Island Hotels Group Holdings p.l.c.

C 44855

Report and group financial statements

31 December 2015

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Island Hotels Group Holdings p.l.c

Directors, officer and other information

Directors:	Winston V. Zahra (Chairman) Winston J. Zahra (Chief Executive Officer) Joseph Fenech Simon Naudi Frank Xerri De Caro
Secretary:	Kenneth Abela
Registered office:	Radisson Blu Resort St. Julians Louis V. Farrugia Street St. George's Bay St. Julians Malta
Telephone:	+ 356 2137 4894
Country of incorporation:	Malta
Company registration number:	C 44855
Auditor:	Deloitte Audit Limited Deloitte Place Mriehel Bypass Mriehel Malta
Bankers:	Bank of Valletta p.l.c. 58, Zachary Street Valletta Malta HSBC Bank Malta p.l.c. 233, Republic Street Valletta Malta Banif Bank (Malta) p.l.c. 203, Level 2 Rue D'Argens Gzira Malta
Lawyers:	Camilleri Preziosi Level 3, Valletta Buildings South Street Valletta Malta

The directors present their report and the audited financial statements of the group and the holding company for the period ended 31 December 2015.

Principal activities
The group's business comprises the ownership and operation of hotels in Malta, the provision of accommodation, catering and related services locally and the provision of retail catering mainly through the Costa franchise in Malta, the East coast of Spain and the Canary and Balearic Islands. The group is made up of a holding company that acts as an investment company, together with its subsidiaries and jointly controlled entities as detailed in note 17 to these financial statements.

Review of business
The results of the group represent the results of the holding company together with those of its subsidiaries and its share of jointly controlled entities for the fourteen month period ended 31 December 2015.

The group reported a turnover from continuing operations of *€24,411,507* (2014 - *€15,835,762),* and Earnings before interest, taxation, depreciation and amortisation, property plant and equipment written off and share of profits from joint ventures of *€2,338,467* (2014 - *€2,536,146).* After taking into consideration depreciation, investment income, finance costs, property plant and equipment written off and share of profits from joint ventures the group reported a profit before tax of *€2,934,415* (2014 – *€1,588,443*). The profit after the current and deferred tax charge for the period from continuing operations amounted to *€3,452,068* (2014 – *€1,530,071*). The group also reported exchange gains of *€1,402,945* (2014 - *€1,437,025*) arising almost entirely from the period-end translation of a goodwill balance on foreign operations. Total shareholders' funds at the period-end amounted to *€54,053,132* (2014 - *€40,372,697*).

During the period under review, the application of IFRS 11 became compulsory and therefore the proportionate line by line consolidation that used to apply in previous reporting periods is now no longer allowable with the equity method of reporting becoming applicable. The results reported in the year ended 31 October 2014 have been restated to report a comparable position.

During the fourteen month period under review, two significant events occurred that had a substantial effect on the company's financial statements, namely the purchase of the remaining 50% shareholding in Buttigieg Holdings Limited (June 2015) and the purchase of the remaining 50% shares in The Heavenly Collection Limited (end of December 2015). The latter two companies have now become fully owned subsidiaries of Island Hotels Group Holdings plc and their results were, effective from the date of acquisition, consolidated in full within the operational results of the group. Buttigieg Holdings Limited incorporates within it the Costa operation in both Malta and Spain, the Mater Dei customer canteen contract and other ancillary operations (BHL Group), whereas The Heavenly Collection Limited is the company owning circa 83,530 sqm of land formerly known as Hal Ferh, that includes a full development permit, and which is situated next to Golden Bay.

The results of the BHL Group from 1 November 2014 up to 31 May 2015 have been reported within the line "*Share of profits from Joint Ventures*", whereas the results from 1 June 2015 to 31 December 2015 are consolidated in the group's results once Buttigieg Holdings group became a fully owned subsidiary of the company. This is in fact the main reason behind the considerable changes in the figures up to EBITDA level when the relevant line item figures are compared to those reported in 2014. The other reason is that we are reporting a 14-month period in these financial statements as compared to a 12-month one reported last year.

Review of business (continued)

Relevant to point out also is the line item "*Investment income"* which includes the profit registered from the stepped acquisition of both transactions reported above.

In so far as trading results for the group are concerned, the record number of tourist arrivals in Malta in 2015 have had a positive effect on the group's results. Despite the fact that the Radisson Blu Resort, St. Julians closed for refurbishment between November 2014 and March 2015, and notwithstanding the fact that the catering operation at the Coastline Hotel was limited to eight months' trading in the period under review because of refurbishment works undertaken by the new owners of the hotel, the results reported by the group have once again been very satisfactory.

The new product on offer at the Radisson Blu Resort, St. Julians, along with the increased tourist arrivals as well as the group's own revenue management efforts resulted in higher occupancy levels and rates in this hotel. The group also experienced a higher level of Vacation Ownership sales which resulted in higher profits being generated by this operation.

An increase in the volume of activity in the event catering area of the business was also registered, whilst the Costa Coffee outlets in Malta have continued to increase both their revenues and operating profit, further consolidating the potential expected from this investment. This area of the business also includes the results of the start-up operation in Spain where the group opened an additional 9 stores during the period under review.

During 2015, International Hotel Investments plc, made an offer for the entire shareholding of the company and, as announced in various company announcements, acquired the entire share capital of the company on the 4 September 2015.

Results and dividends

The results for the period ended 31 December 2015 are shown in the statements of profit or loss on page 11. The profit for the period after taxation from continuing operations for the group amounted to *€3,425,068* (2014 – *€1,530,071*), whereas the holding company registered a profit after tax of *€424,245* (2014 –*€129,491*).

The directors do not propose the payment of a dividend for the period ending 31 December 2015 (2014 – *nil).*

Directors
The directors of the holding company who served during the period were:

Winston V. Zahra (Chairman)
Winston J. Zahra (Chief Executive Officer)
John L. Bonello (resigned on 15 September 2015)
Michael C. Bonello (resigned on 15 September 2015)
William Hancock (resigned on 15 September 2015)
Gary Alexander Neville (resigned on 15 September 2015)
Trevor E. Zahra (resigned on 15 September 2015)
Joseph Fenech (appointed on 15 September 2015)
Simon Naudi (appointed on 15 September 2015)
Frank Xerri De Caro (appointed on 15 September 2015)

In accordance with article 55.1 of the company's article of association, the directors of the company shall be appointed by the shareholders during the forthcoming annual general meeting.

Directors' responsibilities
The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the company and its group at the end of each financial period and of the profit or loss of the company and its group for the period then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal controls as the directors determine are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors
A resolution to appoint PwC as auditors of the group will be submitted at the forthcoming annual general meeting.

Going concern
As required by Listing Rule 5.62 and after making the necessary enquiries and after reviewing the group's plan for the coming financial periods, the directors are satisfied that at the time of approving the financial statements, the company and the group have adequate resources to continue operating for the foreseeable future.

For this reason, the directors consider it is appropriate to adopt the going concern basis in preparing these financial statements.

Statement by directors pursuant to Listing Rule 5.68

We, the undersigned, on behalf of the board of directors, declare that to the best of our knowledge:

1. The consolidated financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2015, and of their financial performance and their cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the E.U.

2. The directors' report and the consolidated financial statements include a fair review of the information required in terms of Listing Rule 5.68 together with a description of the principal risks and uncertainties that they face.

Approved by the board of directors on 26 April 2016 and signed on its behalf by:

Winston V. Zahra	**Winston J. Zahra**
Chairman	Chief Executive Officer

Island Hotels Group Holdings p.l.c

Corporate Governance Statement of Compliance

A. INTRODUCTION

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

The board of directors (the "directors" or the "board") of Island Hotels Group Holdings p.l.c. ("IHGH" or the "company") confirm their support for the Code and note that the adoption of the Code has resulted in positive effects to the company.

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

B. COMPLIANCE WITH THE CODE

Principles 1 and 4: The board

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

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

Principle 2: Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are carried out respectively by Mr. Winston V. Zahra and Mr. Winston J. Zahra.

Principle 3: Composition of the board

The board considers that the number of directors on the board is sufficient and that the balance of skills and experience is appropriate for the requirements of the business.

The board of directors consists of a chairman and four directors three of whom are deemed to be non-executive directors and one of whom is independent. In determining the independence or otherwise of its directors, the board has considered, amongst others, the principles relating to independence contained in the Code, the company's own practice as well as general good practice principles

B. COMPLIANCE WITH THE CODE (continued)

Principle 3: Composition of the board (continued)

The board is made up as follows:

	Number of Meetings held: 9
	Attended
Members	
Winston V. Zahra (chairman)	9
Winston J. Zahra (chief executive officer)	9
John L. Bonello (independent non-executive director) *	7 (out of 8)
Michael C. Bonello (independent non-executive director) *	8 (out of 8)
William Hancock (independent non-executive director) *	6 (out of 8)
Gary Alexander Neville (independent non-executive director) *	4 (out of 8)
Trevor E. Zahra (non-executive director) *	8 (out of 8)
Joseph Fenech (non-executive director) **	2 (out of 2)
Simon Naudi (non-executive director) **	2 (out of 2)
Frank Xerri De Caro (independent non-executive director) **	1 (out of 2)

* Resigned on 15 September 2015
** Appointed on 15 September 2015

In accordance with the Articles of Association, the directors are appointed for an indefinite period.

Principle 5: Board meetings

During the period under review the board of directors met nine times to discuss the operations and strategy of the company.

Principle 6: Information and professional development

The company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

Principle 8: Committees

Audit Committee

The audit committee's primary objective is to assist the board in fulfilling its supervisory responsibilities over the financial reporting process, financial policies and internal control structures. The committee is made up of non-executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audit and acts to facilitate communication between the board, management and, upon the direct request of the audit committee, the internal audit team and the external auditors.

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

C. COMPLIANCE WITH THE CODE (continued)

Principle 8: Committees (continued)

Audit Committee (continued)

Members	**Number of Meetings held: 4**
John L. Bonello (chairman of audit committee) *	3 (out of 4)
Michael C. Bonello *	3 (out of 4)
William Hancock *	2 (out of 4)
Joseph Fenech **	1 (out of 1)
Simon Naudi **	1 (out of 1)
Frank Xerri De Caro **	1 (out of 1)

* Resigned on 15 September 2015
** Appointed on 15 September 2015

The audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the company (as well as of its subsidiaries) for the purpose of advising management and the board, through the audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation.

The audit committee ensures that transactions entered into between related parties are carried out on an arm's length basis and are for the benefit of the company, and that the company, and its subsidiaries, accurately report all related party transactions in the notes to the financial statements.

In terms of Listing Rule 5.118, Mr. Frank Xerri De Caro is the director whom the board considers as the independent non-executive member of the audit committee who is considered competent in accounting and / or auditing, in view of his considerable experience at a senior level in the banking field. Frank Xerri De Caro is an independent non-executive director and is considered independent because he is free from any business, family or other relationship with the company or its management that may create a conflict of interest such as to impair his judgement.

Principle 11: Conflicts of Interest

The directors are aware that their primary responsibility is always to act in the interest of the company and its shareholders as a whole. The directors are also aware that acting in the interest of the company includes an obligation to avoid conflicts of interest. No conflicts of interest were known to have arisen during the period under review.

Principle 12: Corporate Social Responsibility

The group recognises its obligations towards society in general and has continued to adopt a highly ethical approach to ensure that its commitments are satisfied and that rules of good practice are enforced. The company is committed to enhance the quality of life of all its employees as well as all stakeholders. Various initiatives and activities have been organised by the group throughout the period within the context of the group-wide strategy.

D. NON-COMPLIANCE WITH THE CODE (continued)

Principle 7: Evaluation of the board's performance

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

Principle 9 and 10: Relations with shareholders and with the market and institutional shareholders

These principles are not applicable to the company since the company's shares are no longer listed on the Malta Stock Exchange.

E. OTHER DISCLOSURES IN TERMS OF LISTING RULES

Remuneration statement

Remuneration Policy – Group Executive Team
The board of directors determines the framework of the overall remuneration policy for the Group Executive Team. The committee establishes the individual remuneration arrangements of the Group's Executive Team and makes proposals to the board accordingly. In establishing these remuneration packages for the Group's Executive Team, the committee has access to independent external advice, and the committee considers that these remuneration packages reflect market conditions and are designed to attract appropriate quality executives to ensure the efficient management of the group. During the current period under review there have been no significant changes in the group's remuneration policy and no significant changes are intended to be effected thereto in the year ahead. The terms and conditions of employment of each individual within the Group Executive Team are set out in their respective indefinite contracts of employment with the group. None of these contracts contain provisions for termination payments and other payments linked to early termination. Moreover, share options and profit sharing are currently not part of the company's remuneration policy.

Remuneration Policy – Directors

The board of directors determines the framework of the remuneration policy for the members of the board as a whole. The financial statements disclose an aggregate figure in respect of the directors' remuneration which, with respect to the period under review, amounted to *€565,008*. Directors' emoluments are designed to reflect the time committed by directors to the company's affairs, including the different board committees of which directors are members, and their responsibilities on such committees.

In the circumstances, the need for the appointment of a Remuneration Committee does not arise.

Approved by the board of directors on 26 April 2016 and signed on its behalf by:

Winston V. Zahra
Chairman

Winston J. Zahra
Chief Executive Officer

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VAT Reg No: MT2013 6121
Exemption number: EXO2155

Independent auditor's report on Corporate Governance Statement of Compliance

to the members of

Island Hotels Group Holdings p.l.c.

Pursuant to Listing Authority Listing Rules 5.94 and 5.97 issued by the Malta Financial Services Authority, the directors are required to include in their annual financial report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report on the Statement of Compliance.

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

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company's or the group's system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance set out on pages 6 to 9 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

Paul Darmanin as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Mriehel, Malta

26 April 2016

Island Hotels Group Holdings p.l.c.

Statements of profit or loss

Period ended 31 December 2015

	Notes	Group		Holding	
		2015 (14 months)	2014 (12 months) (restated)	**2015 (14 months)**	2014 (12 months)
		€	€	**€**	€
Continuing operations					
Revenue	*5*	**24,411,507**	15,835,762	**-**	-
Staff costs	*11*	**(9,875,610)**	(6,212,769)	**-**	-
Food and beverage costs		**(4,361,648)**	(1,963,641)	**-**	-
Other operating costs		**(7,835,782)**	(5,123,206)	**(221,020)**	(168,484)
Other operating income		**-**	-	**172,153**	152,465
Earnings/(loss) before interest, taxation, depreciation and amortisation, property, plant and equipment written off and share of profits from joint ventures		**2,338,467**	2,536,146	**(48,867)**	(16,019)
Property, plant and equipment written off		**(897,977)**	-	**-**	-
Depreciation and amortisation	*16*	**(2,680,041)**	(1,174,997)	**-**	-
Operating (loss)/ profit		**(1,239,551)**	1,361,149	**(48,867)**	(16,019)
Share of profits from joint ventures		**3,442,875**	2,802,158	**-**	-
Investment income	*7*	**5,304,422**	322,786	**4,420,730**	2,490,714
Other expenses	*28*	**(288,701)**	-	**-**	-
Finance costs	*8*	**(4,284,630)**	(2,897,650)	**(3,764,828)**	(2,277,218)
Profit before tax		**2,934,415**	1,588,443	**607,035**	197,477
Income tax credit/(expense)	*12*	**490,653**	(58,372)	**(182,790)**	(67,986)
Profit for the period/year from continuing operations	*9*	**3,425,068**	1,530,071	**424,245**	129,491
Discontinued operations					
Profit for the period/year from discontinued operations	*13*	**-**	1,202,385	**-**	-
Profit for the period/year		**3,425,068**	2,732,456	**424,245**	129,491
Profit for the period/year attributable to the owners of the holding company		**3,425,068**	2,732,456	**424,245**	129,491
Basic/diluted earnings per share from continuing operations	*15*	***0.091***	*0.042*		
Basic/diluted earnings per share from continuing and discontinued operations	*15*	***0.091***	*0.075*		

Island Hotels Group Holdings p.l.c.

Statements of profit or loss and other comprehensive income

Period ended 31 December 2015

		Group		Holding	
	Notes	**2015 (14 months)**	2014 (12 months) (restated)	**2015 (14 months)**	2014 (12 months)
		€	€	**€**	€
Profit for the period/year		**3,425,068**	2,732,456	**424,245**	129,491
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Gain arising on revaluation of leasehold property	*16*	**10,542,188**	-	**-**	-
Movement in the deferred tax on revaluation	*24*	**(3,689,766)**	-	**-**	-
		6,852,422			
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**1,402,945**	1,437,025	**-**	-
Other comprehensive income for the period/year net of tax		**8,255,367**	1,437,025	**-**	-
Total comprehensive income for the period/year		**11,680,435**	4,169,481	**424,245**	129,491
Total comprehensive income for the period/year attributable to the owners of the holding company		**11,680,435**	4,169,481	**424,245**	129,491

Island Hotels Group Holdings p.l.c.

Statements of financial position
31 December 2015

	Notes	Group			Holding	
		31.12.2015	31.10.2014 (restated)	31.10.2013 (restated)	**31.12.2015**	31.10.2014
		€	€	€	**€**	€
ASSETS						
Non-current assets						
Goodwill	*27*	**11,020,822**	11,020,822	11,020,822	**-**	-
Other intangible assets	*16*	**9,329,631**	-	-	**-**	-
Property, plant and equipment	*16*	**66,347,712**	27,846,368	41,849,252	**-**	-
Investments in subsidiaries	*17*	**-**	-	-	**56,214,167**	52,801,199
Investments in associates and joint ventures	*17*	**39,770,336**	37,862,919	33,571,672	**16,000,000**	17,314,460
Loans and receivables	*17*	**828,719**	7,392,920	8,349,830	**26,258,886**	11,024,760
Other cash at bank	*26*	**74,189**	137,327	-	**-**	-
		127,371,409	84,260,356	94,791,576	**98,473,053**	81,140,419
Current assets						
Inventories	*18*	**925,259**	311,626	710,447	**-**	-
Trade and other receivables	*19*	**8,497,916**	14,815,784	15,294,376	**544,458**	5,659,121
Loans and receivables	*17*	**6,452,279**	4,360	94,264	**6,118,908**	198,272
Current tax asset		**295,541**	319,199	217,734	**243,752**	242,463
Cash and cash equivalents	*26*	**1,534,251**	20,304,663	305,675	**237,987**	19,583,881
Other cash at bank	*26*	**63,137**	211,349	-	**-**	-
		17,768,383	35,966,981	16,622,496	**7,145,105**	25,683,737
Total assets		**145,139,792**	120,227,337	111,414,072	**105,618,158**	106,824,156
EQUITY AND LIABILITIES						
Equity attributable to the owners of the holding company						
Share capital	*25*	**38,583,660**	36,583,660	36,583,660	**38,583,660**	36,583,660
Revaluation reserve		**6,852,422**	-	-	**-**	-
Currency translation reserve		**2,925,167**	1,522,222	85,197	**-**	-
Retained earnings / (accumulated losses)		**5,691,883**	2,266,815	(465,641)	**1,057,920**	633,676
Total equity		**54,053,132**	40,372,697	36,203,216	**39,641,580**	37,217,336

Island Hotels Group Holdings p.l.c.

Statements of financial position (continued)

31 December 2015

	Notes	Group			Holding	
		31.12.2015	31.10.2014 (restated)	31.10.2013 (restated)	**31.12.2015**	31.10.2014
		€	€	€	**€**	€
Non-current liabilities						
Bank loans	*21*	**3,760,906**	12,146,596	21,581,139	**-**	5,668,392
Other financial liabilities	*22*	**53,311,255**	48,785,597	16,888,083	**62,052,966**	61,967,568
Other payables	*20*	**858,744**	2,032,568	4,001,893	**-**	-
Deferred tax liabilities	*24*	**11,647,815**	4,205,883	7,202,659	**-**	-
		69,578,720	67,170,644	49,673,774	**62,052,966**	67,635,960
Current liabilities						
Trade and other payables	*20*	**15,085,359**	8,603,549	12,537,656	**1,834,172**	1,230,077
Bank overdrafts and loans	*21*	**4,170,018**	2,556,496	9,819,510	**-**	740,783
Current tax liabilities		**226,716**	-	24,544	**-**	-
Other financial liabilities	*22*	**1,724,133**	1,254,729	3,155,372	**2,089,440**	-
		21,206,226	12,414,774	25,537,082	**3,923,612**	1,970,860
Net liabilities in joint ventures classified as held for sale	*14*	**301,714**	269,222	-	**-**	-
Total liabilities		**91,086,660**	79,854,640	75,210,856	**65,976,578**	69,606,820
Total equity and liabilities		**145,139,792**	120,227,337	111,414,072	**105,618,158**	106,824,156

These financial statements were approved by the board of directors, authorised for issue on 26 April 2016 and signed on its behalf by:

Winston V. Zahra
Chairman

Winston J. Zahra
Chief Executive Officer

Island Hotels Group Holdings p.l.c.

Statement of changes in equity - Group

Period ended 31 December 2015

Group

	Equity attributable to the owners of the holding company				
	Share capital €	**Revaluation reserve €**	**Currency translation reserve €**	**(Accumulated losses)/ retained earnings €**	**Total €**
Balance at 31 October 2013	**36,583,660**	**-**	**85,197**	**(465,641)**	**36,203,216**
Profit for the year	-	-	-	2,732,456	2,732,456
Other comprehensive income for the year	-	-	1,437,025	-	1,437,025
Profit/total comprehensive income for the year	-	-	1,437,025	2,732,456	4,169,481
Balance at 31 October 2014	**36,583,660**	**-**	**1,522,222**	**2,266,815**	**40,372,697**
New issue of ordinary shares (note 25)	2,000,000	-	-	-	2,000,000
Profit for the period	-		-	3,425,068	3,425,068
Other comprehensive income for the period	-	6,852,422	1,402,945	-	8,255,367
Profit/total comprehensive income for the period	-	6,852,422	1,402,945	3,425,068	11,680,435
Balance at 31 December 2015	**38,583,660**	**6,852,422**	**2,925,167**	**5,691,883**	**54,053,132**

Island Hotels Group Holdings p.l.c.

Statement of changes in equity – Holding company

Period ended 31 December 2015

Holding company

	Share capital €	Retained earnings €	Total €
Balance at 31 October 2013	**36,583,660**	**504,185**	**37,087,845**
Profit/total comprehensive income for the year	-	129,491	129,491
Balance at 31 October 2014	**36,583,660**	**633,676**	**37,217,336**
New Issue of ordinary shares (note 25)	2,000,000	-	2,000,000
Profit/total comprehensive income for the period	-	424,244	424,244
Balance at 31 December 2015	**38,583,660**	**1,057,920**	**39,641,580**

Island Hotels Group Holdings p.l.c.

Statements of cash flows

Period ended 31 December 2015

	Group		Holding	
	2015 (14 months)	2014 (12 months) (restated)	**2015 (14 months)**	2014 (12 months)
	€	€	**€**	€
Cash flows from operating activities				
Profit before tax from:				
Continuing operations	**2,934,415**	1,588,443	**607,034**	197,477
Discontinued operations	**-**	789,559	**-**	-
Profit before tax	**2,934,415**	2,378,002	**607,034**	197,477
Adjustments for:				
Depreciation and amortisation	**2,680,041**	1,374,852	**-**	-
Bad debts written off	**(3,624)**	-	**-**	-
Property, plant and equipment written off	**897,977**	-	**-**	-
Profit on disposal of property, plant and equipment	**(7,485)**	(2,685)	**-**	-
Share of profits from joint ventures	**(3,442,875)**	(2,802,158)	**-**	-
Gain on disposal of subsidiary	**-**	(1,975,400)	**-**	-
Investment income	**(5,304,422)**	(322,786)	**(1,149,227)**	(340,330)
Other expenses	**288,701**	-	**-**	-
Dividend income	-	-	**(3,271,503)**	(2,150,384)
Interest expense	**4,284,630**	2,897,650	**3,764,828**	2,277,218
Operating profit/(loss) before working capital movements	**2,327,358**	1,547,475	**(48,868)**	(16,019)
Movement in inventory	**(200,999)**	390,899	**-**	-
Movement in trade and other receivables	**9,824,750**	214,688	**5,114,663**	(1,419,656)
Movement in trade and other payables	**(1,135,647)**	(3,731,652)	**604,096**	801,945
Cash flows from operations	**10,815,462**	(1,578,590)	**5,669,891**	(633,730)
Interest paid	**(4,199,230)**	(2,867,150)	**(3,679,428)**	(2,277,218)
Taxation refunded/(paid)	**66,710**	(53,108)	**(184,079)**	(193,347)
Net cash flows from operating activities	**6,682,942**	(4,498,848)	**1,806,384**	(3,104,295)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(4,234,821)**	(2,158,213)	**-**	-
Purchase of intangible assets	**(339,600)**	-	**-**	-
Proceeds from sale of property, plant and equipment	**7,685**	64,028	**-**	-
Net cash flow on acquisition of subsidiary	**(1,799,028)**	-	**(98,508)**	-
Net cash flow on disposal of subsidiary	**-**	5,660,788	**-**	-
Movement in loans and other receivables	**455,832**	1,046,814	**(21,154,763)**	(6,729,420)
Other cash at bank held as guarantee	**211,349**	(348,676)	**-**	-
Dividends received	**1,490,215**	-	**3,271,503**	2,150,384
Interest received	**277,109**	322,786	**1,149,227**	340,330
Net cash flows from investing activities	**(3,931,259)**	4,587,527	**(16,832,541)**	(4,238,706)
Cash flows from financing activities				
Movement in bank loans	**(10,536,733)**	(5,150,044)	**(6,409,174)**	(4,425,478)
Proceeds from issue of bond	**-**	34,268,021	**-**	-
Movement in related party balances	**(12,926,963)**	(3,704,071)	**2,089,438**	31,329,595
Movement in obligations under finance lease	**(40,851)**	305,635	**-**	-
Net cash flows from financing activities	**(23,504,547)**	25,719,541	**(4,319,736)**	26,904,117
Net movement in cash and cash equivalents	**(20,752,864)**	25,808,220	**(19,345,893)**	19,561,116
Cash and cash equivalents at the beginning of the period/year	**19,283,341**	(6,524,879)	**19,583,880**	22,764
Cash and cash equivalents at the end of the period/year (note 26)	**(1,469,523)**	19,283,341	**237,987**	19,583,880

1. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for land and buildings, which are stated at their revalued amounts, and in accordance with International Financial Reporting Standards as adopted by the EU.

The significant accounting policies adopted are set out below.

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the holding company and entities controlled by the holding company (its subsidiaries). A subsidiary is an entity that is controlled by the company. The company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Where the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. An adjustment to the cost of the combination contingent on future events is measured at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration that are the result of additional information obtained after the acquisition date about facts and circumstances that existed at the acquisition date and that qualify as measurement period adjustments are adjusted against the cost of acquisition. The accounting treatment of all other subsequent changes in the fair value of contingent consideration that are not measurement period adjustments depends on whether the contingent consideration is a financial liability or a non-financial liability. Changes in the fair value of contingent consideration classified as equity are not recognised.

2. Significant accounting policies (continued)

Business combinations (continued)

Acquisition-related costs are recognised in profit or loss as incurred, except for the costs to issue debt or equity securities.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition are generally recognised at their fair values at the acquisition date, except as stipulated in IFRS 3 "Business Combinations". A contingent liability assumed in a business combination is recognised at the acquisition date if there is a present obligation that arises from past events and its fair value can be measured reliably. Such contingent liabilities are subsequently measured at the higher of the amount that would be recognised in accordance with IAS 37 "Provisions, Contingent liabilities and Contingent assets" and the amount initially recognised less, if appropriate, cumulative amortisation.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of (a) the aggregate of: (i) the consideration transferred; (ii) the amount of any non-controlling interest in the acquiree; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is subsequently measured at cost less any accumulated impairment losses. Any gain on a bargain purchase, after reassessment, is recognised immediately in profit or loss.

Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required. After initial recognition, non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since that date. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations achieved in stages

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts previously recognized in other comprehensive income in relation to the acquiree are accounted for (i.e. reclassified to profit of loss or transferred directly to retained earnings) in the same manner as would be required if the interests were disposed of.

2. Significant accounting policies (continued)

Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in subsidiaries and joint ventures in the holding company's financial statements

Investments in subsidiaries and joint ventures in the holding company's financial statements are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from the investments are recognised in profit or loss.

Investments in associates and joint ventures

An associate is an entity over which the group entities have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, from the date that significant influence/joint control commences until the date that significant influence/joint control ceases.

2. Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

Under the equity method, investments in associates/joint ventures are initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associates/joint ventures, less any impairment in the value of individual investments. The group's share of the post-acquisition profit or loss of the associates/joint ventures is recognised in profit or loss and the group's share of the post-acquisition changes in other comprehensive income is recognised in other comprehensive income. Distributions received from an investee reduce the carrying amount of the investment. The group's share of losses of an associate/joint venture in excess of its interest in that associate/joint venture (which includes any long-term interests that, in substance, form part of the company's net investment in the associate/joint venture) are not recognised, unless the company has incurred obligations or made payments on behalf of the associate/joint venture.

On acquisition of the investment, any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is excluded from the carrying amount of the investment and recognised in profit or loss.

Where necessary, in preparing these financial statements, appropriate adjustments are made to the financial statements of associates/joint ventures to bring their accounting policies in line with those used by the company.

Property, plant and equipment

The group's property, plant and equipment are classified into the following classes – freehold and leasehold land and buildings (inclusive of improvement to premises), motor vehicles, plant and machinery and furniture, fittings, and other equipment.

Property, plant and equipment are initially measured at cost. When acquired as part of a business combination cost reflects their fair value at the acquisition date. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Freehold and leasehold land and buildings are held for use in the supply of services or for administrative purposes. Subsequent to initial recognition, freehold/leasehold land and buildings are stated at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made for the entire class of freehold and leasehold land and buildings and with sufficient regularity such that the carrying amounts do not defer materially from those that would be determined using fair values at the end of each reporting period.

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Any revaluation increase arising on the revaluation is recognised in other comprehensive income and accumulated in equity under the heading revaluation surplus unless it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of that asset. Every period, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings. When the asset is derecognised, the attributable revaluation remaining in the revaluation surplus is transferred to retained earnings.

Other property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Properties in the course of construction

Properties in the course of construction for production, supply or administrative purposes are classified as property, plant and equipment and are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy on borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	-	2% - 6.67% per annum
Leasehold land	-	by annual instalments over the remaining term of the lease
Motor vehicles	-	20% per annum
Plant and machinery	-	6% - 20% per annum
Furniture, fittings and other equipment	-	12.5% - 33.3% per annum

No depreciation is charged on freehold land. The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. Significant accounting policies (continued)

Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the group and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost, being the fair value at the acquisition date for intangible assets acquired in a business combination. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria or the item is acquired in a business combination and cannot be recognised as an intangible asset, in which case it forms part of goodwill at the acquisition date. The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. Amortisation is recognised on a straight-line basis over their estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

After initial recognition, each class of intangible assets is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The group's intangible assets mainly comprise concessions, lease premium fee and brand design fees and franchises.

The following useful lives are used in the calculation of amortisation:

Concessions	-	2 – 10 years
Brand design fees and franchises	-	straight line basis over the remaining term of the agreements
Lease premium fee	-	by annual instalments over the remaining term of the lease

2. Significant accounting policies (continued)

Other financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the group entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) Trade and other receivables

Trade and other receivables are classified with current assets and are stated at their nominal value unless the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) Investments

The group's investments other than investments in subsidiaries, associates and joint ventures comprise loans and receivables. The classification of investments depends on the purpose for which the investments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the group may not recover substantially all of its initial investment other than because of credit deterioration.

After initial recognition, loans and receivables are recognised at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised, or impaired, or through the amortisation process. When applying the effective interest method, the annual amortisation of any discount or premium is aggregated with other investment income receivable over the term of the instrument, if any, so that the revenue recognised in each period represents a constant yield on the investment.

2. Significant accounting policies (continued)

Other financial instruments (continued)

(iii) Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest.

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

(iv) Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

(v) Trade and other payables

Trade and other payables are classified with current and non-current liabilities, as applicable, and are stated at their nominal value, unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

(vi) Shares issued by the company

Ordinary shares issued by the company are classified as equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the costs to be incurred in marketing, selling and distribution.

Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss. Non-current assets are not depreciated (or amortised) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.

2. Significant accounting policies (continued)

Non-current assets and disposal groups held for sale and discontinued operations (continued)

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations or is part of a single coordinated 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. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Provisions

Provisions are recognised when a group entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

Impairment

At the end of each reporting period, the carrying amount of assets, including cash-generating units, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

Goodwill is tested for impairment annually and whenever there is an indication of impairment.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events – significant financial difficulty of the issuer (or counterparty), or a breach of contract, or it becoming probable that the borrower will enter bankruptcy or other financial reorganisation, or the group entity, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the group entity would not otherwise consider.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

Impairment (continued)

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Goodwill is allocated to each of the company's cash-generating units expected to benefit from the synergies of the combination. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Where a cash-generating unit to which goodwill has been allocated is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

Impairment losses are recognised immediately in profit or loss unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account.

In the case of other assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised in other comprehensive income and increases the revaluation surplus for that asset, unless an impairment loss on the same asset was previously recognised in profit or loss.

2. Significant accounting policies (continued)

Impairment (continued)

For a cash-generating unit, the carrying amount is not increased above the lower of its recoverable amount (if determinable) and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit, except for goodwill.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods on a retail basis is recognised at point of sale. Revenue from the sale of goods is recognised on the transfer of the risks and rewards of ownership, which generally coincides with the time of delivery, when the costs incurred or to be incurred in respect of the transaction can be measured reliably and when the respective entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(ii) Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Rental income

Rental income is recognised on an accrual basis.

(iv) Vacation ownership arrangements

The group's share of revenue from vacation ownership arrangements is recognised in the period in which the services are rendered, by reference to the stage of completion of the transaction at the end of the reporting period. The recognition criteria for revenue are applied to the separately identifiable components of such transactions in order to reflect the substance of the transactions. To the extent that the upfront fees do not include an identifiable amount for subsequent services and do not relate to the provision of future services, they are recognised as revenue when the service is rendered, at the inception of the arrangement, to the extent that no significant uncertainty as to their collectability exists. The annual fees are recognised in the period to which they relate.

2. Significant accounting policies (continued)

Revenue recognition (continued)

(iv) Vacation ownership arrangements (continued)

A consistent accounting policy is applied in respect of exchange transactions which result in an upgrade of previously acquired intervals for superior and more expensive intervals. To the extent that the cost differential that is receivable on upgrade does not include an identifiable amount for subsequent services and does not relate to the provisions of future services, it is recognised as revenue when the upgrade is made, to the extent that no significant uncertainty as to its collectability exists. The higher annual fees over the remaining term of the new arrangement are recognised in the period to which they relate.

(v) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

(vi) Dividend income

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

Government grants

Government grants are recognised when there is reasonable assurance that all the conditions attaching to them are complied with and the grants will be received.

Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Such grants are deducted in reporting the related expense.

Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended period in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

2. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provision of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

Assets held under finance leases are recognised in the statement of financial position as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments and include initial direct costs. Capitalised leased assets are tested for impairment in accordance with the company's accounting policy on impairment and are depreciated in accordance with the company's accounting policy on property, plant and equipment over the shorter of the lease term and their useful life, unless there is reasonable certainty that the company will obtain ownership by the end of the lease term, in which case the assets are depreciated over the period of their useful life. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly to equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates and joint ventures where the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries and interests in associates and joint ventures where it is probable that taxable profit will be available against which the temporary difference can be utilised and it is probable that the temporary difference will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle the tax assets and tax liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Significant accounting policies (continued)

Employee benefits

The group contributes towards the state pension in accordance with local legislation. The only obligation of the group is to make the required contributions. Costs are expensed in the period in which they are incurred.

Currency translation

The individual financial statements of each group entity are drawn up in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Euro, which is the functional currency of the holding company and the presentation currency for the separate and the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was measured. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Foreign exchange gains and losses are included within operating profit, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated to Euro at the exchange rates ruling at the date of the statement of financial position. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. Such differences are reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

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

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and that form an integral part of the group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position.

Dividends

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared

Dividends to holders of equity instruments are recognised directly in equity.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following judgements which can significantly affect the amounts recognised in the financial statements and at the end of the reporting period, there were the following key assumptions concerning the future, and the following key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period:

(i) Impairment of goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination.

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The key assumptions for the calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors estimate discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Details of the impairment calculation are set out in note 27.

(i) Deferred tax liabilities

The group holds investments in subsidiaries and joint ventures incorporated in foreign jurisdictions. The profits of these foreign entities are taxed once they are remitted to the holding company. Where the group has the ability to control the underlying investee's dividend distribution policy, management has used its judgement for the estimation of the probability of the future dividend distribution levels expected to flow to the group in the foreseeable future. The criteria used by management are based on the past pattern of dividend payments and the group's plan for reinvestment. Where the group does not have control over the entities dividend distribution policy, the group recognises a deferred tax liability arising in relation to all the undistributed profits of that investee.

A change in the assumptions used or in the estimate as to the probability that past undistributed earnings levels will be remitted would have an impact on the income tax charge/credit and on the deferred tax liabilities recognised in the statement of financial position as disclosed in note 24.

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective

Application of new and revised International Financial Reporting Standards

In the current year, the group and the holding company have applied the following:

(i) New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. The impact of the application of these standards is set out below.

Impact of the application of IFRS 10 – Consolidated Financial Statements

IFRS 10 *Consolidated Financial Statements*, applicable for annual periods beginning on or after 1 January 2014 (with earlier application permitted) for entities applying IFRS as adopted by the European Union. IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The application of IFRS 10 did not result in any significant impact on the company's and the group's financial statements.

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective (continued)

Application of new and revised International Financial Reporting Standards (continued)

(i) New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the holding company reviewed and assessed the classification of the group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that all of the group's investments in joint arrangements, which were classified as jointly controlled entities under IAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under IFRS 11 and accounted for using the equity method.

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective (continued)

Application of new and revised International Financial Reporting Standards (continued)

(i) New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of IFRS 11 - Joint Arrangements (continued)

The change in accounting of the group's investments in joint ventures has been applied in accordance with the relevant transitional provisions set out in IFRS 11. Comparative amounts for the year ended 31 October 2014 have been restated to reflect the change in accounting for the group's investments in joint ventures. The initial investments as at 1 November 2013 for the purpose of applying the equity method are measured as the aggregate of the carrying amounts of the assets and liabilities that the group had previously proportionately consolidated (see the tables below for details). Also, the directors of the holding company performed an impairment assessment on the initial investments as at 1 November 2013 and concluded that no impairment loss is required. In accordance with IAS1 the group has presented a third statement of financial position as at 1 November 2013.

As illustrated below the application of IFRS 11 had no impact on the group's financial results and its basic/diluted earnings per share.

Impact on profit or loss for the year for the application of IFRS 11:

	Period ended 31.10.2014 €
Decrease in revenue	(20,722,955)
Decrease in staff costs	5,928,779
Decrease in food and beverage costs	2,016,357
Decrease in other operating costs	6,520,340
Decrease in depreciation and amortisation	1,832,348
Increase in share of profit from joint ventures and associates	2,802,158
Increase in investment income	255,569
Decrease in finance costs	488,852
Decrease in income tax expense	878,552
Increase/decrease in profit for the year attributable to the owners of the holding company	**-**

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective (continued)

Application of new and revised International Financial Reporting Standards (continued)

(ii) New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of IFRS 11 - Joint Arrangements (continued)

Impact on assets, liabilities and equity as at 1 November 2013 of the application of IFRS 11

	As at 1.11.2013 as previously reported	**IFRS 11 Adjustments**	**As at 1.11.2013 as restated**
	€	**€**	**€**
Goodwill	33,147,407	(22,126,585)	11,020,822
Other Intangible Assets	725,684	(725,684)	-
Property, plant and equipment	86,010,457	(44,161,205)	41,849,252
Investment in associates	150	(150)	-
Investments in joint ventures	-	33,571,672	33,571,672
Loans and receivables	9,064,585	(620,491)	8,444,094
Inventories	1,224,929	(514,482)	710,447
Trade and other receivables	10,085,145	5,209,231	15,294,376
Current taxation	217,734	-	217,734
Cash and cash equivalents	664,930	(359,255)	305,675
Bank overdrafts and loans	(40,994,384)	9,593,735	(31,400,649)
Deferred tax liabilities	(11,814,605)	4,611,946	(7,202,659)
Trade and other payables	(23,938,041)	7,398,492	(16,539,549)
Current taxation	(45,489)	20,945	(24,544)
Other financial liabilities	(28,145,286)	8,101,831	(20,043,455)
Total effect on net assets attributable to the owners of the holding company	**36,203,216**	**-**	**36,203,216**

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective (continued)

Application of new and revised International Financial Reporting Standards (continued)

(iii) New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of IFRS 11 - Joint Arrangements (continued)

Impact on assets, liabilities and equity as at 31 October 2014 of the application of IFRS 11

	As at 31.10.2014 as previously reported €	**IFRS 11 Adjustments €**	**As at 31.10.2014 as restated €**
Goodwill	34,391,243	(23,370,421)	11,020,822
Other Intangible Assets	588,211	(588,211)	-
Property, plant and equipment	71,131,216	(43,284,848)	27,846,368
Investment in associates	150	(150)	-
Investments in joint ventures	-	37,862,919	37,862,919
Loans and receivables	8,967,096	(1,569,816)	7,397,280
Other cash at bank	348,676	-	348,676
Inventories	755,790	(444,164)	311,626
Trade and other receivables	10,709,687	4,106,097	14,815,784
Current taxation	321,265	(2,066)	319,199
Cash and cash equivalents	21,898,444	(1,593,781)	20,304,663
Assets classified as held for sale	651,984	(651,984)	-
Bank overdrafts and loans	(22,842,881)	8,139,789	(14,703,092)
Deferred tax liabilities	(9,731,882)	5,525,999	(4,205,883)
Trade and other payables	(17,466,885)	6,830,768	(10,636,117)
Current taxation	(28,501)	28,501	-
Other financial liabilities	(58,399,708)	8,359,382	(50,040,326)
Net liabilities associated with interest in joint venture held for sale	(921,208)	651,986	(269,222)
Total effect of net assets attributable to the owners of the holding company	**40,372,697**	-	**40,372,697**

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective (continued)

Application of new and revised International Financial Reporting Standards (continued)

(i) New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of IFRS 11 - Joint Arrangements (continued)

Impact on cash flows for the year ended 31 October 2014 on the application of the above new and revised standards

	IFRS 11 Adjustments €	As at 31.10.2014 as restated €
Net cash inflow/(outflow) from operating activities	4,439,425	4,439,425
Net cash inflow/(outflow) from investing activities	(2,364,677)	(2,364,677)
Net cash inflow/(outflow) from financing activities	221,140	221,140
Net cash inflow	**2,295,888**	**2,295,888**

IAS 28 – Investments in Associates and Joint Ventures

The Amended IAS 28 *Investments in Associates and Joint Ventures* became applicable for annual periods beginning on or after 1 January 2014 (with earlier application permitted) for entities applying IFRS as adopted by the European Union. The amended IAS 28 did not result in any significant impact on the company's financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

(ii) IAS 27 – Separate Financial Statements

The revised IAS 27 *Separate Financial Statements* became applicable for annual periods beginning on or after 1 January 2014 (with earlier application permitted) for entities applying IFRS as adopted by the European Union. The revised IAS 27 did not result in any significant impact on the company's financial statements.

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective (continued)

International Financial Reporting Standards were in issue but not yet effective

At the date of authorisation of these financial statements, the following International Financial Reporting Standards were in issue but not yet effective:

IFRS 15 – Revenue from Contracts with Customers

The standard is the result of a convergence project between the IASB and the FASB. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions being leases, financial instruments and insurance contracts.

By virtue of an amendment issued on 11 September 2015, the effective date of the Standard was deferred by one year to annual periods beginning on or after 1 January 2018, with earlier application being permitted. This standard has not as yet been endorsed by the EU at the date of authorisation of these financial statements.

The directors of the company anticipate that the application of IFRS 15 in the future may not have a material impact on the amounts reported and disclosures made in the company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the company performs a detailed review.

Amendments to IAS 1 – Disclosure Initiative

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. These amendments are applicable for annual periods beginning on or after 1 January 2016. The directors of the company do not anticipate that the application of these amendments to IAS 1 will have a material on the group's financial statements.

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective (continued)

International Financial Reporting Standards were in issue but not yet effective (continued)

IFRS 9 – Financial Instruments

IFRS 9 issued on 24 July 2014, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses. This amendment had not as yet been endorsed by the European Union at the date of authorisation of these financial statements. The directors of the company anticipate that the application of IFRS 9 in the future will not have a significant impact on amounts reported in respect of the company's and the group's financial assets and financial liabilities.

IFRS 16 – Leases

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains substantially unchanged (except for a requirement to provide enhanced disclosures) and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. IFRS 16 is effective for periods beginning on or after 1 January 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers.

The directors have not yet performed a detailed analysis of the impact of the application of this Standard and hence have not yet quantified the extent of the impact.

5. Revenue

Revenue for the group represents the amount receivable for services from continuing operations rendered during the period, net of sales rebates and any indirect taxes.

	Group		Holding	
	2015	2014	**2015**	2014
	(14 months)	(12 months)	**(14 months)**	(12 months)
	€	€	**€**	€
Accommodation, catering and ancillary services	**24,264,980**	15,810,828	**-**	-
Rental income and sale of goods	**146,527**	24,934	**-**	-
	24,411,507	15,835,762	**-**	-

6. Segment information

IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Information reported to the group’s chief operating decision maker for the purpose of resource allocation and assessment performance is focused on the service provided and geographical location.

Up to the year ended 31 October 2014 the group was organised into one major operating division which included ownership, development and operations of hotels and other leisure facilities, as well as the provision of catering services. Up to that date the group only operated in Malta.

During the period ended 31 December 2015, the group’s catering activities continued to grow and the group started to operate in Spain. As a result the group’s reportable segments changed during the said period and under IFRS 8 are now therefore as follows:

- The ownership, development and operations of hotels and other leisure facilities in Malta, and
- Catering services in Malta and Spain.

Segment profit or loss before tax represents the profit or loss earned by each segment after allocation of central administration costs and finance costs based on services and finance provided. The group is not required to report the income tax expense, total assets and liabilities for each reportable segment since such amounts are not provided regularly to the chief operating decision maker.

6. Segment information (continued)

Information about the group's reportable segments is presented below.

	Hotel Malta		Catering Malta		Catering Spain		Total	
	2015 (14 months)	**2014 (12 months)**	**2015 (14 months)**	**2014 (12 months)**	**2015 (14 months)**	**2014 (12 months)**	**2015 (14 months)**	**2014 (12 months)**
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**
Segment revenue	**10,004,230**	10,800,519	**13,008,264**	5,298,587	**1,500,815**	-	**24,513,309**	16,099,106
Segment EBITDA	**2,642,006**	2,214,038	**728,423**	309,004	**(915,023)**	-	**2,455,406**	2,523,042
Interest expense	**(1,157,708)**	(635,867)	**(285,576)**	(28,842)	**(149,984)**	-	**(1,593,268)**	(664,709)
Depreciation and amortisation	**(1,514,314)**	(1,105,106)	**(253,644)**	(68,345)	**(194,290)**	-	**(1,962,248)**	(1,173,451)
Segment profit or loss before tax	**(927,993)**	474,512	**386,215**	214,096	**(1,259,296)**	-	**(1,801,074)**	688,608
Non-current assets*	**63,236,866**	31,035,781	**14,209,577**	7,820,792	**9,242,492**	-	**86,688,935**	38,856,573

* Non-current assets exclude investments in associates and joint ventures, loans and receivables and other cash at bank

6. Segment information (continued)

	2015 (14 months) €	2014 (12 months) €
Segment revenue	**24,513,309**	16,099,106
Holding company revenue	**60,065**	5,010
Rental income	**-**	-
Elimination of intra-group transactions	**(161,867)**	(268,354)
Group revenue	**24,411,507**	**15,835,762**

	2015 (14 months) €	2014 (12 months) €
Segment (loss)/profit before tax	**(1,801,074)**	688,608
Share of profit from joint ventures	**3,442,875**	2,802,158
Investment income	**5,107,409**	319,060
Finance costs	**(2,980,065)**	(2,231,941)
Amortisation of intangible assets	**(714,670)**	-
Unallocated amounts	**(120,060)**	10,558
Profit before tax	**2,934,415**	1,588,443

	2015 (14 months) €	2014 (12 months) €
Segment non-current assets	**86,688,935**	38,856,573
Other assets	**9,230**	10,617
	86,698,165	38,867,190

7. Investment income from continuing operations

	Group		Holding	
	2015 (14 months) €	2014 (12 months) €	**2015 (14 months) €**	2014 (12 months) €
Dividends received from subsidiaires	**-**	-	**3,271,503**	2,150,384
Interest income on bank deposits	**14,330**	1,485	**14,238**	1,475
Interest income on loans and receivables from group undertakings	**-**	-	**1,078,548**	289,530
Interest income on loans and receivables from joint ventures	**192,559**	301,030	**8,941**	-
Interest income on loans and receivables from immediate parent company	**47,500**	-	**47,500**	-
Interest income on loans and receivables from related parties	**-**	-	**-**	49,325
Interest income on other loans	**22,720**	20,271	**-**	-
Gain on stepped acquisition (note 28)	**2,965,974**	-	**-**	-
Gain on bargain purchase upon business combination (note 28)	**2,061,339**	-	**-**	-
	5,304,422	322,786	**4,420,730**	2,490,714

8. Finance costs from continuing operations

	Group		Holding	
	2015 (14 months) €	2014 (12 months) €	**2015 (14 months) €**	2014 (12 months) €
This is charged:				
On debt securities	**3,511,667**	1,738,333	**3,511,667**	1,738,333
On bank loans and overdrafts	**599,500**	980,978	**167,761**	441,490
Amortisation of bond expenses	**85,400**	30,500	**85,400**	30,500
On amounts due to group undertakings	**-**	-	**-**	37,133
On amounts due to shareholders	**-**	84,918	**-**	29,762
On amounts due to related parties	**33,123**	24,697	**-**	-
On obligations under finance lease	**22,273**	18,689	**-**	-
Other finance charges	**32,667**	19,535	**-**	-
	4,284,630	2,897,650	**3,764,828**	2,277,218

9. Profit for the period/year from continuing operations

	Group		Holding	
	2015 (14 months) €	2014 (12 months) €	**2015 (14 months) €**	2014 (12 months) €
This is stated after charging:				
Depreciation of property, plant and equipment	**1,889,072**	1,174,997	-	-
Amortisation of intangible assets	**790,969**	-	**-**	-
Movement in provision for bad and doubtful trade receivables	**-**	353,734	**-**	-
Net exchange differences	**55,589**	4,846	**1,854**	-

The analysis of amounts that are payable to the auditors in relation to the period/year presented is as follows:

	Group		Holding	
	2015 (14 months) €	2014 (12 months) €	**2015 (14 months) €**	2014 (12 months) €
Annual statutory audit:				
- *Group auditors*	**45,350**	40,550	**11,000**	11,000
Other assurance services	**850**	250	**850**	-
Tax advisory services	**7,215**	19,630	**-**	-
Other non-audit services	**26,023**	88,003	**9,835**	41,835
	79,438	148,433	**21,685**	52,835

10. Key management personnel compensation

	Group and Holding	
	2015 (14 months) €	2014 (12months) €
Key management personnel compensation		
Short-term benefits		
Management remuneration	**565,008**	522,986

Included in the above are emoluments paid in respect of the current period to the company's directors amounting to *€484,132* (2014 - *€437,986).*

11. Staff costs and employee information from continuing operations

	Group	
	2015 (14 months) €	2014 (12 months) €
Staff costs:		
Wages and salaries	**11,606,920**	7,406,123
Social security costs and other contributions	**1,132,556**	627,984
	12,739,476	8,034,107
Sub-contracted labour	**2,411,150**	2,039,423
Capitalised labour costs	**(398,485)**	(85,696)
Recharged to joint ventures	**(4,876,531)**	(3,775,065)
	9,875,610	6,212,769

The average number of persons employed by the group during the period, including executive directors, was made up as follows:

	Group	
	2015 Number (14 months)	2014 Number (12 months)
Administration	**120**	100
Operations	**426**	342
	546	442

12. Income tax (credit)/expense in profit or loss from continuing operations

	Group		Holding	
	2015 (14 months) €	2014 (12 months) €	**2015 (14 months) €**	2014 (12 months) €
Tax charge/(credit) for the period/year:				
Current tax expense/(credit)	**79,390**	(72,901)	**182,790**	67,986
Deferred tax (credit)/ expense (note 24)	**(570,043)**	131,273	**-**	-
	(490,653)	58,372	**182,790**	67,986

12. Income tax (credit)/expense in profit or loss from continuing operations (continued)

Tax applying the statutory domestic income tax rate and the income tax expense/(credit) for the year are reconciled as follows:

	Group		Holding	
	2015 (14 months) €	2014 (12 months) €	**2015 (14 months) €**	2014 (12 months) €
Profit/(loss) before tax from continuing operations	**2,934,415**	1,588,443	**607,034**	197,477
Tax at the applicable rate of 35%	**1,027,045**	555,955	**212,462**	69,117
Tax effect of:				
Depreciation of non-eligible asset	**28,251**	8,353	**-**	-
Net differences on intra-group dividends eliminated on consolidation	**587,176**	371,428	**-**	-
Income taxed at different rates	**-**	-	**(406,250)**	(249,271)
Disallowable expenses	**717,401**	259,185	**374,714**	248,140
Acquisition related costs	**101,045**	-	**-**	-
Gain on stepped acquisition of subsidiaries	**(1,759,560)**	-	**-**	-
Share of profits/(losses) of joint ventures and associates	**(1,207,008)**	(980,756)	**-**	-
Unabsorbed investment tax credit	**-**	(134,182)	**-**	-
Other differences	**14,997**	(21,611)	**1,864**	-
Income tax (credit)/expense for the period/year	**(490,653)**	58,372	**182,790**	67,986

The tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate of 35% payable by corporate entities in Malta on taxable profits under tax law in that jurisdiction.

13. Discontinued operations

Disposal of 100% equity interest in Coastline Hotel Limited

On 19 February 2014 the group entered into a promise of sale agreement for the disposal of its 100% equity interest in Coastline Hotel Limited, a subsidiary which owns and operates the Coastline Hotel, a four star hotel located at Salina Bay. The sale of this asset from the portfolio of the group was in line with the group;s strategy to focus on the five star segment of the local hotel industry and the proceeds of the sale were used to go towards contributing to the continued development of the group in this area as well as the other core activities of the group including vacation ownership, high end event catering and the development of the Costa Coffee brand locally and internationally. The sale was completed on 2 May 2014, on which date control of the Coastline Hotel passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of profit on disposal, are disclosed in note 29.

13. Discontinued operations (continued)

Termination of the MKIC Limited joint venture

On 31 October 2014 MKIC Limited ceased operations and the group started the process of winding up this operation. MKIC Limited was principally engaged in the business of catering, organiser, manager and operator of venues for receptions and similar events, restaurants and leisure facilities. Currently, the group is in discussion with the other joint venturer, with respect to the transfer of assets and settlement of liabilities of the company as well as the restructuring of the company's shareholding (note 14).

Profit for the year from discontinued operations

The combined results of the discontinued operations relating to the Coastline Hotel Limited and MKIC Limited included in the profit and loss for the year ended 31 October 2014 are set out below.

	2015 (14 months) €	2014 (12 months) €
Revenue	**-**	1,184,421
Expenses	**-**	(1,953,269)
Depreciation		(199,855)
Share of losses from joint venture	**-**	(217,138)
Loss before tax		(1,185,841)
Tax credit	**-**	412,826
	-	(773,015)
Gain from disposal from discontinued operation	**-**	1,975,400
Profit for the year from discontinued operation	**-**	1,202,385

Cash flows from discontinued operation

	2015 (14 months) €	2014 (12 months) €
Net cash outflows from operating activities	**-**	(136,772)
Net cash outflows from investing activities	**-**	(385,352)
Net cash inflows from financing activities	**-**	207,130
Net cash inflows from financing activities	**-**	(314,994)

14. Net liabilities in joint venture classified as held for sale

As described in note 13, the group is in the process of winding up its 50% interest in MKIC Limited after absorbing its 50% share of net liabilities. The directors estimate the carrying value of its share of net liabilities in the joint venture to be equivalent to the value attributed upon disposal and therefore no impairment loss was recognised upon reclassification of liabilities as held for sale. The major classes of assets and liabilities of MKIC Limited at the end of the reporting period are as follows:

	2015 (14 months) €	2014 (12 months) €
Current assets	**89,859**	504,876
Non-current assets	**750,616**	799,092
Current liabilities	**(1,443,902)**	(1,842,412)
	(603,427)	(538,444)
Proportion of group's ownership in the joint venture	**50%**	50%
Carrying amount of the group's interest in joint venture classified as held for sale	**(301,714)**	(269,222)

15. Earnings per share

	Group	
	2015 (14 months) €	2014 (12 months) €
Basic/diluted earnings per share		
From continuing operations	**0.091**	0.042
From discontinued operations	**-**	0.033
Total basic/diluted earnings per share	**0.091**	0.075

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Group	
	2015 (14 months) €	2014 (12 months) €
Earnings:		
From continuing operations	**3,425,068**	1,530,071
From discontinued operations	**-**	1,202,385
Total basic/diluted earnings per share	**3,425,068**	2,732,456
Weighted average number of shares	**37,541,406**	36,583,660

16. Property, plant and equipment and intangible assets

Property, plant and equipment

Group

	Freehold/ leasehold land and buildings €	Motor vehicles €	Plant and machinery €	Furniture fittings and other equipment €	Total €
Cost or valuation					
At 31.10.2013	40,197,073	325,063	7,396,016	15,074,096	62,992,248
Additions	802,519	28,911	247,859	993,228	2,072,517
Capitalised payroll costs	-	-	-	85,696	85,696
Disposals and write-offs	(14,581)	(82,974)	(343,648)	(137,459)	(578,662)
Derecognised on disposal of subsidiary	(17,140,070)	(41,929)	(1,995,690)	(3,719,296)	(22,896,985)
At 31.10.2014	23,844,941	229,071	5,304,537	12,296,265	41,674,814
Additions	224,190	13,328	1,166,405	2,429,898	3,833,821
Capitalised payroll costs	-	-	-	401,000	401,000
Disposals and write-offs	(897,977)	-	(154,621)	(29,484)	(1,082,082)
Acquisition of subsidiaries (note 28)	23,070,287	17,777	525,254	2,898,264	26,511,582
Revaluation	10,542,188	-	-	-	10,542,188
At 31.12.2015	56,783,629	260,176	6,841,575	17,995,943	81,881,323
Accumulated depreciation					
At 31.10.2013	5,348,098	274,844	5,590,236	9,929,818	21,142,996
Provision for the year	524,344	26,394	277,524	546,589	1,374,851
Eliminated on disposal	(3,376)	(73,538)	(343,649)	(96,756)	(517,319)
Derecognised on disposal of subsidiary	(3,798,066)	(41,929)	(1,585,731)	(2,746,356)	(8,172,082)
At 31.10.2014	2,071,000	185,771	3,938,380	7,633,295	13,828,446
Provision for the period	468,214	24,745	471,630	924,481	1,889,070
Eliminated on disposal	-	-	(154,628)	(29,277)	(183,905)
At 31.12.2015	2,539,214	210,516	4,255,382	8,528,499	15,533,611
Carrying amount					
At 31.10.2014	21,773,941	43,300	1,366,157	4,662,970	27,846,368
At 31.12.2015	**54,244,415**	**49,660**	**2,586,193**	**9,467,444**	**66,347,712**

16. Property, plant and equipment and intangible assets (continued)

Property, plant and equipment (continued)

Leasehold land and buildings

Leasehold land and buildings represent the Radisson Blu Resort & Spa, St. Julians and the Hal-Ferh site near the Radisson Blu, Golden Sands Resort & Spa which was acquired as part of the stepped acquisition of The Heavenly Collection Limited on 17 December 2015 (note 28). Upon acquisition of a subsidiary and at the end of the reporting period, the group's internal valuation team performs a valuation of the leasehold land and buildings for the purpose of determining the fair value of assets acquired upon business combination and for financial reporting purposes. This team reports directly to the group's CFO and the Audit Committee.

Leasehold land and buildings were valued using a discounted cash flow technique based on forecasted operating cash flows for a period of five years, a terminal value and applying an appropriate discount rate. The key assumptions for the calculations are those relating to the discount rates, growth rates and expected changes in selling prices and direct costs during the period. The company estimate discount rates reflect current market assessments of the time value of money and the risks specific to the respective subsidiary. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The key assumptions for the valuation of the Radisson Blu Resort & Spa, St. Julians are a long-term growth rate of 2% (2014 – 2%), a pre-tax discount rate of 9.5% (2014 – 9.5%) and use of cash flow projections derived from the most recent financial budgets and forecasts approved by the directors covering a five-year period. Cash flows beyond the five-year period have been extrapolated using stable growth rates based on the directors' expected economic conditions and do not exceed the long-term average market growth rate. The discount rate is based on the company's weighted average cost of capital adjusted for specific industry risk and the company's optimal desired debt to equity ratio.

Based on the above assessment and internal valuation the Radisson Blu Resort & Spa, St. Julians was revalued by *€10,542,188* to a fair value of *€37,500,000*. The movement was reported in the statement of other comprehensive income.

As described in note 28, the fair value of leasehold land and buildings upon the stepped acquisition of The Heavenly Collection Limited was *€21,575,774*. This was valued using a discounted cash flow technique based on forecasted operating cash flows for a period of six years, a terminal value and applying an appropriate discount rate. The key assumptions for the calculations are those relating to the discount rates, growth rates and expected changes in selling prices, direct costs and development costs during the period. The company estimate discount rates reflect current market assessments of the time value of money and the risks specific to the respective subsidiary. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

16. Property, plant and equipment and intangible assets (continued)

Property, plant and equipment (continued)

Leasehold land and buildings (continued)

The key assumptions for the valuation of leasehold land and buildings acquired as part of the stepped acquisition of The Heavenly Collection Limited were a long-term growth rate of 2%, a pre-tax discount rate of 11% and use of cash flow projections derived from the most recent forecasts approved by the directors covering a six-year period. Cash flows beyond the six-year period have been extrapolated using stable growth rates based on the directors' expected economic conditions and do not exceed the long-term average market growth rate. The discount rate is based on the company's weighted average cost of capital adjusted for specific industry risk and the company's optimal desired debt to equity ratio.

The directors are of the opinion that the fair value of the property has not altered since the date of the stepped acquisition of the subsidiary. Leasehold land and buildings of The Heavenly Collection Limited represent assets in the course of construction and have therefore not been depreciated.

Freehold land and buildings

Freehold land and buildings represent the central food manufacturing and processing facility at Tal Handaq which was acquired during the period as part of the stepped acquisition of Buttigieg Holdings Limited as described in note 28. The revalued amount at the date of acquisition amounted to *€1,494,911*. The freehold property was valued by an independent professional qualified appraiser in 2012 and was based on the sales comparison approach. The most significant input into this valuation approach is the price per square meter which ranges between *€1,130* and *€1,190*. The directors are of the opinion that the fair value of the property has not altered since the date of the valuation.

The fair value measurements of freehold and leasehold land and buildings are categorised as Level 3 as they are based on unobservable inputs.

In estimating the fair value of the group's hotel properties and the central food manufacturing and processing unit, the highest and best use of the property is its current use.

16. Property, plant and equipment and intangible assets (continued)

Property, plant and equipment (continued)

Freehold land and buildings (continued)

Details about the group's freehold/leasehold land and buildings and information about the fair value hierarchy at 31 December 2015 are as follows:

	Fair value measurement at the end of the reporting period using Level 3 €	Total €
31.12.2015		
Undeveloped leasehold land and buildings	**21,575,377**	**21,575,377**
Hotel properties	**31,172,277**	**31,172,277**
Central food manufacturing & processing facility	**1,496,768**	**1,496,768**
Total	**54,224,422**	**54,224,422**
31.10.2014		
Hotel properties	21,773,942	21,773,942

The carrying amount of freehold/leasehold land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation is *€43,702,234* (2014 - *€21,773,942*).

As at 31 October 2014, included in the cost of property, plant and equipment are pre-construction costs of *€897,977* which were not being depreciated as they were not yet ready for use. Due to a change in the group's overall business strategy, these assets were written off during the period.

The carrying amount of the group's plant and machinery and furniture, fittings and other equipment includes *€240,632* (2014 - *€298,716*) in respect of assets held under finance leases.

Freehold and leasehold land and buildings have been pledged to secure borrowings of the group and related undertakings.

16. Property, plant and equipment and intangible assets (continued)

Intangible assets

Group

	Concessions €	Brand design fees and franchises €	Lease premium fee €	Total €
Cost				
At 31.10.2013/31.10.2014	-	-	-	-
Acquisition of subsidiary (note 28)	518,156	9,109,061	153,783	9,781,000
Additions for the period	-	269,600	70,000	339,600
At 31.12.2015	**518,156**	**9,378,661**	**223,783**	**10,120,600**
Accumulated amortisation				
At 31.10.2013/31.10.2014	-	-	-	-
Provision for the period	98,256	652,278	40,435	790,969
At 31.12.2015	**98,256**	**652,278**	**40,435**	**790,969**
Carrying amount				
At 31.10.2014	-	-	-	-
At 31.12.2015	**419,900**	**8,726,383**	**183,348**	**9,329,631**

The lease premium fee represents the payment made to the old tenants in connection with the lease of a retail store. The carrying amount of the lease premium fee will be fully amortised over the term of the new lease arrangement.

The group has franchise agreements with Costa International Limited to develop and operate the Cost Coffee brand in the Maltese Islands as well as in the territory of Spain (East Coast), the Canary and Balearic Islands. The carrying amount of these franchise agreements of *€8,018,521* will be fully amortised in 9 years.

The amortisation expense has been included in the line item ‘Depreciation and amortisation expense’ in the statement of profit or loss.

17. Financial assets

(i) Investment in subsidiaries and joint ventures

These are stated at cost in the separate financial statements and comprise:

Group

	Investment in associates €	Investment in joint ventures €	Total €
Equity method			
At 31.10.2014	-	37,862,919	37,862,919
At 31.12.2015	**300**	**39,770,036**	**39,770,336**

Holding company

	Investment in subsidiaries €	Investment in joint ventures €	Total €
Carrying amount			
At 31.10.2013	52,801,199	17,070,960	69,872,159
Additions	-	243,500	243,500
At 31.10.2014	52,801,199	17,314,460	70,115,659
Additions	2,098,508	-	2,098,508
Reclassifications on stepped acquisition	1,314,460	(1,314,460)	-
At 31.12.2015	**56,214,167**	**16,000,000**	**72,214,167**

On 10 June 2015, the company exercised its call option to acquire the remaining 50% shareholding in Buttigieg Holdings Limited (BHL), the parent company of the following wholly owned subsidiaries:

- R.J.C. Caterers Limited, a company operating mainly in the retail and contract catering sector;
- The Coffee Company Malta Limited, a company that operate the Costa Coffee franchise in Malta; and
- The Coffee Company Spain S.L.U., the company that operates the Costa Coffee franchise in the Eastern Coast of Spain and the Canary and Balearic Islands.

By virtue of this acquisition BHL and all its operational subsidiaries became 100% subsidiaries of the company. The objective behind the acquisition is the consolidation of the investment in BHL as part of the group strategic plan.

17. Financial assets (continued)

(i) Investment in subsidiaries and joint ventures (continued)

The consideration for the acquisition was the issue of 2 million new ordinary shares in the company to the selling shareholders increasing the total issued share capital of the company to 38,583,660 ordinary shares of € 1 each.

On 17 December 2015, the company acquired the remaining 50% shareholding in The Heavenly Collection Limited, a company which owns a site of circa 83,530 square meter formerly known as Hal Ferh, situated near the Golden Sands Radisson Blu Resort and Spa in Mellieha, together with all its other assets and liabilities as set out in note 28 (iv), for a total cash consideration of *€912,500.*

Acquisition related costs on the stepped acquisitions of Buttigieg Holdings Limited and The Heavenly Collection Limited amounted to of *€288,701.*

During the previous accounting period, the group disposed of its 100% shareholding in Coastline Hotel Limited. The gain on disposal on such transaction is disclosed as part of the discontinued operations (note 13).

The group consolidates the results and financial position of the following subsidiaries directly or indirectly owned. Unless otherwise stated below, the place of business of subsidiaries is the same as the country where the registered office of the underlying investee is situated:

Subsidiary undertakings:	**Principal activity**	**Proportion of ownership interest 2015 %**	Proportion of ownership interest 2014 %
Island Hotels Group Limited Radisson Blu Resort St. Julians Louis V. Farrugia Street St. George's Bay St. Julians, Malta	Holding & management company	**100**	100
Bay Point Hotel Limited Radisson Blu Resort St. Julians Louis V. Farrugia Street St. George's Bay St. Julians, Malta	Owner & operator of hotel	**100**	100
Island Caterers Limited Radisson Blu Resort St. Julians Louis V. Farrugia Street St. George's Bay St. Julians, Malta	Event catering company	**100**	100

17. Financial assets (continued)

(i) Investment in subsidiaries and joint ventures (continued)

	Principal activity	Proportion of ownership interest 2015 %	Proportion of ownership interest 2014 %
Bay Point Properties Limited Radisson Blu Resort St. Julians Louis V. Farrugia Street St. George's Bay St. Julians, Malta	Investment company	**100**	100
Island Resorts International Limited Akara Building 24 De Castro Street Wickham's Cay 1, Road Town Tortola, British Virgin Islands	Investment company	**100**	100
Bay Point Collection Limited 24 De Castro Street Wickhams Cay 1, Road Town Tortola, British Virgin Islands	Vacation ownership company	**100**	100
Buttigieg Holdings Limited The Penthouse, Papillon Court A Birbal Street Balzan, Malta	Retail catering & holding company	**100**	50
R.J.C. Caterers Limited The Penthouse, Papillon Court A Birbal Street Balzan, Malta	Contract catering company	**100**	50
The Coffee Company Malta Limited The Penthouse, Papillon Court A Birbal Street Balzan, Malta	Franchise retail catering company	**100**	50
The Coffee Company Spain S.L.U. Calle Floridablanca 98 Planta Ent Puerta 2 08015 Barcelona, Spain	Franchise retail catering company	**100**	50
The Heavenly Collection Limited The Radisson SAS Golden Sands Resort & Spa Golden Bay I/o Mellieha, Malta	Owner of tract of land in Golden Bay	**100**	50

17. Financial assets (continued)

(i) Investment in subsidiaries and joint ventures (continued)

Joint ventures

The group consolidates the following joint ventures using the equity method. Unless otherwise stated below, the place of business of joint ventures is the same as the country where the registered office of the underlying investee is situated:

	Principal activity	Proportion of ownership interest 2015 %	Proportion of ownership interest 2014 %
Golden Sands Resort Limited The Radisson SAS Golden Sands Resort & Spa, Golden Bay l/o Mellieha, Malta	Hotel	**50**	50
Azure Services Limited Suite 1, Level 2, TG Complex Brewery Street Mriehel, Malta	Marketing & promotional services	**50**	50
Azure Ultra Limited Level 3, Valletta Buildings, South Street, Valletta	Luxury yacht leasing	**50**	-
Vacation Financial Limited 325 Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Financing of vacation ownership	**50**	50
Heathfield Overseas Limited 325 Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Payment solutions	**50**	50
Azure Resorts Limited 325 Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Vacation ownership company	**50**	50
Brooksfield Overseas Limited 325 Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Marketing & promotional services	**50**	50

17. Financial assets (continued)

(i) Investment in subsidiaries and joint ventures (continued)

Joint ventures

	Principal activity	**Proportion of ownership interest 2015 %**	Proportion of ownership interest 2014 %
Medi International Limited 325 Waterfront Drive Omar Hodge Building 2nd Floor Wickham's Cay Road Town Tortola, British Virgin Islands	Internal financing	**50**	50
MKIC Limited Montekristo Estates Hal Farrug Road Luqa, Malta	Non-trading	**50**	50

On 11 June 2015, the group terminated the pledge on the shares in Golden Sands Resort Limited issued in favour of credit institution in relation to banking facilities granted to the group.

As described in note 13, MKIC Limited ceased operating on 31 October 2014 and its net liabilities are classified as net liabilities held for re-sale.

Summarised financial information in respect of the group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs (adjusted by the company for equity accounting purposes and for differences in accounting policies):

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

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

In 2014 this joint venture included the investment in The Heavenly Collection Limited, a company which owns a site of circa 83,530 square meters in close proximity of the Golden Sands Resort and Spa with plans to develop this into a hotel aimed at sophisticated vacation club buyers. As disclosed in note 28, The Heavenly Collection Limited became a fully owned subsidiary in December 2015.

17. Financial assets (continued)

(i) Investment in subsidiaries and joint ventures (continued)

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

In preparing the below summarised financial information, transactions carried out during the financial periods between the said individual companies, as well as period-end balances between the companies, were eliminated.

	31.12.2015	31.10.2014
	€	€
Current assets	**20,230,278**	18,521,693
Non-current assets	**65,342,534**	83,639,318
Current liabilities	**18,803,107**	38,285,636
Non-current liabilities	**34,802,909**	35,214,621
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**4,421,730**	2,553,971
Current financial liabilities (excluding trade and other payables and provisions)	**4,973,537**	9,179,653
Non-current financial liabilities (excluding trade and other payables and provisions)	**34,802,909**	32,199,865

17. Financial assets (continued)

(i) Investment in subsidiaries and joint ventures (continued)

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

	2015 (14 months) €	2014 (12 months) €
Revenue	**42,842,592**	33,952,071
Profit for the period/year	**7,249,612**	5,650,786
Other comprehensive income for the period/ year	**1,402,945**	1,437,025
Total comprehensive income for the period/ year	**8,652,557**	7,087,827
Dividends received	**2,582,360**	-

The above profit for the period/year includes the following:

	2015 (14 months) €	2014 (12 months) €
Depreciation and amortisation	**3,780,889**	3,157,470
Interest income	**647,720**	310,964
Interest expense	**1,494,673**	1,461,579
Income tax expense	**1,056,541**	1,675,418

17. Financial assets (continued)

(i) Investment in subsidiaries and joint ventures (continued)

Buttigieg Holdings Limited (BHL)

This joint venture includes the group's investment in Buttigieg Holdings Limited, a company operating mainly in the retail and contract catering sector including the Costa Coffee franchise in Malta and the Eastern Coast of Spain and the Canary and Balearic Islands. As set out in note 28, Buttigieg Holdings Limited became a 100% subsidiary of the group on 10 June 2015. The summarised financial information below represents amounts shown in the joint venture's financial statements as at 31 October 2014 and for the period to 10 June 2015 prepared in accordance with IFRSs:

	31.12.2015	31.10.2014
	€	€
Current assets	**-**	1,107,993
Non-current assets	**-**	4,627,669
Current liabilities	**-**	4,056,576
Non-current liabilities	**-**	1,434,452

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	**-**	405,251
Current financial liabilities (excluding trade and other payables and provisions)	**-**	1,200,165
Non-current financial liabilities (excluding trade and other payables and provisions)	**-**	1,369,452

17. Financial assets (continued)

(i) Investment in subsidiaries and joint ventures (continued)

Buttigieg Holdings Limited

	2015 (7 months) €	2014 (12 months) €
Revenue	**5,253,022**	7,456,674
Loss for the period/year	**(363,862)**	(46,463)
Total comprehensive expense for the period/ year	**(363,862)**	(46,463)
The above loss for the period/year includes the following:		
Depreciation and amortisation	**380,532**	509,020
Interest income	**-**	3,653
Interest expense	**60,352**	72,599
Income tax expense	**90,266**	81,682

17. Financial assets (continued)

(i) Investment in subsidiaries and joint ventures (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

As at 31 October 2014	**GSR**	**BHL**	**Total**
	€	**€**	**€**
Net assets of the joint venture	28,660,754	244,634	28,905,388
Proportion of the group's ownership interest	50%	50%	50%
Goodwill	22,726,421	644,000	23,370,421
Other adjustments	20,696	19,108	39,804
Carrying amount of the group's interest in the joint venture as at 31 October 2014	**37,077,494**	**785,425**	**37,862,919**

As at 31 December 2015	**GSR**	**BHL**	**Total**
	€	**€**	**€**
Net assets of the joint venture	**31,966,796**	**-**	**31,966,796**
Proportion of the group's ownership interest	**50%**		**50%**
Goodwill	**23,825,352**	**-**	**23,825,352**
Other adjustments	**(38,714)**	**-**	**(38,714)**
Carrying amount of the group's interest in the joint venture as at 31 December 2015	**39,770,036**	**-**	**39,770,036**

17. Financial assets (continued)

(ii) Loans and receivables

Group	Loan to joint ventures €	Other loans €	Other financial assets €	Loan to other related parties €	Loan to parent €	Total €
Amortised cost						
At 31.10.2014	6,864,309	18,552	510,059	4,360	-	7,397,280
Less: Amounts expected to be settled within 12 months (shown under current assets)	-	-	-	(4,360)	-	(4,360)
Amount expected to be settled after 12 months	6,864,309	18,552	510,059	-	-	7,392,920
At 31.12.2015	**404,538**	**364,982**	**507,118**	**4,360**	**6,000,000**	**7,280,998**
Less: Amounts expected to be settled within 12 months (shown under current assets)	**(404,538)**	**(43,381)**	**-**	**(4,360)**	**(6,000,000)**	**(6,452,279)**
Amount expected to be settled after 12 months	**-**	**321,601**	**507,118**	**-**	**-**	**828,719**

As at the end of the reporting period, the loans to joint ventures are unsecured, interest-free and repayable on demand. All the loans to joint ventures as at 31 October 2014 have been repaid in full during the period. These loans were unsecured and interest-free, except for:

- *€2,911,717* which bore interest at the fixed rate of 6.75% per annum; and
- *€300,000* which bore interest at the fixed rate of 6% per annum.

All the loans granted to joint ventures as at 31 October 2014, had no fixed date for repayment, but they were not expected to be realised within twelve months after the reporting period.

The other loans provided by the group are unsecured, bear interest at the fixed interest rate of 5% per annum and are repayable in annual instalments of *€61,629* inclusive of interest.

The amounts owed by the parent are unsecured, bear interest at the fixed interest rate of 5% per annum and are repayable within 4 months from the end of the reporting period.

17. Financial assets (continued)

(i) Loans and receivables

Holding	Loans to subsidiaries €	Other financial assets €	Loans to other related parties €	Loans to parent €	Total €
Amortised cost					
At 31.10.2014	10,708,613	510,059	4,360	-	11,223,032
Less: Amounts expected to be settled within 12 months (shown under current assets)	(193,912)	-	(4,360)	-	(198,272)
Amount expected to be settled after 12 months	10,514,701	510,059	-	-	11,024,760
At 31.12.2015	**25,866,316**	**507,118**	**4,360**	**6,000,000**	**32,377,794**
Less: Amounts expected to be settled within 12 months (shown under current assets)	**(114,548)**	**-**	**(4,360)**	**(6,000,000)**	**(6,118,908)**
Amount expected to be settled after 12 months	**25,751,768**	**507,118**	**-**	**-**	**26,258,886**

All the amounts owed by subsidiaries are unsecured. The other terms and conditions are as follows:

- *€18,799,201* (2014 – *€10,514,700*) bears a fixed interest rate of 6.25% (2014 – 6.25%) per annum. This amount is repayable on demand with twelve months' notice to be given by the holding company;

- *€114,549* (2014 – *€193,192*) is interest-free and repayable on demand; and

- *€6,952,567* (2014 – *nil*) is interest-free and repayable on demand with twelve months' notice to be given by the holding company.

The amounts owed by the parent are unsecured, bear interest at the fixed interest rate of 5% per annum and are repayable within 4 months from the end of the reporting period.

The loans to other related parties of the holding company are unsecured, interest-free and repayable on demand.

17. Financial assets (continued)

(ii) Loans and receivables (continued)

Other financial assets

These financial assets represent a cash reserve amounting to *€507,118* (2014 – *€510,059*) deposited with a trustee for the benefit of the holders of the debt securities as disclosed in note 22, in line with the Combined Securities note dated 28 August 2009 for the company to build a sinking fund. The company engaged Bank of Valletta p.l.c., a trustee authorised in terms of the Trusts and Trustee Act (Cap 331 of the Laws of Malta), to provide the services required by the company in connection with this fund. By redemption date, the value of the sinking fund is expected to amount to 50% of the value of the issued bonds. This sinking fund is expected to create a cash reserve from the company's annual surpluses to meet part of the redemption proceeds on the redemption date.

18. Inventories

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Food, beverage, consumables and maintenance stocks	**925,259**	311,626	**-**	-

19. Trade and other receivables

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Trade receivables	**3,021,718**	2,643,295	**-**	-
Amounts owed by group undertakings	**-**	-	**417,607**	5,499,556
Amounts owed by joint ventures	**2,363,303**	10,749,628	**62,919**	-
Amounts owed by associates	**272,275**	-	**-**	-
Amounts owed by parent	**47,500**	-	**47,500**	-
Amounts owed by related parties	**39,411**	39,418	**-**	
Other receivables	**1,943,462**	1,011,948	**5,732**	-
Prepayments and accrued income	**810,247**	371,495	**10,700**	159,565
	8,497,916	14,815,784	**544,458**	5,659,121

Amounts owed by group undertakings, joint ventures, associates, parent and related parties are unsecured, interest-free and repayable on demand.

Included in other receivables, there is a receivable from a third party of *€307,400* which is secured by a related party.

20. Trade and other payables

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Trade payables	**5,771,390**	2,360,271	**30,023**	30,638
Advance deposits	**524,252**	199,423	**-**	-
Other payables	**5,329,900**	4,751,225	**-**	-
Accruals and deferred income	**4,318,561**	3,325,198	**1,804,149**	1,199,439
	15,944,103	10,636,117	**1,834,172**	1,230,077
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(15,085,359)**	(8,603,549)	**(1,834,172)**	(1,230,077)
Amounts due for settlement after 12 months	**858,744**	2,032,568	**-**	-

21. Bank overdrafts and loans

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Bank overdrafts and overdrawn bank balances (note 26)	**3,003,774**	1,021,322	**-**	-
Bank loans	**4,927,150**	13,681,770	**-**	6,409,175
	7,930,924	14,703,092	**-**	6,409,175
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(4,170,018)**	(2,556,496)	**-**	(740,783)
Amounts due for settlement after 12 months	**3,760,906**	12,146,596	**-**	5,668,392

The bank loans and overdrafts of the group bear floating interest rates averaging between 4.65% - 6.5% (2014: 4.65% - 6.5%) per annum. These facilities are secured by general and special hypothecs on the group's assets, privileges on certain assets and guarantees given by related parties, as well as pledges over the shares in subsidiaries.

As at 31 October 2014, the bank loans of the holding company carried interest at floating interest rate of 4.65% per annum. These loans were fully repaid in the current period using the proceeds from the bond issued in 2014, following the Bondholder's approval for a change in the use of the funds from the bond issue (note 26).

22. Other financial liabilities

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Amounts owed to shareholders	**-**	639,794	**-**	-
Amount owed to parent	**1,428**	-	**-**	-
Amounts owed to ultimate parent	**33,001**	-	**-**	-
Amounts owed to group undertakings	**-**	-	**15,758,485**	13,669,047
Amounts owed to related parties	**1,614,420**	531,970	**-**	-
Amounts owed to joint ventures	**237,834**	264,406	**-**	-
Other loans	**4,500,000**	-	**-**	-
Debt securities	**48,383,921**	48,298,521	**48,383,921**	48,298,521
Obligations under finance lease	**264,784**	305,635	**-**	-
	55,035,388	50,040,326	**64,142,406**	61,967,568
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(1,724,133)**	(1,254,729)	**(2,089,440)**	-
Amounts due for settlement after 12 months	**53,311,255**	48,785,597	**62,052,966**	61,967,568

22. Other financial liabilities (continued)

As at 31 October 2014 the amount owed to shareholders of *€639,794* was unsecured, bore interest at the fixed rate of 5% per annum and was repayable in semi-annual instalments by the end of January 2017.

Included with the amounts due to related parties is a loan of *€632,947* (2014 – *nil*) which is unsecured, bears interest at the fixed rate of 5% per annum and is repayable in semi-annual instalments by the end of January 2017. The remaining balances due to related parties are unsecured, interest-free and although they have no fixed date of repayment, the group has no unconditional right to defer settlement of these loans for at lease twelve months after the reporting period.

The other loans of *€4,500,000* are unsecured, bear interest at the fixed rate of 3.7% per annum and mature on 29 December 2018. Interest is payable on maturity date.

All amounts owed to the joint ventures are interest free, unsecured and are repayable on demand.

Except for *€2,089,440* (2014 - *nil*) which is unsecured, interest-free and repayable on demand, all the remaining amounts owed to group undertakings by the holding company are interest-free, unsecured and repayable on demand with twelve months' notice.

Debt securities comprise 140,000 unsecured bonds bearing interest at 6.5% per annum of €100 each, which are repayable between 2017 and 2019 and which are listed on the Malta Stock Exchange. The market value of these debt securities on the last trading day before the end of the reporting period was of *€103.50* (2014 - *€104.01*). As further disclosed in note 17, in line with the Combined Securities note dated 28 August 2009, the company is required to build a sinking fund, the value of which will, by the redemption date of the bonds, be equivalent to 50% of the value of such bonds.

On 6 May 2014, the company issued a further 350,000 unsecured bonds bearing interest at 6% per annum of €100 each, which are repayable in 2024, and which are listed on the Malta Stock Exchange. The market value of these debt securities on the last trading day before the end of the reporting period was of *€108.50* (2014 - *€104.01*).

23. Obligations under finance lease

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	€	€	**€**	€
Amounts payable under finance leases:				
Within one year	**60,118**	60,118	**47,606**	44,989
Between two and five years	**242,466**	240,472	**217,178**	203,357
After five years	**-**	60,124	**-**	57,289
	302,584	360,714	**264,784**	305,635
Less: future finance charges	**(37,800)**	(55,079)	-	-
Present value of lease obligations	**264,784**	305,635	**264,784**	305,635
Less: amounts included in current liabilities			**(47,606)**	(44,995)
Amounts included in non-current liabilities			**217,178**	260,640

It is the group's policy to lease certain fixtures, fittings and other equipment under finance leases. The average lease term is 7 years. For the period ended 31 December 2015 the average effective borrowing rate was 4.95%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24. Deferred taxation

Group

	Opening balance €	Recognised in profit or loss €	Recognised in other comprehensive income €	Disposal of subsidiary €	Stepped acquisition of subsidiaries €	Closing balance €
2014						
Arising on:						
Temporary differences						
Property, plant and equipment	(8,384,351)	71,728	-	3,217,853	-	(5,094,770)
Unabsorbed capital allowances	1,486,191	(370,811)	-	(29,495)	-	1,085,885
Other temporary differences	(673,192)	33,628	-	(294)	-	(639,858)
	(7,571,352)	(265,455)	-	3,188,064	-	(4,648,743)
Arising on:						
Unused tax losses	55,168	412,826	-	(412,826)	-	55,168
Unused tax credits	313,525	134,182	-	(60,015)	-	387,692
	368,693	547,008	-	(472,841)	-	442,860
	(7,202,659)	281,553	-	2,715,223	-	(4,205,883)
2015						
Arising on:						
Temporary differences						
Property, plant and equipment	**(5,094,770)**	**163,493**	**(3,689,766)**	**-**	**(1,771,290)**	**(10,392,333)**
Intangible assets	-	**212,117**	**-**	**-**	**(2,622,013)**	**(2,409,896)**
Unabsorbed capital allowances	**1,085,885**	**(210,776)**	**-**	**-**	**71,094**	**946,203**
Other temporary differences	**(639,858)**	**(22,562)**	**-**	**-**	**-**	**(662,420)**
	(4,648,743)	**142,272**	**(3,689,766)**	**-**	**(4,322,209)**	**(12,518,446)**
Arising on:						
Unused tax losses	**55,168**	**427,112**	**-**	**-**	**-**	**482,280**
Unused tax credits	**387,692**	**659**	**-**	**-**	**-**	**388,351**
	442,860	**427,771**	**-**	**-**	**-**	**870,631**
	(4,205,883)	**570,043**	**(3,689,766)**	**-**	**(4,322,209)**	**(11,647,815)**

Deferred tax assets and liabilities are principally expected to be realised or crystallised after more than twelve months after the date of the statement of financial position.

At 31 December 2015, a subsidiary of the parent had a deferred tax asset of *€387,310* (2014 - *€387,310*) emanating from unabsorbed capital losses. The crystallisation of this asset remains doubtful given the expected pattern of the subsidiary company's income in the future years and has therefore not been recognised.

The aggregate deferred tax liabilities on temporary differences associated with investments in subsidiaries for which no deferred tax liability has been recognised amounts to *€157,268* (2014 - *€143,601*).

25. Share capital

	No of shares and share capital (€)	
	Ordinary shares	**Total**
Authorised:-		
As at 31.10.2014/**31.12.2015**	**40,000,000**	**40,000,000**
Issued and fully paid up:-		
As at 31.10.2014	**36,583,660**	**36,583,660**
New issue of ordinary shares	**2,000,000**	**2,000,000**
	38,583,660	**38,583,660**

The authorised share capital of the company amounts to *€40,000,000* divided into 40,000,000 ordinary shares having a nominal value of *€1* each.

As described in note 17, by virtue of a resolution dated 8 May 2015, on 10 July 2015, the company issued 2,000,000 ordinary shares of €1 each fully paid up in consideration for the acquisition of the remaining 50% of Buttigieg Holdings Limited.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

26. Cash and cash equivalents and other cash at bank

i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statement of financial position:

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Cash at bank and on hand	**1,534,251**	20,304,663	**237,987**	19,583,881
Bank overdrafts (note 21)	**(3,003,774)**	(1,021,322)	**-**	-
Cash and cash equivalents in the statements of cash flows	**(1,469,523)**	19,283,341	**237,987**	19,583,881

Included in cash and cash equivalents of the group as at 31 October 2014 is an amount of *€16 million* which was earmarked for a major refurbishment project at the Radisson Blu Resort St. Julians, in line with the Combined Securities note of the company dated 6 May 2014. On 25 September 2014, the directors announced that the project was postponed until more information on other hotel and real estate developments in St. George's Bay and the surrounding area were available. At a bondholders' meeting held on 20 May 2015, the bond holders approved the change in use of approximately *€14 million* of these funds which were used for the early repayment of certain bank loans and for general corporate funding purposes.

26. Cash and cash equivalents and other cash at bank (continued)

ii) Other cash at bank

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Other cash at bank	**137,326**	348,676	**-**	-
Less amounts due for release within 12 months (shown under current assets)	**(63,137)**	(211,349)	**-**	-
Amounts due for release after 12 months	**74,189**	137,327	**-**	-

Other cash at bank represents funds held with a local credit institution which have been pledged as security towards a guarantee facility provided by the same credit institution. These funds will be released over the next 3 year period in accordance with the third party security arrangement.

iii) Significant non-cash transactions

During the period, the group and the company entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

(i) the group received a net dividend from joint ventures amounting to *€1,421,952* (2014 – *nil*) which amount has been debited to the joint ventures loan receivable amount; and

(ii) as disclosed in note 25, the company issued 2,000,000 ordinary shares of *€1* each fully paid up in exchange for the acquisition of the remaining 50% of Buttigieg Holdings Limited.

27. Goodwill

	Goodwill	Included with investment in joint ventures	Total
	€	€	€
Carrying amount			
At 31.10.2013	11,020,822	22,126,585	33,147,407
Effect of foreign currency exchange differences	-	1,243,836	1,243,836
At 31.10.2014	11,020,822	23,370,421	34,391,243
Derecognised upon stepped acquisition of subsidiary	-	(644,000)	(644,000)
Effect of foreign currency exchange differences	-	1,098,933	1,098,933
At 31.12.2015	**11,020,822**	**23,825,354**	**34,846,176**

Goodwill is allocated to the group's cash-generating units (CGUs), as follows:

	2015	2014
	€	€
Hotels and vacation ownership	**27,980,354**	26,881,421
Catering	**6,865,822**	7,509,822
	34,846,176	34,391,243

Hotel and vacation ownership

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period and a pre-tax discount rate ranging between 9.5% and 10.3% (2014 – ranging between 9.25% and 10%). The cash flows beyond that five year period have been extrapolated using a 2% growth rate (2014 – 2%). The discount rates are based on the group's weighted average cost of capital adjusted for specific industry risks and the group's optimal desired debt-to-equity ratio. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Catering

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period and a pre-tax discount rate ranging between 10.5% and 17% (2014 - 11.2% and 17%). The cash flows beyond that five year period have been extrapolated using a growth rate of 2% to 5% (2014 - 2%) according to the term of the relevant concession. The discount rates are based on the group's weighted average cost of capital adjusted for specific industry risks and the group's optimal desired debt-to-equity ratio. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Based on the above assessment the directors expect the carrying amount of the CGUs including goodwill to be recoverable.

28. Business combinations

Stepped acquisitions

2015	Proportion of voting equity interest held as at 31.10.2014	Date of acquisition	Proportion of voting equity interests acquired	**Total voting equity interest held at 31.12.2015**	Consideration transferred
					€
Buttigieg Holdings Limited	50%	10.06.2015	50%	**100%**	2,040,000
The Heavenly Collection Limited	50%	17.12.2015	50%	**100%**	912,500
					2,952,500

(i) Acquisition of Buttigieg Holdings Limited

On 10 June 2015, the company exercised its call option to acquire the remaining 50% shareholding in Buttigieg Holdings Limited (BHL), the parent company of the 100% owned subsidiaries R.J.C. Caterers Limited, a company operating mainly in the retail and contract catering sector, and The Coffee Company Malta Limited and The Coffee Company Spain S.L.U., that operate the Costa Coffee franchise in Malta and the Eastern Coast of Spain and the Canary and Balearic Islands. By virtue of this acquisition the company is now the 100 % shareholder of BHL and all its operational subsidiaries. The objective behind the acquisition is the consolidation of the investment in BHL as part of the group's strategic plan.

The consideration for the acquisition was the issue of 2 million new ordinary shares of €1 each in the company to the selling shareholders which had a market value of €1.02 per share on the date of the transaction.

(ii) Acquisition of The Heavenly Collection Limited

On 17 December 2015, the company acquired the remaining 50% shareholding in The Heavenly Collection Limited, a company which owns a site of circa 83,530 square meter, situated near the Golden Sands Radisson Blu Resort and Spa in Mellieha, together with all its other assets and liabilities as set out on note 28 (iv), for a total cash consideration of *€912,500*.

(iii) Acquisition related costs

Acquisition related costs amounting to *€288,701* have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss in the current year within the 'other expenses' line item.

28. Business combinations (continued)

(iv) Assets acquired and liabilities recognised at the date of acquisition

	Buttigieg Holdings Limited	The Heavenly Collection Limited	Total
Current assets			
Cash and cash equivalents	168,284	-	168,284
Taxation recoverable	-	3,909	3,909
Trade and other receivables	2,008,750	72,550	2,081,300
Inventories	412,634	-	412,634
Non-current assets			
Property, plant and equipment	4,935,808	21,575,774	26,511,582
Intangible assets	9,781,000	-	9,781,000
Investment in associates	300	-	300
Loans and receivables	339,549	-	339,549
Current liabilities			
Bank overdraft/ overdrawn bank balances	(679,210)	(86,902)	(766,112)
Bank loans	(1,782,113)	-	(1,782,113)
Trade and other payables	(5,204,027)	(1,272,098)	(6,476,125)
Taxation	(108,183)	-	(108,183)
Other financial liabilities	(28,363)	(80,985)	(109,348)
Non-current liabilities			
Other financial liabilities	(1,000,000)	(16,768,128)	(17,768,128)
Deferred tax	(2,703,090)	(1,619,120)	(4,322,210)
	6,141,339	**1,825,000**	**7,966,339**

28. Business combinations (continued)

(v) Goodwill arising on acquisition

	Buttigieg Holdings Limited	The Heavenly Collection Limited
	€	€
Fair value of consideration transferred	2,040,000	912,500
Add: fair value of investment in joint venture (50%)	2,040,000	912,500
Less: fair value of identifiable assets and liabilities	(6,141,339)	(1,825,000)
Gain on bargain purchase	**(2,061,339)**	-

The fair value of identifiable assets and liabilities of Buttigieg Holdings Limited exceeded the consideration for the acquisition by *€2,061,339* resulting in a gain on bargain purchase which has been included in investment income (note 7).

The bargain purchase was mainly driven by the value of intangible assets arising on the development agreement for the Costa Coffee retail brand in Malta and the East Coast of Spain, the Canary and Balearic Islands.

(vi) Net cash outflow on acquisition of subsidiaries

	Buttigieg Holdings Limited	The Heavenly Collection Limited	31.12.2015
	€	€	€
Consideration paid in cash	-	912,500	**912,500**
Acquisition related costs	98,506	190,195	**288,701**
Net overdrafts acquired	510,925	86,902	**597,827**
	609,431	1,189,597	**1,799,028**

28. Business combinations (continued)

(vii) Impact of stepped acquisitions on the results of the group

The fair value of Island Hotels Group Holdings p.l.c.'s 50% equity interest in Buttigieg Holdings Limited held before the business combination amounted to *€2,040,000*. Island Hotels Group Holdings Limited recognised a gain of *€1,476,585* as a result of measuring at fair value its 50% equity interest in Buttigieg Holdings Limited held before the business combination.

The revenue included in the consolidated statement of comprehensive income since 10 June 2015 contributed by Buttigieg Holdings Limited was *€6,685,434* and the loss for the same period amounted to *€752,558*. Had Buttigieg Holdings Limited been consolidated from 1 November 2014, the consolidated statement of comprehensive income would have included revenue of *€13,444,171* and a loss of *€1,079,726*.

The fair value of Island Hotels Group Holdings p.l.c.'s equity interest in The Heavenly Collection Limited held before the business combination amounted to *€912,500*. The group recognised a gain of *€1,489,389* as a result of measuring at fair value its 50% equity interest in The Heavenly Collection Limited held before the business combination.

No revenue or profit or loss from The Heavenly Collection Limited are included in the consolidated statement of comprehensive income. Had The Heavenly Collection Limited been consolidated from 1 November 2014, the consolidated statement of comprehensive income would have included revenue of *€3,991* and a loss of *€578,297*.

The total gain on the stepped acquisition of Buttigieg Holdings Limited and of The Heavenly Collection Limited amounted to *€2,965,974* and is included in investment income (note 7).

29. Disposal of subsidiary

On 2 May 2014, the group disposed of its 100% equity interest in Coastline Hotel Limited, a company which owned and operated the Coastline Hotel, a four star hotel located at Salina Bay.

(i) Consideration received

	2 May 2014
	€
Proceeds	4,903,333

(ii) Analysis of assets and liabilities over which control was lost

	2014
	€
Assets:	
Property, plant and equipment	14,724,902
Inventories	7,922
Trade and other receivables	263,929
Cash and bank	32,035
	15,028,788
Liabilities:	
Trade and other payables	(1,954,647)
Other financial liabilities	(903,214)
Bank overdraft	(914,413)
Bank loans	(5,738,281)
	(9,510,555)
Deferred tax liabilities	(2,715,223)
	(12,225,778)
Net assets disposed of	**2,803,010**

(iii) Gain on disposal of subsidiary

	2 May 2014
	€
Proceeds	4,903,333
Carrying value of assets disposed of	(2,803,010)
Other expenses	(124,923)
	1,975,400

(iv) Net cash flow on disposal of subsidiary

	€
Consideration received	4,903,333
Other expenses	(124,923)
Bank overdraft assumed by acquirer on disposal net of cash at bank	882,378
	5,660,788

30. Related party transactions

Island Hotels Group Holdings p.l.c. is the parent company of the subsidiary undertakings highlighted in note 17.

As from 1 July 2015, the parent and ultimate parent companies of Island Hotels Group Holdings p.l.c are International Hotel Investments p.l.c. and Corinthia Palace Hotel Company Limited respectively, which are both incorporated in Malta.

The financial statements of the company are incorporated in the group financial statements of International Hotel Investments p.l.c. and of Corinthia Palace Hotel Company Limited and both companies make their financial statements available to the general public. The registered address of these companies is 22, Europa Centre, Floriana, Malta.

During the course of the current and the prior year, the group and the holding company entered into transactions with related parties, as set out below.

Group		**2015**			2014	
	Related party activity	**Total activity**		Related party activity	Total activity	
	€	**€**	**%**	€	€	%
Staff costs:						
Related party transactions with:						
Key management personnel	**565,008**			522,986		
Other related parties	**2,071,279**			1,798,693		
	2,636,287	**9,875,610**	**27**	2,321,679	6,212,769	37
Other operating costs:						
Related party transactions with:						
Ultimate parent	**115,000**					
Associates	**169,169**					
	284,169	**7,835,782**	**4**	-	5,123,206	-
Investment income:						
Related party transactions with:						
Parent	**47,500**			-		
Joint ventures	**192,559**			301,030		
Other related parties	**-**			20,271		
	240,059	**5,304,422**	**5**	321,301	322,786	100
Finance costs:						
Related party transactions with:						
Shareholders	**-**			84,918		
Other related parties	**33,123**			24,697		
	33,123	**4,284,630**	**1**	109,615	2,897,650	4

30. Related party transactions (continued)

Holding

	2015			2014		
	Related party activity €	**Total activity €**	**%**	Related party activity €	Total activity €	%
Other operating income:						
Related party transactions with:						
Subsidiaries	**112,088**			94,358		
Joint ventures	**60,065**			58,287		
	172,153	**172,153**	**100**	152,645	152,645	100
Other operating costs:						
Related party transactions with:						
Other related parties	**114,258**	**221,020**	**52**	103,430	168,484	61
Investment income:						
Related party transactions with:						
Subsidiaries	**4,350,051**			2,439,914		
Joint ventures	**8,941**			-		
Parent	**47,500**			-		
Other related parties	**-**			18,825		
	4,406,492	**4,420,730**	**100**	2,458,739	2,490,714	99
Finance costs:						
Related party transactions with:						
Subsidiaries	**-**			37,133		
Shareholders	**-**			29,762		
	-	**3,764,828**	**-**	66,895	2,277,218	3

"Other related parties" consist of related parties other than the parent, ultimate parent, entities with joint control or significant influence over the company, subsidiaries, associates, joint ventures in which the company is a joint venture and key management personnel of the company or its parent.

No expense has been recognised by the group and the holding company during the period arising from bad and doubtful debts in respect of amounts due from related parties and there are no provisions for doubtful debts in respect of outstanding amounts due by related parties.

The amounts due from/to related parties at the end of the reporting period are disclosed in notes 17, 19 and 22. Other than as disclosed in the respective notes, no guarantees have been given or received.

31. Operating leases

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Minimum lease payments under operating leases	**1,363,301**	408,686	**-**	-
Contingents rents recognised as an expense for the year	**866,112**	85,452	**-**	-
	2,229,413	494,138	**-**	-

The group is a party to several operating lease agreements for the lease of land on which the hotels are situated. The group is committed to pay periodic payments to the lessor. The group also leases certain catering establishments with rental payments based on a percentage of turnover with minimum guaranteed payments or a fixed amount per annum with specified increases. The group does not have an option to purchase the leased land or catering establishment at the expiry of the lease periods.

At the end of the reporting period, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Within one year	**2,757,065**	503,762	**-**	-
Between two to five years	**6,703,989**	951,652	**-**	-
Over five years	**7,586,321**	5,609,825	**-**	-
	17,047,375	7,065,239	**-**	-

32. Capital commitments

The commitments for capital expenditure that have not been provided for in these financial statements are as follows:

	Group		Holding	
	2015	2014	**2015**	2014
	€	€	**€**	€
Property, plant and, equipment contracted but not provided for:	**57,181**	**-**	**-**	**-**
Authorised but not contracted for:	**3,907,445**	1,000,000	**-**	-

At 31 October 2014, the group had a commitment to provide a loan of €4 million to Buttigieg Holdings Limited to finance the acquisition of property, plant and equipment for the development of the Costa Coffee franchise in the East Coast of Spain, the Canary and Balearic Islands.

The board of directors of joint ventures have authorised capital commitments for property, plant and equipment amounting to *€2,000,000* (2014 - *€4,187,144*). The group's share of these commitments is equivalent to 50%.

33. Fair value of financial assets and financial liabilities

At 31 December 2015 and 31 October 2014, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximate their fair values due to the short-term maturities of these assets and liabilities.

The fair values of other non-current financial assets and non-current financial liabilities that are not measured at fair value, other than debt securities, investments in subsidiaries and interests in associates and joint ventures, are not materially different from their carrying amounts.

The following tables provide an analysis of the group and the holding company's financial instruments that are not measured subsequent to initial recognition at fair value, other than investments in subsidiaries, associates and joint ventures and those with carrying amounts that are reasonable approximations of fair value, grouped into Levels 1 to 3.

Group **31.12.2015**	**Level 1** **€**	**Level 2** **€**	**Level 3** **€**	**Total** **€**	**Carrying amount** **€**
Financial assets					
Loans and receivables					
Loans to joint ventures	**-**	**404,538**	**-**	**404,538**	**404,538**
Other financial assets	**-**	**507,118**	**-**	**507,118**	**507,118**
Loans to related parties		**4,360**	**-**	**4,360**	**4,360**
Other loans	**-**	**364,981**	**-**	**364,981**	**364,981**
Loan to shareholders	**-**	**6,000,000**	**-**	**6,000,000**	**6,000,000**
Other cash at bank	**-**	**137,327**	**-**	**137,327**	**137,327**
Total	**-**	**7,418,324**	**-**	**7,418,324**	**7,418,324**

	Level 1 **€**	**Level 2** **€**	**Level 3** **€**	**Total** **€**	**Carrying amount** **€**
Financial liabilities					
Financial liabilities at amortised cost					
Bank overdrafts and loans	**-**	**7,930,924**	**-**	**7,930,924**	**7,930,924**
Loans from joint ventures	**-**	**237,834**	**-**	**237,834**	**237,834**
Other loans	**-**	**4,500,000**	**-**	**4,500,000**	**4,500,000**
Related party loans	**-**	**1,648,849**	**-**	**1,648,849**	**1,648,849**
Debt securities	**52,465,000**	**-**	**-**	**52,465,000**	**48,383,921**
Finance lease Obligations	**-**	**264,784**	**-**	**264,784**	**264,784**
Total	**52,465,000**	**14,582,391**	**-**	**67,047,391**	**62,966,312**

33. Fair value of financial assets and financial liabilities (continued)

Group

31.10.2014	**Level 1 €**	**Level 2 €**	**Level 3 €**	**Total €**	**Carrying amount €**
Financial assets					
Loans and receivables					
Loans to jointly controlled entities	-	6,864,308	-	6,864,308	6,864,308
Other financial assets	-	510,059	-	510,059	510,059
Loans to related parties	-	4,360	-	4,360	4,360
Other loans	-	18,552	-	18,552	18,552
Other cash at bank	-	348,676	-	348,676	348,676
Total	-	7,745,955	-	7,745,955	7,745,955

	Level 1 €	**Level 2 €**	**Level 3 €**	**Total €**	**Carrying amount €**
Financial liabilities					
Financial liabilities at amortised cost					
Bank overdrafts and loans	-	14,703,092	-	14,703,092	14,703,092
Shareholders' loans	-	639,794	-	639,794	639,794
Loans from joint ventures	-	264,406	-	264,406	264,406
Related party loans	-	531,970	-	531,970	531,970
Debt securities	50,964,900	-	-	50,964,900	50,964,900
Finance lease Obligations	-	305,635	-	305,635	305,635
Total	50,964,900	16,444,897	-	67,409,797	67,409,797

33. Fair value of financial assets and financial liabilities (continued)

Holding 31.10.2015	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Loans to group undertakings	**-**	**25,866,316**	**-**	**25,866,316**	**25,866,316**
Other financial assets	**-**	**507,118**	**-**	**507,118**	**507,118**
Loans to related parties	**-**	**4,360**	**-**	**4,360**	**4,360**
Loans to parent	**-**	**6,000,000**	**-**	**6,000,000**	**6,000,000**
Total	**-**	**32,377,794**	**-**	**32,377,794**	**32,377,794**
Financial liabilities					
Financial liabilities at amortised cost					
Related party loans	**-**	**15,758,485**	**-**	**15,758,485**	**15,758,485**
Debt securities	**52,465,000**	**-**	**-**	**52,465,000**	**48,383,921**
Total	**52,465,000**	**15,758,485**	**-**	**68,223,485**	**64,142,406**

31.10.2014	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
Financial assets					
Loans and receivables					
Loans to group undertakings	-	10,708,613	-	10,708,613	10,708,613
Other financial assets	-	510,059	-	510,059	510,059
Loans to related parties	-	4,360	-	4,360	4,360
Total	-	11,223,032	-	11,223,032	11,223,032
Financial liabilities					
Financial liabilities at amortised cost					
Bank overdrafts and loans	-	6,409,174	-	6,409,174	6,409,174
Group companies' loans	-	13,669,047	-	13,669,047	13,669,047
Debt securities	50,964,900	-	-	50,964,900	48,298,521
Total	50,964,900	20,078,221	-	71,043,121	68,376,742

34. Financial risk management

The exposures to risk and the way risks arise, together with the group's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development. The board provides principles for overall group risk management as well as policies covering the risks referred to below. These policies are implemented and monitored by the group directors and executive team.

Where applicable, any significant changes in the group's exposure to financial risks or the manner in which the group manages and measures these risks are disclosed below.

Where possible, the group aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed below.

There has been no change to the group's exposure to financial risks, other than as disclosed below, or the manner in which these risks are managed and measured.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss for the group or the company.

Financial assets which potentially subject the group and the company to credit risk consist principally of loans and receivables, trade receivables and cash at bank.

Allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Other than as disclosed in note 35, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's and the company's maximum exposure to credit risk.

The group does not hold any collateral as security in this respect.

Credit risk with respect to cash and cash equivalents, other cash at bank and sinking fund cash reserves is limited due to the fact that the group banks only with financial institutions with high quality standing.

34. Financial risk management (continued)

Credit risk (continued)

Credit risk with respect to trade receivables is limited due to credit control procedures and the group’s large customer base. The group assesses the credit quality of its debtor balances taking into account financial position, past experience and other factors. It has policies in place to ensure that the provision of services is affected to customers with an appropriate credit history. The group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the group’s receivables taking into account historical experience in collection of accounts receivable. Management does not expect any losses from non-performance by the counterparty. The group's trade receivables, which are not impaired assets, are principally debts in respect of transactions with customers for whom there is no recent history of default.

Loans and receivables together with other receivables mainly comprise amounts due from related parties (notes 17 and 19). The group’s and the company’s concentration to credit risk arising from these receivables is considered limited as there were no indications that these counter parties are unable to meet their obligations.

Included in the group’s trade receivables are amounts which have been due for more than 90 days which amounted *to €863,983* (2014 - *€509,651*). Management has not identified any major concerns in relation to concentration of credit risk with respect to past due debts.

As at period-end, impairment provisions of *€116,299* (2014 – *€120,623*) were made in respect of trade receivables that were overdue and that were not expected to be recovered.

The individually impaired trade receivables mainly relate to a number of independent customers who are in unexpectedly difficult economic situations.

34. Financial risk management (continued)

Foreign currency risk

Foreign currency transactions arise when the group buys or sells services whose price is denominated in a foreign currency, borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency, or acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency. Foreign currency transactions mainly comprise transactions in GBP.

The translation of the group's foreign operation with a GBP functional currency into Euro affects the consolidated statement of comprehensive income. The foreign currency risk is managed by regular monitoring of the relevant exchange rates and managements' reaction to material movements thereto.

Interest rate risk

The group and the company have taken out bank and other facilities to finance their operations as disclosed in notes 21 and 22 to the financial statements. The interest rates thereon and the terms of such borrowings are disclosed accordingly in those notes. The interest rates on loans and receivables are disclosed in note 17.

The group and the company are exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest rate and to fair value interest rate risk on borrowings and debt instruments carrying a fixed interest rate to the extent that these instruments are measured at fair value. Investments in equity instruments do not expose the group and the company to interest rate risk.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing structure.

For financial instruments held or issued, the group has used a sensitivity analysis technique that measures the change in the cash flows of the group's financial instruments at the end of the reporting period for hypothetical changes in the relevant market risk variables. The sensitivity due to changes in the relevant risk variables is set out below. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

At period-end, if interest rates on bank borrowings had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the year would have been *€39,655* (2014 - *€73,515*) lower/higher.

34. Financial risk management (continued)

Interest rate risk (continued)

The group's floating rate instruments comprise bank borrowings, certain liabilities included with other financial liabilities, certain loans and receivables and balances with banks. The group's fixed rate instruments consist of certain liabilities included with other financial liabilities together with certain loans and receivables, which are measured at amortised cost.

Liquidity risk

The group and the company are exposed to liquidity risk in relation to meeting future obligations associated with their financial liabilities, which comprise principally trade and other payables and borrowings as disclosed in notes 20, 21 and 22.

The group and the company monitor and manage their risk to a shortage of funds by matching the maturity of both their financial assets and financial liabilities as far as possible and by monitoring the availability of credit lines to meet their obligations. Funds are transferred within the group as and when the need arises. Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period, which is adjusted monthly and monitored on a daily basis, to ensure that any additional financing requirements are addressed in a timely and strategic manner.

At the end of the reporting period, the group showed a net current liability position of *€3,437,843*. The directors have reviewed cash flow projections that have been prepared for the next financial year, based largely on current levels of activity. The group enjoys the support of its bankers and shareholders and the group's banking facilities and shareholders' advances are expected to continue to form part of the group's effective financing structures. The group is therefore confident that it is in a position to continue to meet its commitments as and when they fall due. The group has been actively pursuing operational initiatives aimed at increasing income and reducing costs.

As at 31 December 2015, the group had additional undrawn bank facilities amounting to *€3,685,249* (2014 – *€4,578,678*).

As further disclosed in note 17, in terms of the Combined Securities Note dated 28 August 2009, the company is required to build a sinking fund, the value of which will, by the redemption date of the bonds, be equivalent to 50% of the value of the bonds.

The following maturity analysis for financial liabilities shows the remaining contractual maturities using the contractual undiscounted cash flows on the basis of the earliest date on which the group or the company are expected to pay. The analysis includes both interest and principal cash flows.

34. Financial risk management (continued)

Liquidity risk (continued)

Group

	Carrying Amount €	Contractual cash flows €	On demand or within 1 year €	2 - 5 years €	over 5 years €
2015					
Bank borrowings	**7,930,924**	**8,435,170**	**4,376,637**	**4,015,299**	**43,234**
Trade and other payables	**13,628,105**	**13,628,105**	**11,669,676**	**1,958,429**	**-**
Other financial liabilities	**55,035,388**	**78,745,864**	**4,759,854**	**30,586,010**	**43,400,000**
	76,594,417	**100,809,139**	**20,806,167**	**36,559,738**	**43,443,234**
2014					
Bank borrowings	14,703,092	17,671,473	3,139,379	7,718,206	6,813,888
Trade and other payables	9,258,361	9,258,361	7,263,243	1,995,118	-
Other financial liabilities	50,040,326	76,065,429	4,302,494	26,202,811	45,560,124
	74,001,779	102,995,263	14,705,116	35,916,135	52,374,012

Holding

	Carrying Amount €	Contractual cash flows €	On demand or within 1 year €	2 - 5 years €	over 5 years €
2015					
Trade and other payables	**154,173**	**154,173**	**154,173**	**-**	**-**
Other financial liabilities	**64,142,406**	**85,618,485**	**3,419,440**	**38,799,046**	**43,400,000**
	64,296,579	**85,772,658**	**3,573,613**	**38,799,046**	**43,400,000**
2014					
Bank borrowings	6,409,174	7,768,077	1,002,000	3,633,000	3,133,077
Trade and other payables	51,748	51,746	51,746	-	-
Other financial liabilities	62,669,047	87,915,714	3,010,000	39,405,714	45,500,500
	69,129,969	95,735,537	4,063,746	43,038,714	48,633,577

34. Financial risk management (continued)

Capital risk management

The objectives when managing capital are to safeguard the group's and the company's ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure consists of debt instruments as disclosed in notes 21 and 22 and shareholders' equity.

The holding company's directors manage the capital structure and make necessary adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the group and the company balance their overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

35. Contingent liabilities

Group

The group issued general and special hypothecs and guarantees in relation to bank facilities granted to related undertakings. As at the end of the reporting period, the related undertakings' borrowings were *€541,198* (2014 - *€nil*).

As at the end of the previous reporting period, group entities, in their capacity as joint ventures, issued hypothecs and guarantees in relation to bank facilities granted to the group's joint ventures. The borrowings of joint ventures which are covered by the said hypothecs and guarantees amounted to *€5.8 million* (2015 - *nil*).

The group through its subsidiaries also issued hypothecs and guarantees in relation to bank facilities granted to the group's associates. At the end of the reporting period, the group's share of the borrowings of these associated undertakings amounted to *€116,470.*

At the end of the reporting period, the group provided third parties with guarantees amounting to *€137,327* (2014 – *€348,676*). The bank provided the group with facilities covering these amounts up to a limit of *€137,327* (2014 - *€348,676*). This facility is secured by a cash pledge of *€137,327* given by the group on the current bank deposit (note 26 ii).

Holding company

At the end of the reporting period, the company issued general and special hypothecs and guarantees in relation to bank facilities granted to group and joint ventures, which borrowings amounted to *€8.3 million* (2014 - *€13.1million*). The company has also provided letters of financial support to certain of its subsidiaries. The extent of which an outflow of funds will be required is dependent on the future operations and performance of such subsidiaries.

36. Comparative figures

Comparative figures have been restated retrospectively in order to comply with the current year's presentation of the financial statements as required under the new IFRS 11 Joint Arrangements.

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Independent auditor's report
to the members of

Island Hotels Group Holdings p.l.c.

We have audited the accompanying financial statements of Island Hotels Group Holdings p.l.c and its group set out on pages 11 to 94 which comprise the statements of financial position of the company and the group as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the company and the group for the period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more fully in the directors' report on pages 2 to 5, the directors of the company 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 EU and the requirements of the Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from 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 the auditor's 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, the auditor considers 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 internal control of the company and the group. 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.

Independent auditor's report (continued)
to the members of

Island Hotels Group Holdings p.l.c.

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 financial statements give a true and fair view of the financial position of Island Hotels Group Holdings p.l.c. and its group as at 31 December 2015 and of the company's and its group's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Paul Darmanin as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Mriehel, Malta

26 April 2016