the terms of sale of an associate company, Norm Turizm Yatirim Isletmeleri a.s. to a third party for which the sale of the shares was completed in January 2014.

Profit attributable to the discontinued operations is as follows:

The Group	2014	2013
	€000	€000
Norm Turizm Yatirim Isletmeleri a.s.		
Share of results of associate company	**-**	99

12 Dividends and (loss) earnings per share

In 2014, the company declared a € 0.15 dividend per share (gross) to current and existing shareholders.

CPHCL did not declare any dividends to its equity shareholders in 2013 and 2012.

The calculation of earnings per share is based on the results for the year attributable to ordinary shareholders and the number of ordinary shares outstanding during the year of 20,000,000. The group had no dilutive potential ordinary shares as at 31 December 2014 and 2013.

13 Intangible assets

The Group	Goodwill €000	Operating contracts €000	Others €000	Total €000
Cost				
Balance at 1 January 2012	96	7,000	1,113	8,209
Additions	719	-	172	891
Balance at 31 December 2012	815	7,000	1,285	9,100
Balance at 1 January 2013	815	7,000	1,285	9,100
Exchange difference	-	-	(3)	(3)
Additions	-	-	310	310
Balance at 31 December 2013	815	7,000	1,592	9,407
Balance at 1 January 2014	815	7,000	1,592	9,407
Exchange difference	-	-	1	1
Additions	-	-	139	139
Balance at 31 December 2014	**815**	**7,000**	**1,732**	**9,547**
Amortisation				
Balance at 1 January 2012	48	1,809	329	2,186
Amortisation for the year	-	350	325	675
Balance at 31 December 2012	48	2,159	654	2,861
Balance at 1 January 2013	48	2,159	654	2,861
Exchange difference	-	-	(3)	(3)
Amortisation for the year	-	350	376	726
Balance at 31 December 2013	48	2,509	1,027	3,584
Balance at 1 January 2014	48	2,509	1,027	3,584
Amortisation for the year	-	350	277	627
Balance at 31 December 2014	**48**	**2,859**	**1,304**	**4,211**
Carrying amounts				
Balance at 31 December 2014	**767**	**4,141**	**428**	**5,336**
Balance at 31 December 2013	767	4,491	565	5,823
Balance at 31 December 2012	767	4,841	631	6,239
Balance at 1 January 2012	48	5,191	784	6,023

14 Investment property

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Balance at 1 January	**225,379**	209,800	205,224	**5,932**	925	925
Fair value adjustments (a)	**(14,629)**	7,159	4,154	**-**	-	-
Additions	**350**	215	-	**-**	-	-
Disposals	**(47)**	(106)	-	**-**	(106)	-
Adjustments	**(149)**	(102)	-	**-**	-	-
Transfer from property, plant and equipment (b)	**-**	9,964	-	**-**	5,113	-
Transfer to asset held for sale	**-**	-	(3)	**-**	-	-
Exchange differences	**(105)**	(1,551)	425	**-**	-	-
Balance at 31 December	**210,799**	225,379	209,800	**5,932**	5,932	925

a) During the year under review the fair value of investment property held by the group has been decreased by € 14.6 million (2013 - € 7.2 million increase, 2012 - € 4.2 million increase).

At the balance sheet date, the fair value of investment property held by the group in St. Petersburg has been decreased by the directors by € 9.6 million (2013 – increase € 0.4 million), relying on the expert opinion of Colliers International, an independent firm of estate valuers and consultants.

The valuation of the investment property in Lisbon gave rise to a lower value than previously recorded of € 155,000 (2013: - € 29,000), based on the expert opinion of CPU, an independent firm of consultants.

In 2014, the directors, relying on the expert opinion of external professional valuers, recognised an impairment of € 5.6 million (2013 – increase € 0.2 million) in the value of the Commercial Centre in Tripoli.

The fair value of the parcel of land adjacent to the Commercial Centre was retained.

The directors maintained that there was no change in value of the land in Marsa (Malta) following the increase of €6.6 million in 2013 determined on the basis of an open market valuation by an independent architect.

Certain properties located in Prague were revalued and it was determined that the value increased by € 0.8 million in 2014.

b) In 2013, part of the land on which the Corinthia Palace Hotel is built was reclassified to investment property as a result of the directors' decision to seek an alternative use for that land.

c) Investment property with a carrying amount of € 198 million secures general banking facilities and loans granted to the group.

d) Rental income earned by the group and the company from investment property amounted to € 10.7 million (2013: € 11.3 million, 2012: € 9.0 million) and € nil (2013: € nil and 2012: € 35,000) and direct expenses of € 1.0 million (2013: € 1.0 million, 2012: € 0.8 million) and € nil (2013 and 2012: € nil) respectively.

15 Property, plant and equipment

The Group	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Assets in the course of construction €000	Total €000
Cost or valuation					
Balance at 1.1.12	841,500	196,296	2,639	4,548	1,044,983
Exchange differences	(57)	54	(4)	1	(6)
Reclassifications	1,250	373	(6)	(1,706)	(89)
Acquisition of subsidiary	-	122		-	122
Additions	527	4,334	257	6,339	11,457
Disposals	-	(1,892)	(99)	(25)	(2,016)
Revaluation surplus	(1,938)	-	-	-	(1,938)
Balance at 31.12.12	841,282	199,287	2,787	9,157	1,052,513
Balance at 1.1.13	841,282	199,287	2,787	9,157	1,052,513
Exchange differences	(4,289)	(995)	(17)	-	(5,301)
Reclassifications	2,352	1,254	-	(3,510)	96
Additions	2,442	11,889	233	2,376	16,940
Disposals	-	(1,322)	(245)	(649)	(2,216)
Transfer to investment property	(8,614)	(104)	-	(1,781)	(10,499)
Transfer from asset held for sale	6,959	13,584	14	-	20,557
Revaluation surplus	19,980	-	-	-	19,980
Balance at 31.12.13	860,112	223,593	2,772	5,593	1,092,070
Balance at 1.1.14	860,112	223,593	2,772	5,593	1,092,070
Exchange differences	(1,685)	26	22	(1)	(1,638)
Reclassifications	417	1,022	-	(1,439)	-
Additions	1,081	3,144	16	2,456	6,697
Disposals	(2)	(1,546)	(76)	(311)	(1,935)
Revaluation surplus	17,199	-	-	-	17,199
Balance at 31.12.14	**877,122**	**226,239**	**2,734**	**6,298**	**1,112,393**

	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Assets in the course of construction €000	Total €000
Depreciation					
Balance at 1.1.12	187,506	156,448	2,466	-	346,420
Exchange differences	(5)	125	(8)	-	112
Reclassifications	2		(2)	-	-
Acquisition of subsidiary	-	112	-	-	112
Charge for the year	15,208	12,989	142	-	28,339
Net impairment losses (note 15.1)	18,685	-	-	-	18,685
Released on disposal	-	(1,546)	(94)	-	(1,640)
Balance at 31.12.12	221,396	168,128	2,504	-	392,028
Balance at 1.1.13	221,396	168,128	2,504	-	392,028
Exchange differences	(756)	(955)	(13)	-	(1,724)
Charge for the year	15,416	13,577	131	-	29,124
Transfer to investment property	(489)	(46)	-	-	(535)
Transfer from asset held for sale	825	9,483	2	-	10,310
Net impairment losses (note 15.1)	3,200	-	-	-	3,200
Released on disposal	-	(1,197)	(186)	-	(1,383)
Revaluation surplus	(1,335)	-	-	-	(1,335)
Balance at 31.12.13	238,257	188,990	2,438	-	429,685
Balance at 1.1.14	238,257	188,990	2,438	-	429,685
Exchange differences	(310)	(224)	22	-	(512)
Charge for the year	15,666	7,711	125	-	23,502
Reclassifications	14	(14)	-	-	-
Net impairment losses of hotel properties (note 15.1)	39,543	-	-	-	39,543
Other impairment losses	7	8	-	-	15
Released on disposal	(2)	(1,071)	(54)	-	(1,127)
Balance at 31.12.14	**293,175**	**195,400**	**2,531**	**-**	**491,106**
Carrying amounts					
At 31 December 2014	**583,947**	**30,839**	**203**	**6,298**	**621,287**
At 31 December 2013	621,855	34,603	334	5,593	662,385
At 31 December 2012	619,886	31,159	283	9,157	660,485
At 1 January 2012	653,994	39,848	173	4,548	698,563

CPHCL	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Total €000
Cost or valuation				
Balance at 1.1.12	964	8,161	1,241	10,366
Exchange differences	-	-	(3)	(3)
Additions	-	49	-	49
Disposals	-	(11)	-	(11)
Balance at 31.12.12	964	8,199	1,238	10,401
Balance at 1.1.13	964	8,199	1,238	10,401
Transfer from asset held for sale	6,959	13,584	14	20,557
Exchange differences	-	-	(2)	(2)
Additions	-	3	159	162
Disposals	-	(2)	(32)	(34)
Revaluation	18,133	-	-	18,133
Transfer to investment property	(5,113)	-	-	(5,113)
Balance at 31.12.13	20,943	21,784	1,377	44,104
Balance at 1.1.14	20,943	21,784	1,377	44,104
Exchange differences	-	-	18	18
Additions	-	203	16	219
Disposals	(2)	(40)	(40)	(82)
Balance at 31.12.14	**20,941**	**21,947**	**1,371**	**44,259**
Depreciation				
Balance at 1.1.12	765	8,007	1,164	9,936
Exchange differences	-	-	(2)	(2)
Change for the year	33	54	44	131
Released on disposal	-	(10)	-	(10)
Balance at 31.12.12	798	8,051	1,206	10,055
Balance at 1.1.13	798	8,051	1,206	10,055
Transfer from asset held for sale	825	9,483	2	10,310
Exchange differences	2	(1)	(4)	(3)
Charge for the year	532	1,755	33	2,320
Released on disposal	-	-	(25)	(25)
Revaluation surplus	(1,335)	-	-	(1,335)
Balance at 31.12.13	822	19,288	1,212	21,322
Balance at 1.1.14	822	19,288	1,212	21,322
Exchange differences	-	-	18	18
Charge for the year	398	590	41	1,029
Released on disposal	(2)	(29)	(40)	(71)
Impairment	7	8	-	15
Balance at 31.12.14	**1,225**	**19,857**	**1,231**	**22,313**
Carrying amounts				
At 1 December 2014	**19,716**	**2,090**	**140**	**21,946**
At 1 December 2013	20,121	2,496	165	22,782
At 31 December 2012	166	148	32	346
At 1 January 2012	199	154	77	430

15.1 Impairment of assets

The group has opted to have its hotels and investment properties valued by third party experts. This process involves the preparation of 10 year future cash flows prepared by an expert in the hospitality industry and financial modelling by an independent accounting firm to determine an appropriate discount rate, to arrive at a value in use assessment, in line with the requirements of IAS 36, *Impairment of Assets*. This exercise has been ongoing on a yearly basis since 2003 and was once again repeated in the year under review.

A value in use assessment has been carried out by independent advisors for the group's hotels and investment properties. In the case of the Corinthia Hotel Tripoli, in view of the significant difficulty in arriving at a value in use of the property in the present uncertain environment prevailing in Libya, the independent advisors presented several considerations and parameters to the directors for their consideration. After giving due consideration to these proposals, the directors agreed to apply the increased country and other risk premia proposed by the independent accountants for the ten year projections. These higher premiums were taken into consideration in determining the discount rate to be applied for 2014 for these assets.

In consequence of the higher discount rate applied and the weaker outlook on future performance, the value of the hotel property was impaired by € 34.8 million. This reduction was reviewed by the group's auditor, who considered it to be reasonable in the prevailing circumstances.

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

Impairment losses and reversals have been recognised as follows:

The Group	Recognised at 1.1.12 €000	Change €000	Recognised at 31.12.12 €000
Hotel property			
Corinthia Hotel St George's Bay, Malta	2,803	-	2,803
Corinthia Hotel & Spa Lisbon	906	6,402	7,308
Corinthia Hotel Prague	17,260	(3,515)	13,745
Corinthia Hotel Budapest	19,678	3,022	22,700
Corinthia Panorama Hotel	4,007	-	4,007
Amber Hotels	1,237	-	1,237
Corinthia Hotel Tripoli	20,300	-	20,300
Ramada Plaza Hotel Budapest	1,057	-	1,057
Corinthia Hotel St. Petersburg	12,703	10,889	23,592
	79,951	18,685	98,636
Recognised in equity		(12,283)	
Recognised in income statement		(6,402)	
		-	

The Group	Recognised at 1.1.13 €000	Change €000	Recognised at 31.12.13 €000
Hotel property			
Corinthia Hotel St George's Bay Malta	2,803	-	2,803
Corinthia Hotel & Spa Lisbon	7,308	(5,000)	2,308
Corinthia Hotel Prague	13,745	-	13,745
Corinthia Hotel Budapest	22,700	-	22,700
Corinthia Panorama Hotel	4,007	-	4,007
Amber Hotels	1,237	-	1,237
Corinthia Hotel Tripoli	20,300	-	20,300
Ramada Plaza Hotel Budapest	1,057	-	1,057
Corinthia Hotel St. Petersburg	23,592	8,200	31,792
Marina Hotel St. George's Bay, Malta	1,887	-	1,887
	98,636	3,200	101,836
Recognised in equity		(8,200)	
Recognised in income statement		5,000	
		-	

The Group	Recognised at 1.1.14 €000	Change €000	Recognised at 31.12.14 €000
Hotel property			
Corinthia Hotel St George's Bay Malta	2,803	-	2,803
Corinthia Hotel & Spa Lisbon	2,308	(1,240)	1,068
Corinthia Hotel Prague	13,745	-	13,745
Corinthia Hotel Budapest	22,700	(10,357)	12,343
Corinthia Panorama Hotel	4,007	-	4,007
Amber Hotels	1,237	-	1,237
Corinthia Hotel Tripoli	20,300	34,852	55,152
Ramada Plaza Hotel Budapest	1,057	(1,057)	-
Corinthia Hotel St. Petersburg	31,792	19,111	50,903
Marina Hotel St. George's Bay, Malta	1,887	(1,766)	121
	101,836	39,543	141,379
Recognised in equity		(44,713)	
Recognised in income statement		5,170	
		-	

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

Hotel property

	Pre-tax discount rate		
	2014	2013	2012
	%	%	%
Marina Hotel St. George's Bay	8.96	-	8.15
Corinthia Hotel and Spa Lisbon	7.87	8.69	8.10
Corinthia Hotel Prague	6.85	7.53	7.66
Corinthia Hotel Budapest	8.20	8.76	8.82
Corinthia Hotel Tripoli	12.32	10.88	11.30
Corinthia Hotel St. Petersburg	11.38	10.68	9.64

The value of the Corinthia Hotel St. George's Bay was based on its market value. There was no indication of impairment of other hotel properties.

15.2 Revaluation to fair value of hotel properties

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

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

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

In 2013, the Corinthia Palace Hotel was revalued to € 27.5 million on the basis of an open market valuation carried out by an independent architect.

15.3 Historic cost of hotel properties

The carrying amounts of the land and buildings that would have been included in these financial statements had these assets been carried at cost less accumulated depreciation thereon would be € 556.7 million (2013: € 612.3 million, 2012: € 615.1 million).

15.4 Security

Certain tangible fixed assets owned by the group are hypothecated in favour of the group's bankers as collateral for amounts borrowed (refer to note 24).

16 Investments in subsidiaries and associates

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

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Equity in subsidiary companies (note 16.2)	**-**	-	-	**382,570**	382,570	382,566
Loans to subsidiary companies	**-**	-	-	**12,958**	24,315	25,740
Impairment loss (note 16.8)	**-**	-	-	**(1,879)**	(1,877)	(1,965)
	-	-	-	**393,649**	405,008	406,341
Equity in associate companies (note 16.4)	**276,691**	276,925	237,509	**24,094**	24,094	24,094
Loans to associate companies	**7,598**	48,549	48,671	**1,774**	1,774	1,775
Impairment loss (note 16.8)	**(12)**	(12)	-	**(12)**	(12)	-
	284,277	325,462	286,180	**25,856**	25,856	25,869

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

16.1 Equity investments

Subsidiary companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2014	2013	2014	2013	
		%	%	%	%	
Quoted						
International Hotel Investments p.l.c.	22, Europa Centre, Floriana, Malta	59	59	59	59	Investment
Unquoted						
Afina Ag	CH-4336 Kaisten Eigematt 15 Switzerland	100	100	-	-	Investment
Alfa Investimentos Turisticos Lda	Avenida Columbana Bordalo Pinheiro Lisboa 1099-031, Portugal	59	59	-	-	Hotel owner
Amber Hotels s.r.o.	Milevska 7, Prague 4 Czech Republic	100	100	100	100	Hotel owner and operator
Benghasir for Construction Company	Souk Al Thulatha Al Gadim Tripoli, Libya	90	-	-	-	Project management services
Benghasir Concrete Manufacturing Joint Stock Company	Airport Highway Tripoli, Libya	90	-	-	-	Concrete manufacturer
Catering Contractors Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Restaurant and catering services

Subsidiary companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2014 %	2013 %	2014 %	2013 %	
CHI Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Hotel management
Comox Enterprises Limited	Agiou Nicolau, 41-49, Nimeli Court, Egkomi PC2408, Nicosia,Cyprus	100	100	100	100	Investment
Corinthia Company Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Investment
Corinthia Construction (Overseas) Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Construction
Corinthia Finance p.l.c.	22, Europa Centre, Floriana, Malta	100	100	100	100	Investment
Corinthia Investments Limited	1, Brentham House 43c High Street Hampton Wick, Kingston-Upon-Thames, Surrey, UK	100	100	100	100	Investment
Corinthia Palace Holdings Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Investment
CPHCL Investments Limited	22, Europa Centre Floriana, Malta	100	100	100	100	Investment
Corinthia Overseas Holdings Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Investment
Corinthia Panorama s.r.o.	Milevska 7, Prague 4, Czech Republic	100	100	100	100	Hotel owner
Corinthia Restaurants Kft	3527 Miskolc Bajcsy Zsilinszky U.17 Budapest, Hungary	100	100	-	-	Property owner
Corinthia Services Limited	34, Place de 7 Novembre 1987 Tunis, Tunisia	99	99	99	99	Non trading
Corinthia Towers Tripoli Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Hotel owner
Corinthia Tunisie sarl	Les Cotes de Carthage, Ghammarth, Tunisia	100	100	100	100	Non trading

Subsidiary companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2014 %	2013 %	2014 %	2013 %	
Corinthia Turizm Yatirimlari ve Ticaret a.s.	Tayyareci Ethem Sokak No.24 Kat4 Daire 13, 80090 Gumussuyu Istanbul, Turkey	100	100	-	-	Hotel owner
Danish Bakery Limited	22, Europa Centre, Floriana, Malta	65	65	65	65	Bakery
D.X. Design Consultancy Ltd	22, Europa Centre, Floriana, Malta	92	92	-	-	Project management services
Five Star Hotels Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Hotel owner
Flight Catering Company Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Inflight services
HNS Consultancy Services Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Consultancy services
House of Catering for Catering Services Co. Limited	Souk Al Thulatha Al Gadim Tripoli, Libya	90	-	-	-	Catering Services
International Operating and Managing Facilities Establishments Limited	Souk Al Thulatha Al Gadim Tripoli, Libya	90	-	-	-	Building and facilities management services
IHI Benelux Bv	Frederick Roeskestraat 123 1076 EE Amsterdam P.O. Box 72888 1070 AC Amsterdam The Netherlands	59	59	-	-	Hotel owner
IHI Benghazi Limited	22, Europa Centre, Floriana, Malta	44	44	-	-	Investment
IHI Cyprus Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	59	59	-	-	Investment
IHI Hungary Rt	1072, Budapest, Klauzal ter.3, Hungary	59	59	-	-	Hotel owner
IHI Lisbon Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Investment

Subsidiary companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2014 %	2013 %	2014 %	2013 %	
IHI St Petersburg LLC	1/36 Volynsky per., St. Petersburg, Russian Federation	59	59	-	-	Investment
IHI Towers s.r.o	Kongresova 1655/1 1406/69 Praha 5 Czech Republic	59	59	-	-	Hotel owner
IHI Zagreb d.d.	Centar Kaptol, Nova Kes 11, 10000 Zagreb, Croatia	59	59	-	-	Investment
Internasyonal Turizm ve Otelcilik a.s.	Osmanli Sokok No.24 Kat 4 Daire 13 80090 Gumussuyu Istanbul, Turkey	100	100	-	-	Hotel owner
Konopiste Property Holding s.r.o.	Milevska 1695/7 Prague 4 Czech Republic	100	100	100	100	Hotel owner
Libya Holding Development Investments J.S.C.	Benghazi, Libya	32	-	-	-	Hotel owner
Marina San Gorg Limited	22, Europa Centre Floriana, Malta	59	59	-	-	Hotel owner
Marsa Investments Limited	22, Europa Centre Floriana, Malta	100	100	100	100	Investment property and hotel operator
Misurata Holdings Limited	22, Europa Centre Floriana, Malta	100	100	100	100	Non-trading
QPM Limited	22, Europa Centre Floriana, Malta	92	92	80	80	Project management services
Pankrac Property Holdings s.r.o.	Milevska 1695/7, Prague 4, Czech Republic	100	-	100	-	Investment property owner
Palm Waterfront Development Ltd	22, Europa Centre Floriana, Malta	100	100	100	100	Non-trading
QPM (Africa) Limited	22, Europa Centre Floriana, Malta	93	93	20	20	Non-trading

Subsidiary companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2014 %	2013 %	2014 %	2013 %	
QPM (UK) Limited	Gate House, 5th Floor 1, St. John's Square London EC1N 4DH United Kingdom	92	92	-	-	Project management services
Societe de Promotion Hoteliere Khamsa s.a.	Les Cotes de Carthage, Gammarth, Tunisia	100	100	65	65	Hotel owner
Swan Laundry and Drycleaning Company Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Laundry
Thermal Hotel Aquincum Rt	Arpad Fejedelem Utja 94, H-1036 Budapest Hungary	100	100	-	-	Hotel owner
Top. Spirit a.s.	Milevska 7, 14063 Prague P.O. Box 41 Czech Republic	100	100	100	100	Investment

Associate companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2014 %	2013 %	2014 %	2013 %	
Atkins Travel Limited	Towngate House, 2, Parkstone Road, Poole, Dorset BH15 2PJ United Kingdom	43	43	-	-	Tour operator
B.C.W. Limited	3, Princess Elizabeth Terrace, Ta' Xbiex, Malta	33	33	33	33	Non-trading
Café Jubilee Zrt	1055 Budapest, Szent Istvan krt. 13, Hungary	50	50	50	50	Restaurant and café
CaterMax Limited	22 Europa Centre, Floriana, Malta	50	50	-	-	Catering services
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	29	29	-	-	Investment

Associate companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2014 %	2013 %	2014 %	2013 %	
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	29	29	-	-	Investment
Malta Fairs and Conventions Centre Limited	Millenium Stand, Level 1, 33, National Stadium, Ta' Qali	50	50	-	-	Trade conference and leisure conventions
Medina Towers J.S.C.	Suite 107, Tower 2, Level 10 Burj Al Fateh, Tripoli, Libya	27	27	-	-	Owns the Medina Towers Project
Mediterranean Investments Holding p.l.c.	22, Europa Centre, Floriana, Malta	50	50	50	50	Investment
NLI Holdings Limited (Group)	CTV House, La Pouqelaye, St Helier, Jersey	29	29	-	-	Parent company of NLI group
Norm Turizm Yatirim Isletmeleri a.s.	Mobucan Yokusu, 17/2 Findikli, Istanbul, Turkey	-	40	-	-	Hotel owner
Palm City Limited	22, Europa Centre, Floriana, Malta	50	50	-	-	Property development and operator
Palm Waterfront Limited	22, Europa Centre, Floriana, Malta	50	50	-	-	Property development and operator
Scalotel-Sociedade Escalabitana Hoteleira s.a.	Avenida Madre Andaluz Freguesia de Marvila, Cancelho de Santarem, Portugal	41	41	-	-	Hotel owner

16.2 Equity in subsidiary companies

		CPHCL	
	2014	2013	2012
	€000	€000	€000
At 1 January	**382,570**	382,566	379,167
Acquisition of equity in:			
Corinthia Finance p.l.c.	**-**	-	17
Misurata Holdings Limited	**-**	2	-
Palm Waterfront Development Limited	**-**	2	-
Corinthia Construction (Overseas) Limited	**-**	-	3,382
At 31 December	**382,570**	382,570	382,566

All investments were purchased at the nominal value of shares received i.e. at par, except for Corinthia Construction (Overseas) Limited which was acquired for € 3.38 million.

The acquisition of equity in Pankrac Property Holdings s.r.o. amounting to € 3.53 million was made through a spin off transaction involving Top Spirit a.s.

16.3 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	
	2014	2013	2014	2013	2014	2013
	%	%	€000	€000	€000	€000
Danish Bakery Limited	35	35	259	260	1,167	1,135
IHI group	41	41	(6,706)	10,814	244,774	258,087

Dividend paid to NCI of Danish Bakery Limited amounted to € 227,500 (2013: € 192,500). Dividends paid to the NCI of IHI group amounted to € 6.9 million (2013: € nil).

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

	Danish Bakery Limited		IHI group	
	2014	2013	2014	2013
	€000	€000	€000	€000
Non-current assets	2,773	2,850	961,305	1,042,268
Current assets	2,244	1,976	50,735	50,404
Total assets	**5,017**	**4,826**	**1,012,040**	**1,092,672**
Non-current liabilities	(423)	(441)	(354,402)	(390,061)
Current liabilities	(1,261)	(1,142)	(62,824)	(76,120)
Total liabilities	**(1,684)**	**(1,583)**	**(417,226)**	**(466,181)**
Equity attributable to owners of the parent	**2,166**	**2,108**	**349,410**	**368,404**
Non-controlling interests	**1,167**	**1,135**	**245,404**	**258,087**

	Danish Bakery Limited		IHI group	
	2014	2013	2014	2013
	€000	€000	€000	€000
Revenue	**5,464**	**5,674**	**116,379**	**123,734**
Profit (loss) for the year attributable to owners of the parent	482	482	(9,562)	157
Profit (loss) for the year attributable to NCI	259	260	(6,706)	109
Profit (loss) for the year	**741**	**742**	**(16,268)**	**266**
Other comprehensive income attributable to owners of the parent	-	-	351	15,322
Other comprehensive income attributable to NCI	-	-	246	10,647
Other comprehensive income for the year	**-**	**-**	**597**	**25,969**
Total comprehensive income (expense) for the year attributable to owners of the parent	482	482	(9,211)	15,479
Total comprehensive income (expense) for the year attributable to NCI	259	260	(6,460)	10,756
Total comprehensive income (expense) for the year	**741**	**742**	**(15,671)**	**26,235**

	Danish Bakery Limited		IHI group	
	2014	2013	2014	2013
	€000	€000	€000	€000
Net cash from operating activities	1,565	1,243	30,016	42,078
Net cash used in investing activities	(583)	(461)	(4,190)	(4,284)
Net cash used in financing activities	(859)	(763)	(13,467)	(43,666)
Net cash inflow (outflow)	**123**	**19**	**12,359**	**(5,872)**

16.4 Equity in associate companies

		The Group	
	2014	2013	2012
	€000	€000	€000
At 1 January	**276,925**	237,509	178,102
Exchange differences	**9,377**	(1,716)	1,477
Additions	**-**	-	9,100
Liquidated	**-**	-	(133)
Group's share of dividend paid by associate companies	**-**	(131)	(160)
Group's share of results:			
- income statement – continuing operations	**(29,075)**	425	29,242
- income statement – discontinued operations	**-**	99	140
- other comprehensive income	**19,464**	41,616	19,741
Adjustments	**-**	545	-
Transfer to assets held for sale	**-**	(1,422)	-
At 31 December	**276,691**	276,925	237,509

16.5 Financial information of associate companies that are individually material

The group has three material associates, Medina Towers J.S.C., NLI Holdings Limited group and Mediterranean Investments Holding p.l.c. group.

Summarised financial information is set out below:

Medina Towers J.S.C.	2014 €000	2013 €000
Non-current assets	38,465	37,475
Current assets	12,589	13,881
Total assets	**51,054**	**51,356**
Current liabilities	(524)	(325)
Total liabilities	**(524)**	**(325)**
Revenue	**-**	**-**
Profit for the year	**19**	**188**
Other comprehensive income	**-**	**-**
Total comprehensive income	**19**	**188**

Mediterranean Investments Holding p.l.c. group	2014 €000	2013 €000
Non-current assets	271,876	332,385
Current assets	18,936	18,522
Total assets	**290,812**	**350,907**
Non-current liabilities	(106,265)	(145,035)
Current liabilities	(46,500)	(39,732)
Total liabilities	**(152,765)**	**(184,767)**
Revenue	**30,091**	**30,875**
(Loss) profit for the year	**(28,092)**	**13,792**
Other comprehensive expense	**-**	**(46)**
Total comprehensive income	**(28,092)**	**13,746**

NLI Holdings Limited group	2014 €000	2013 €000
Non-current assets	592,104	648,596
Current assets	13,063	14,273
Total assets	**605,167**	**662,869**
Non-current liabilities	(163,796)	-
Current liabilities	(26,800)	(283,052)
Total liabilities	**(190,596)**	**(283,052)**
Revenue	**60,987**	**55,700**
Loss for the year	**(29,133)**	**(11,797)**
Other comprehensive income	**36,760**	**83,272**
Total comprehensive income	**7,627**	**71,475**

16.6 Reconciliation of summarised financial information

A reconciliation of the above summarised financial information to the carrying amount of the investment in associate companies is set out below:

Name of associate	Net assets		Carrying amount	
	2014 €000	2013 €000	2014 €000	2013 €000
Medina Towers J.S.C.	50,083	49,681	12,701	12,420
Mediterranean Investments Holding p.l.c. group	138,048	166,140	69,024	83,070
NLI Holdings Limited group	414,571	379,818	207,285	189,909
Difference on exchange on original cost of investment			(12,619)	(10,035)
			276,391	275,364

16.7 Gross aggregate amounts of financial information of associate companies that are not individually material

Summarised aggregated financial information of the group's share in these associates:

	2014 €000	2013 €000
Loss for the year	(123)	(483)
Other comprehensive income	1,084	-
Total comprehensive income (expense)	**961**	**(483)**
Aggregate carrying amount of the group's interests in these associates	**300**	**1,561**
Share of contingent liabilities of associates	**800**	**800**

16.8 Impairment loss

The carrying amount of the investment in and loan to Corinthia Tunisie Sarl were found to be impaired in 2009 and a total impairment loss of € 2.04 million has been recognised in the income statement of CPHCL by the end of 2014.

In 2011, the company recognised an impairment on the investment in and loan to Amber Hotels s.r.o of € 268,000. This amount was reversed in 2012.

In 2013, the company recognised an impairment on the investments in B.C.W. Limited and Comox Enterprises Limited amounting to € 12,000 and € 1,000 respectively.

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

16.9 Significant judgements and assumptions

The group holds 50% of the ordinary shares and voting rights of Café Jubilee Zrt, CaterMax Limited and Mediterranean Investments Holding p.l.c. (MIH group). Management has reassessed its involvement in these companies in accordance with the revised control definition and guidance in IFRS 10. It has concluded that it has significant influence but not outright control, which rests with the boards of those companies.

17 Deferred tax assets and liabilities

The Group Deferred tax liabilities (assets)	2014 €000	2013 €000	2012 €000
Tax effect of temporary differences relating to:			
Excess of tax base over carrying amount of tangible and intangible fixed assets	**34,384**	33,540	29,819
Provision for doubtful debts	**(43)**	(43)	(459)
Unrelieved tax losses and unabsorbed capital allowances	**(3,249)**	(4,593)	(19,895)
Investment in associate	**29,156**	20,748	14,714
Revaluation of land, buildings and investment property	**53,176**	73,158	74,766
Provision for exchange differences	**815**	(651)	479
Other	**(21,628)**	(18,024)	772
	92,611	104,135	100,196
Disclosed as:			
Deferred tax liability	**97,425**	110,711	102,762
Deferred tax asset	**(4,814)**	(6,576)	(2,566)
	92,611	104,135	100,196
Unrecognised deferred tax asset:			
Unrelieved tax losses	**10,533**	11,276	12,175

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

The expiry date of tax losses is as follows:

	2014 €000	2013 €000	2012 €000
2013	**-**	-	2,520
2014	**-**	3,085	3,085
2015	**5,078**	3,375	3,375
2016	**-**	2,704	2,704
2017	**2,742**	1,703	1,703
2018	**592**	2,745	2,745
2019	**-**	535	-
	8,412	14,147	16,132

CPHCL Deferred tax liabilities (assets)	2014 €000	2013 €000	2012 €000
Tax effect of temporary differences relating to:			
Revaluation of land, buildings and investment property	**3,072**	3,134	-
Unrelieved tax losses and unabsorbed capital allowances	**(2,795)**	(3,883)	(2,172)
	(277)	(749)	(2,172)
Disclosed as:			
Deferred tax liability	**3,072**	3,134	-
Deferred tax asset	**(2,795)**	(3,883)	(2,172)
	(277)	(749)	(2,172)
Unrecognised deferred tax asset:			
Unrelieved tax losses	**5,361**	7,527	7,900

18 Inventories

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Food and beverages	**927**	1,039	1,096	**79**	63	60
Consumables and other	**5,887**	6,050	5,818	**187**	208	181
Goods held for resale	**110**	83	55	**-**	-	-
Loose tools	**135**	105	8	**-**	-	-
Work-in-progress	**320**	283	321	**-**	-	-
	7,379	7,560	7,298	**266**	271	241

19 Trade and other receivables

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Trade receivables	**20,485**	29,994	26,365	**1,615**	1,265	1,485
Allowance for doubtful debts	**(4,640)**	(6,970)	(6,044)	**(674)**	(655)	(634)
	15,845	23,024	20,321	**941**	610	851
Amounts due from subsidiaries	**-**	-	-	**11,704**	9,736	8,430
Amounts due from associates	**5,072**	5,868	20,795	**881**	664	661
Other receivables	**2,082**	3,321	9,285	**301**	974	2,007
Accrued income	**4,266**	3,127	1,620	**185**	-	-
Financial assets	**27,265**	35,340	52,021	**14,012**	11,984	11,949
Prepaid expenses	**7,831**	8,514	4,859	**1,873**	2,396	2,398
Total receivables – current	**35,096**	43,854	56,880	**15,885**	14,380	14,347

The carrying values of short-term loans and receivables are considered a reasonable approximation of fair value.

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

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

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

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Not past due	**4,233**	11,500	3,058	**92**	276	267
Past due 30 - 60 days	**2,518**	3,340	5,604	**184**	209	145
Past due 61 - 120 days	**3,878**	2,964	4,253	**478**	72	278
Past due more than 121 days	**5,216**	5,220	7,406	**187**	53	161
	15,845	23,024	20,321	**941**	610	851

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

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Balance at 1 January	**6,970**	6,044	5,243	**655**	634	634
Exchange difference	**4**	-	-	**-**	-	-
Impairment losses recognised	**1,081**	941	801	**19**	21	-
Impairment losses reversed	**(85)**	(15)	-	**-**	-	-
Write offs	**(3,330)**	-	-	**-**	-	-
Balance at 31 December	**4,640**	6,970	6,044	**674**	655	634

20 Cash and cash equivalents

Cash and cash equivalents include the following components:

The Group	2014	2013	2012
	€000	€000	€000
Current	**26,404**	15,249	21,649
Cash and cash equivalents in the balance sheet	**26,404**	15,249	21,649
Bank overdraft	**(10,313)**	(15,296)	(8,676)
Cash and cash equivalents in the statement of cash flows	**16,091**	(47)	12,973

CPHCL	2014	2013	2012
	€000	€000	€000
Current	**154**	368	117
Cash and cash equivalents in the balance sheet	**154**	368	117
Bank overdraft	**(8,367)**	(9,994)	(3,486)
Cash and cash equivalents in the statement of cash flows	**(8,213)**	(9,626)	(3,369)

The group bank balances include amounts of € 4.6 million (2013: € 3.4 million, 2012: € 3.4 million) set aside by four subsidiary companies for debt servicing requirements and € 1.7 million (2013: € 1.7 million, 2012: € 0.9 million) set aside by another subsidiary for capital expenditure purposes.

21 Assets held for sale

In 2012, the Corinthia Palace Hotel property was held for sale following the directors' decision to dispose of this property. Subsequently at the end of 2013, the directors reached agreement not to sell the property. As a result of such decision, the 2012 income statements are re-presented to be part of continuing operations and the asset ceases to be classified as assets held for sale.

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Corinthia Palace Hotel						
Property, plant and equipment	-	-	9,324	-	-	9,848
Amber Hotels s.r.o.						
Investment property	-	-	80	-	-	-
Norm Turizm Yatirim Isletmeleri a.s.						
Investment in associate						
Cost	-	1,422	-	-	-	-
Deposit received	-	(200)	-	-	-	-
	-	1,222	-	-	-	-
Total assets held for sale	-	1,222	9,404	-	-	9,848

22 Called-up issued share capital

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

	2014	2013	2012
	€000	€000	€000
Shares issued and fully paid at 31 December			
Ordinary shares	**20,000**	20,000	20,000
Shares authorised at 31 December			
Ordinary shares	**20,000**	20,000	20,000

23 Other reserves

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

The Group	Translation difference €000	Revaluation reserve €000	Other equity components €000	Total €000
At 1 January 2012	62,546	121,084	9,317	192,947
Reclassifications to retained earnings	(10,150)	-	-	(10,150)
Transfer to non-controlling interest on transfer of Marina San Gorg Limited	-	(3,019)	-	(3,019)
Net revaluation (impairment) of properties	-	2,595	-	2,595
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	197	-	-	197
- on deferred tax	344	-	-	344
Current year gains	-	-	638	638
At 31 December 2012	52,937	120,660	9,955	183,552
At 1 January 2013	52,937	120,660	9,955	183,552
Reclassifications to retained earnings	-	(2,474)	(1,509)	(3,983)
Net revaluation/(impairment) of properties	-	34,010	-	34,010
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	(4,618)	-	-	(4,618)
- on deferred tax	296	-	-	296
Current year gains	-	-	1,759	1,759
At 31 December 2013	48,615	152,196	10,205	211,016
At 1 January 2014	48,615	152,196	10,205	211,016
Reclassifications to retained earnings	-	(1,782)	(792)	(2,574)
Net revaluation (impairment) of properties	-	(477)	-	(477)
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	2,779	-	-	2,779
Current year gains	-	-	733	733
At 31 December 2014	**51,394**	**149,937**	**10,146**	**211,477**

CPHCL

At 31 December 2014 the company's other reserves comprised mainly € 16.1 million (2013: € 20.2, 2012: 2.1 million) representing revaluation surplus and € 2.8 million (2013: € 3.9 million, 2012: € 2.2 million) representing deferred tax.

24 Bank borrowings

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Bank overdraft	**10,313**	15,296	8,676	**8,367**	9,994	3,486
Bank loans	**253,634**	271,383	292,414	**8,219**	16,004	18,158
Total borrowings	**263,947**	286,679	301,090	**16,586**	25,998	21,644
Comprising:						
Long term borrowings						
- due within 2 - 5 years	**122,133**	115,108	126,888	**4,841**	3,721	14,679
- due later than 5 years	**102,635**	118,892	137,182	**-**	-	-
	224,768	234,000	264,070	**4,841**	3,721	14,679
Borrowings due within 12 months						
- bank overdraft	**10,313**	15,296	8,676	**8,367**	9,994	3,486
- bank loans	**28,866**	37,383	28,344	**3,378**	12,283	3,479
	39,179	52,679	37,020	**11,745**	22,277	6,965

a) Bank borrowings have the following terms:

The Group	Total amount of bank borrowings 2014 €000	2013 €000	2012 €000	Interest rate	Within 1 year €000	Repayable between 2-5 years €000	After 5 years €000
Alfa Investimentos Turisticos Lda	**31,622**	35,215	37,007	1.25% over 3 month Euribor	2,664	11,006	17,952
CHI Limited	**1,857**	1,907	1,520	2.5% over bank base rate	1,145	712	-
Corinthia Construction (Overseas) Limited	**3,779**	4,491	1,512	2.75%-4.85% over bank base rate	1,679	2,100	-
Corinthia Panorama s.r.o.	**16,177**	16,984	19,764	1.45% over 3 month Euribor	835	3,637	11,705
Corinthia Towers Tripoli Limited	**36,917**	42,000	51,500	1.5% over 3 month Libor/2-3.5% over 3 month Euribor	6,917	30,000	-
Danish Bakery Limited	**20**	220	408	2.5 % over bank base rate	20	-	-
Five Star Hotels Limited	**1,620**	4,022	4,854	2.5% over bank base rate	1,620	-	-
IHI Benelux Bv	**55,248**	55,837	49,095	5.0% over 3 month Euribor	1,101	11,083	43,064
IHI Hungary Rt	**29,235**	31,383	33,396	2.9% over 3 month Euribor (composite rate)	2,298	26,937	-
IHI Towers s.r.o.	**30,840**	33,018	40,126	1.45% over 3 month Euribor	2,254	9,815	18,771
International Hotel Investments p.l.c.	**8,100**	11,200	13,300	2.5% over bank base rate/1.5% over 6 month Euribor	3,100	5,000	-
Marina San Gorg Limited	**9,574**	953	1,483	2.5 % over bank base rate	1,362	8,212	-
Pankrac Property Holdings s.r.o.	**1,300**	-	-	2.95% over 3 months PRIBOR	69	383	848
S.P.H. Khamsa s.a.	**5,889**	6,679	7,976	1.5% over 3 month Euribor	945	4,286	658
Swan Laundry and Drycleaning Co. Ltd	**200**	530	504	2.5 % over bank base rate	142	58	-
QPM Limited	**400**	800	800	5.1% per annum	400	-	-
Thermal Hotel Aquincum Rt	**14,583**	15,442	16,201	2% over 3 month Euribor	883	4,063	9,637
	247,361	260,681	279,446		27,434	117,292	102,635
CPHCL (see below)	**16,586**	25,998	21,644		11,745	4,841	-
	263,947	286,679	301,090		39,179	122,133	102,635

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

b) Bank loans and overdrafts amounting to € 17.0 million (2013 - € 26.0 million, 2012 - € 21.6 million) pertaining to CPHCL are secured by general and special hypothecs over its tangible fixed assets and by guarantees given by other group companies.

The repayment terms of these borrowings are set out below:

CPHCL	Total amount of bank Borrowings 2014 €000	2013 €000	2012 €000	Interest rate	Within 1 year €000	Repayable between 2-5 years €000	After 5 years €000
Bank loans	**8,219**	16,004	18,158	1.5 – 2.5% over bank base rate	3,378	4,841	-
Bank overdraft	**8,367**	9,994	3,486	1.5% over euro base rate/2.5% over bank base rate	8,367	-	-
	16,586	25,998	21,644		11,745	4,841	-

25 Bonds

25.1 Bonds in issue

The group has the following bonds in issue:

The Group	Interest rate %	Repayable by	2014 €000	2013 €000	2012 €000
Redeemable bonds					
Bond 4	6.30	15 February 2014	**-**	-	4,054
Bond 5	6.20	15 February 2014	**-**	-	1,690
Bond 6	6.50	27 March 2014	**-**	2,500	12,475
Bond 7	6.25	10 July 2019	**34,762**	34,679	34,600
Bond 8	6.25	23 September 2019	**39,928**	39,967	40,000
Bond 9	6.25	8 April 2020	**24,641**	24,759	24,711
Bond 10	5.80	21 December 2021	**19,633**	19,591	19,557
Bond 11	6.00	29 March 2022	**7,500**	7,500	7,500
Bond 12	5.80	14 November 2023	**9,876**	9,865	-
			136,340	138,861	144,587
Non-current			**136,340**	136,361	138,843
Current			**-**	2,500	5,744
			136,340	138,861	144,587

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

In the case of bonds 6, 7, 8, 9 and 11 the respective company has the right to redeem the bond or any part thereof at any time prior to the stated maturity date during the redemption option period.

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

25.2 Investment held by trustees

Investment held by trustees comprise the following:

The Group	2014 €000	2013 €000	2012 €000
AFS financial assets:			
- Malta Government Stocks	**5,406**	310	-
Loans and receivables:			
- Interest-bearing bank accounts	**5,005**	3,155	2,626
	10,411	3,465	2,626

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

The prospectuses for bonds 7, 8, 9, 10 and 11 provide for the setting up of sinking funds administered by a trustee to cover 50% of the repayment of bonds on maturity. By 31 December 2014 the amounts set aside for this purpose totalled € 10.4 million. In March 2015 the group transferred a further amount of € 1.2 million to satisfy the requirements of the Listing Authority Policy Guidelines on Sinking Funds for the redemption of bonds.

26 Other borrowings

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Shareholders' loans	**20,565**	17,287	16,571	**19,954**	17,287	16,571
Loans due to subsidiaries	**-**	-	-	**114,077**	114,292	116,759
	20,565	17,287	16,571	**134,031**	131,579	133,330
Non-current	**19,954**	17,287	16,571	**127,161**	127,265	132,930
Current	**611**	-	-	**6,870**	4,314	400
	20,565	17,287	16,571	**134,031**	131,579	133,330

Terms of related party loans

The Group

€000	*Interest rate*	*Repayment*
19,954	6.00%	After more than one year

CPHCL

€000	*Interest rate*	*Repayment*
3,585	6.40/6.60%	In 2015
34,400	6.60%	7 September 2019
19,954	6.00%	After more than one year
16,906	3.25% over 3 month Euribor	After April 2010
312	6.25%	After more than one year
7,185	6.40%	15 March 2022
3,285	Non-interest bearing	In 2015
9,400	1.5% over 3 month Euribor	After more than one year
11,643	1.45% over 6 months Euribor	After more than one year
27,361	0.05% over 3 months Pribor	After more than one year
134,031		

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

27 Tax indemnity

CPHCL	2014 €000	2013 €000	2012 €000
Tax indemnity – IHI p.l.c.	**21,687**	22,566	23,448

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 received from CPHCL if IHI settles the obligation, the reimbursements have been recognised and treated as separate assets.

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 €4.77 million. The indemnity shall automatically expire on 13 February 2019.

28 Derivative financial instruments

The Group	2014 €000	2013 €000	2012 €000
Liability			
- Non-current	**-**	-	4,884
- Current	**-**	2,349	-
	-	2,349	4,884
Notional amounts maturing in:			
2013	-	-	14,030
2014	-	67,989	67,989

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

2013 -
Receive interest at the rate of 3 month Euribor
Pay fixed interest at the rate of 4.89% to 5.2% per annum

2014 -
Receive variable interest at the rate of 3 month Euribor
Pay fixed interest at the rate of 4.15 % per annum

29 Provision for charges

The Group	€000
Balance at 31 December 2012, 2013 and 2014	**206**

30 Trade and other payables

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Trade payables	**13,992**	16,603	14,917	**1,449**	1,716	1,088
Amounts due to subsidiaries	**-**	-	-	**7,658**	6,177	5,790
Amounts due to associates	**483**	1,118	4,039	**278**	959	186
Other payables	**3,563**	7,097	1,675	**677**	524	524
Accrued expenses	**21,012**	19,672	20,019	**3,441**	2,920	3,013
Financial liabilities	**39,050**	44,490	40,650	**13,503**	12,296	10,601
Advance deposits	**6,387**	8,052	4,835	**63**	-	-
Statutory liabilities	**4,221**	2,063	2,308	**209**	372	606
Total payables – current	**49,658**	54,605	47,793	**13,775**	12,668	11,207

The carrying amount of short-term financial liabilities is considered a reasonable approximation of fair value.

31 Non-cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to (loss) profit before taxation to arrive at operating cash flow:

	The Group		CPHCL	
	2014	2013	2014	2013
	€000	€000	€000	€000
Adjustments:				
Amortisation of intangible assets	**627**	726	**-**	-
Depreciation	**23,502**	29,124	**1,029**	2,320
Loss (gain) on disposal of property, plant and equipment	**14**	(2)	**4**	7
Gain on disposal of investment property	**-**	(3,447)	**-**	(6,894)
Impairment (reversal) loss on property, plant and equipment	**(5,170)**	(5,000)	**-**	-
Impairment loss on investments	**-**	31	**624**	411
Fair value adjustment on investment properties	**14,629**	(7,159)	**-**	-
Share of results of associate companies	**29,075**	(524)	**-**	-
Impairment loss on property plant and equipment other than hotel property	**15**	-	**15**	-
Movement in tax indemnity	**-**	-	**(879)**	(882)
Amortisation of bond issue costs	**191**	191	**-**	-
Gain on sale of assets held for sale	**(938)**	-	**-**	-
Provision for exchange differences	**(1,141)**	2,286	**(220)**	(2,320)
Provision for doubtful debts	**1,081**	926	**19**	21
Interest receivable	**(2,718)**	(4,192)	**(426)**	(1,006)
Interest payable	**19,323**	20,797	**6,668**	7,765
Dividends receivable	**(71)**	-	**(15,458)**	(358)
	78,419	33,757	**(8,624)**	(936)
Net changes in working capital:				
Change in inventories	**181**	(262)	**5**	(30)
Change in trade and other receivables	**7,328**	(5,440)	**661**	156
Amounts owed by related companies	**796**	14,927	**1,303**	(1,306)
Change in trade and other payables	**(3,093)**	11,463	**668**	1,101
Amounts owed to related parties	**(635)**	(2,921)	**1,020**	2,562
	4,577	17,767	**3,657**	2,483

32 Commitments

The Group	2014 €000	2013 €000	2012 €000
Capital expenditure commitments:			
Tangible fixed assets			
Authorised but not yet contracted for	**42,000**	6,560	16,950
Contracted for but not provided for in financial statements	**4,922**	2,280	7,860
Financial assets			
Authorised but not yet contracted for			
Investment in associates	**-**	11,694	11,400
	-	11,694	11,400
Contracted for but not provided for in financial statements			
Investment in associate	**-**	-	125
Commitments under operating leases:			
On land and buildings			
- expiring within one year	**137**	137	137
- expiring between two and five years	**565**	565	565
- expiring after more than five years	**15,457**	15,594	15,731
	16,159	16,296	16,433

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

CPHCL	2014 €000	2013 €000	2012 €000
Capital expenditure commitments:			
Tangible fixed assets			
Authorised but not yet contracted for	**-**	250	-
Contracted for but not provided for in financial statements	**-**	-	50
Financial assets			
Investment in associate	**-**	-	125
Investment in subsidiary	**-**	-	-
	-	-	125

33 Contingent liabilities

The Group	2014 €000	2013 €000	2012 €000
Guarantees given to secure bank facilities for related companies	**16,741**	20,495	24,525
Amounts in dispute	**-**	812	812
	16,741	21,307	25,337

CPHCL	2014 €000	2013 €000	2012 €000
Guarantees given to secure bonds	**45,055**	46,299	47,100
Guarantees given to secure bank facilities for related companies	**51,357**	71,837	80,103
	96,412	118,136	127,203

34 Related party transactions

Except as stated in note 27, none of the other transactions incorporates special terms and conditions and no guarantee was given or received. Transactions with related companies are generally effected on a cost plus basis. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in notes 16, 19, 26 and 30.

35 Transactions with subsidiaries

CPHCL	2014 €000	2013 €000	2012 €000
Purchases and expenses	**1,251**	1,382	315
Interest charged to subsidiaries	**338**	886	811
Interest charged by subsidiaries	**4,108**	4,165	5,366
Management and royalty fees charged to related companies	**319**	352	622
Purchase of investment in subsidiary	**-**	4	3,382
Sale of investment in subsidiary	**-**	-	10,414

36 Transactions with associates

	The Group			CPHCL		
	2014 €000	2013 €000	2012 €000	2014 €000	2013 €000	2012 €000
Interest charged to associates	**80**	1,117	253	**80**	80	253
Interest charged by associates	**10**	324	-	**10**	316	-
Management fee charged to associates	**3,726**	777	2,749	**300**	231	220

37 Transactions with other related parties

	The Group			CPHCL		
	2014	2013	2012	2014	2013	2012
	€000	€000	€000	€000	€000	€000
Interest charged to other related parties	**613**	101	883	**-**	-	53
Interest payable on shareholders' loan	**1,092**	988	997	**1,092**	988	997
Interest payable on other related party loans	**-**	-	27	**-**	-	-

38 Transactions with key management personnel

In addition to the remuneration paid to the directors included in note 7, in the course of its operations the group has a number of arrangements in place with its officers, executives and other related parties whereby concessions are made available for hospitality services rendered to them according to accepted industry norms.

In 2014 the remuneration of the executive directors and senior executives of the company and its subsidiaries amounted to € 3.5 million (2013: € 3.4 million). The foregoing amount is all fixed remuneration. There are no variable remunerations nor share options.

39 Risk management objectives and policies

The group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The group's risk management is coordinated by the directors and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the group is exposed to are described below. See also note 39.5 for a summary of the group's financial assets and liabilities by category.

39.1 Credit risk

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

The Group	Notes	2014 €000	2013 €000	2012 €000
Classes of financial assets – carrying amounts				
Long term receivables	16	**7,598**	48,549	48,671
Investment held by trustees	25	**10,411**	3,465	2,626
Trade and other receivables	19	**27,265**	35,340	52,021
Cash and cash equivalents	20	**26,404**	15,249	21,649
		71,678	102,603	123,347

CPHCL	Notes	2014 €000	2013 €000	2012 €000
Classes of financial assets – carrying amounts				
Long term receivables	16	**14,633**	24,212	25,550
Investment held by trustee	25	**-**	-	3
Trade and other receivables	19	**14,011**	11,984	11,949
Cash and cash equivalents	20	**154**	368	117
		28,798	36,564	37,619

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

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 5.19 for further information on impairment of financial assets that are past due.

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

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

The group and company have issued guarantees, as stated in note 33, which is the maximum exposure to credit risk if the group and company are called upon to pay such guarantees.

39.2 Liquidity risk

The group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise borrowings and trade and other payables (see notes 24, 25, 26 and 30). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the group's obligations when they become due.

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

At 31 December 2014 the group and company have financial liabilities with contractual maturities which are summarised below:

The Group At 31 December 2014	Current	Non-current	
	Within 1 year €000	2 to 5 years €000	After 5 years €000
Long-term financial liabilities	36,786	224,276	180,242
Bank overdraft	10,313	-	-
Trade and other payables	46,239	127,367	-
	93,338	**351,643**	**180,242**

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

At 31 December 2013	Current	Non-current	
	Within 1 year	2 to 5 years	After 5 years
	€000	€000	€000
Long-term financial liabilities	62,569	160,866	318,906
Derivative financial instruments	2,349	-	-
Bank overdraft	15,296	-	-
Trade and other payables	44,490	-	-
	124,704	160,866	318,906

At 31 December 2012	Current	Non-current	
	Within 1 year	2 to 5 years	After 5 years
	€000	€000	€000
Long-term financial liabilities	61,599	218,228	289,279
Derivative financial instrument	-	4,884	-
Bank overdraft	8,676	-	-
Trade and other payables	40,650	20,596	1,084
	110,925	243,708	290,363

CPHCL At 31 December 2014	Current	Non-current	
	Within 1 year	2 to 5 years	After 5 years
	€000	€000	€000
Long-term financial liabilities	10,248	21,490	90,559
Bank overdraft	8,367	-	-
Trade and other payables	13,503	19,954	-
	32,118	**41,444**	**90,559**

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

At 31 December 2013	Current	Non-current	
	Within 1 year	2 to 5 years	After 5 years
	€000	€000	€000
Long-term financial liabilities	18,034	13,296	98,966
Bank overdraft	9,994	-	-
Trade and other payables	12,296	17,350	-
	40,324	30,646	98,966

At 31 December 2012	Current	Non-current	
	Within 1 year	2 to 5 years	After 5 years
	€000	€000	€000
Long-term financial liabilities	3,479	37,291	93,746
Bank overdraft	3,486	-	-
Trade and other payables	10,601	16,571	165
	17,566	53,862	93,911

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

In addition the group maintains a credit facility of a € 1.5 million secured overdraft available to IHI Hungary Zrt. Interest would be payable at the variable, overnight euribor plus 1.4% interest margin per annum.

39.3 Foreign currency risk

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

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

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

39.4 Interest rate risk

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

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

	The Group		CPHCL	
	€000	€000	€000	€000
Interest payable	+10%	-10%	+10%	-10%
31 December 2014	(1,951)	1,951	(667)	667
31 December 2013	(2,143)	2,143	(683)	683
31 December 2012	(2,328)	2,328	(714)	714
Interest receivable				
31 December 2014	136	(136)	43	(43)
31 December 2013	145	(145)	136	(136)
31 December 2012	160	(160)	130	(130)

39.5 Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See notes 5.19 for explanations about how the category of financial instruments affects their subsequent measurement.

The Group	2014 €000	2013 €000	2012 €000
Non-current assets			
AFS financial assets:			
- Malta Government Stocks	**5,406**	310	-
Loans and receivables:			
- Amounts due from related companies	**7,598**	48,549	48,671
- Interest-bearing bank accounts	**5,005**	3,155	2,626
	18,009	52,014	51,297
Current assets			
Loans and receivables:			
- Trade receivables and other receivables	**27,265**	35,340	52,021
- Cash and cash equivalents	**26,404**	15,249	21,649
	53,669	50,589	73,670
Non-current liabilities			
Financial liabilities measured at amortised cost:			
- Bank and other borrowings	**381,062**	387,648	419,484
- Long term payables	**4,721**	4,088	5,108
- Derivative financial instruments	**-**	-	4,884
	385,783	391,736	429,476
Current liabilities			
Financial liabilities measured at amortised cost:			
- Bank and other borrowings	**39,790**	55,179	42,764
- Derivative financial instruments	**-**	2,349	-
- Trade payables and other payables	**39,050**	44,490	40,650
	78,840	102,018	83,414

CPHCL	2014 €000	2013 €000	2012 €000
Non-current assets			
Loans and receivables			
- Amounts due from related companies	**14,633**	24,212	25,550
- Interest-bearing bank accounts	**-**	-	3
	14,633	24,212	28,553
Current assets			
Loans and receivables			
- Trade receivables and other receivables	**14,011**	11,984	11,949
- Cash and cash equivalents	**154**	368	117
	14,165	12,352	12,066
Non-current liabilities			
Financial liabilities measured at amortised cost			
- Bank and other borrowings	**112,049**	130,986	147,609
- Long term payables	**-**	-	165
	112,049	130,986	147,774
Current liabilities			
Financial liabilities measured at amortised cost			
- Bank and other borrowings	**20,345**	26,591	7,365
- Trade payables and other payables	**13,503**	12,296	10,601
	33,848	38,887	17,966

40 Fair value measurement

40.1 Fair value measurement of financial instruments

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

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

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

The following table shows the group's levels within the hierarchy of financial assets and liabilities measured at fair value at 31 December 2014 and 2013:

31 December 2014	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Financial assets				
Malta Government Stocks	5,406	-	-	5,406
Net fair value	**5,406**	**-**	**-**	**5,406**

31 December 2013	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Financial assets				
Malta Government Stocks	310	-	-	310
Financial liabilities				
Interest rate swaps	-	(2,349)	-	(2,349)
Net fair value	**310**	**(2,349)**	**-**	**(2,039)**

There have been no transfers between levels in the reporting periods presented.

Measurement of fair value of financial instruments

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

The valuation technique used for instruments categorised in level 2 is described below:

Interest rate swap agreements

Where derivatives are traded either on exchanges or liquid over-the-counter markets the group uses the closing price at the reporting date. Normally, the derivatives entered into by the group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates (level 2). Derivatives entered into by the group are included in level 2 and consist of interest rate swap agreements.

40.2 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2014:

The Group	Level 2 €000	Level 3 €000	Total €000
Property, plant and equipment:	-	27,557	27,557
- Corinthia St George's Bay, Malta	-	21,638	21,638
- Corinthia Palace Hotel, Malta	-	732	732
- Sites in Libya			
Investment property:			
- Commercial centre in St Petersburg	77,830	-	77,830
- Commercial centre in Tripoli	68,141	-	68,141
- Apartment block in Lisbon	1,101	-	1,101
- Sites in Malta	-	14,613	14,613
- Sites in Libya	29,603	87	29,690
- Land and buildings in Czech Republic	15,069	-	15,069
- Land and building in Hungary	-	1,223	1,223
- Land and building in Turkey	-	2,956	2,956
	191,744	**68,806**	**260,550**

CPHCL	Level 2 €000	Level 3 €000	Total €000
Property, plant and equipment:			
- Corinthia Palace Hotel, Malta	-	21,681	21,681
Investment property:			
- Site in Malta	-	5,113	5,113
- Sites in Libya	-	819	819
	-	**27,613**	**27,613**

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2013:

The Group	Level 2 €000	Level 3 €000	Total €000
Property, plant and equipment:			
- Corinthia St George's Bay, Malta	-	28,327	28,327
- Marina Hotel, Malta	-	20,986	20,986
- Corinthia Palace Hotel, Malta	-	22,387	22,387
- Sites in Libya	-	732	732
Investment property:			
- Commercial centre in St Petersburg	87,400	-	87,400
- Commercial centre in Tripoli	73,800	-	73,800
- Apartment block in Lisbon	1,161	-	1,161
- Sites in Malta	-	14,613	14,613
- Sites in Libya	28,427	87	28,514
- Land and buildings in Czech Republic	13,526	-	13,526
- Land and building in Hungary	-	1,293	1,293
- Land and building in Turkey	-	2,928	2,928
	204,314	91,353	295,667

CPHCL	Level 2 €000	Level 3 €000	Total €000
Property, plant and equipment:			
- Corinthia Palace Hotel, Malta	-	22,387	22,387
Investment property:			
- Site in Malta	-	5,113	5,113
- Sites in Libya	-	819	819
	-	28,319	28,319

Fair value of the group's main property assets is estimated on the basis of appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date. Further information is set out below.

Corinthia St George's Bay and Marina Hotel, Malta

In 2014 the appraisal for Corinthia St George's Bay, Malta was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the asset in question, including hotel room count, location, encumbrances and current use. The same approach was used in 2013 for this hotel and the Marina Hotel.

Corinthia Palace Hotel, Malta

Through a valuation exercise of the Corinthia Palace Hotel and its grounds carried out by an architect in December 2013 within the ambit of the policies of the Malta Environment Planning Authority, the Local Plans and the Sanitary Regulations, an area of 3,600 square metres of undeveloped land capable of accommodating 10 fully-detached villas was identified and valued at € 5.1 million. This plot of land was transferred to investment property as at the end of 2013 and the ensuing uplift in value recognised in other comprehensive income.

Commercial centres and apartment block

The fair values of the commercial centres and apartment block are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The buildings are revalued annually on 31 December.

The most significant inputs are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions and management considers the range reasonable.

Sites in Malta

The plot of land located at Marsa, Malta, measuring 7,400 square metres, was valued in November 2013 by an architect for the purpose of securing bank facilities. This site is located within the area known as the 'Marsa Park Development' opportunity area in the approved Grand Harbour Local Plan and this area is earmarked for mixed use development. The site was valued at € 9.5 million and this value was also corroborated by the architect. The gain on revaluation to fair value of this investment property amounted to € 6.6 million.

Sites in Tripoli

The directors have retained the same fair value for the land in Tripoli based on the advice of professional valuers.

Land and buildings in Czech Republic, Hungary and Turkey

The land and buildings in Czech Republic, Hungary and Turkey are carried at directors' valuation based on the advice of professional valuers.

The reconciliation of the carrying amounts of non-financial assets classified within level 3 is as follows:

31 December 2014	The Group		CPHCL	
	Property, plant and equipment €000	Investment property €000	Property, plant and equipment €000	Investment property €000
Balance at 1 January 2014	72,432	18,921	22,387	5,932
Gains recognised in other comprehensive income				
- exchange differences on translating foreign operations	-	57	-	-
Other movements				
- asset value assessed through value-in-use	(20,986)	6		
- additions	199	-	199	-
- other adjustments	(1,718)	(105)	(905)	-
Balance at 31 December 2014	**49,927**	**18,879**	**21,681**	**5,932**

31 December 2013	The Group		CPHCL	
	Property, plant and equipment €000	Investment property €000	Property, plant and equipment €000	Investment property €000
Balance at 1 January 2013	51,393	8,223	-	925
Gains recognised in profit or loss:				
- movement in fair value of investment property	-	6,588	-	-
Gains recognised in other comprehensive income				
- movement in fair value of property, plant and equipment	19,468	-	19,468	-
- exchange differences on translating foreign operations	-	(798)	-	-
Other movements				
- additions	-	3	-	-
- disposals	(6)	(106)	(6)	(106)
- transfer from asset held for sale	10,247	-	10,247	-
- transfer to investment property	(5,113)	-	(5,113)	-
- transfer from property, plant and equipment	-	5,113	-	5,113
- other adjustments	(3,557)	(102)	(2,209)	-
Balance at 31 December 2013	72,432	18,921	22,387	5,932

41 Ultimate controlling parties

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

42 Events after the balance sheet date

On 16 January 2015, the group's subsidiary, IHI announced that it had executed a preliminary conditional agreement with the majority shareholders in the Island Hotels Group Holdings p.l.c. with a view to consider making a voluntary offer for the purchase of 100% of the issued share capital of this group. Such an eventual acquisition would be financed through additional funding.

43 Authorisation of financial statements

The group and company financial statements for the year ended 31 December 2014 (including comparatives) were approved and authorised for issue by the board of directors on 29 April 2015.

Independent auditor's report

To the shareholders of

Corinthia Palace Hotel Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Corinthia Palace Hotel Company Limited and the consolidated financial statements of its group set out on pages 7 to 82, which comprise the balance sheets of the company and the group as at 31 December 2014 and their income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

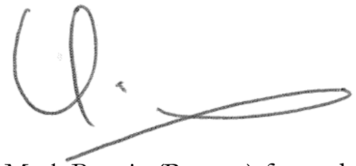
In our opinion, the group's consolidated financial statements and the company's financial statements give a true and fair view of their financial position as at 31 December 2014, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386.

Report on other legal and regulatory requirements

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

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

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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29 April 2015