INTERNATIONAL HOTEL INVESTMENTS p.l.c.

DIRECTORS' AND OTHER STATUTORY REPORTS & FINANCIAL STATEMENTS

2013

DIRECTORS' REPORT

Year ended 31 December 2013

The directors present their report of International Hotel Investments p.l.c. (the "Company") and the Group of which it is the parent for the year ended 31 December 2013.

Principal activities

International Hotel Investments p.l.c. carries on the business of an investment company in connection with the ownership, development and operation of hotels, leisure facilities and other activities related to the tourism industry and commercial centres. The Company owns a number of investments in subsidiary and associate companies (as detailed in the notes to the financial statements), through which it furthers the business of the Group.

Review of business development and financial position

The results of the operations for the year are as set out in the income statements. The Managing Director's report reviews the business of the Group for the year and the financial position at 31 December 2013.

Future developments

The Chairman's report details the developments in the business of the Group including those expected to materialise after the date of this report.

Going concern

The directors have reviewed the Company's and the Group's operational and cash flow forecasts. On the basis of this review, after making enquiries, and in the light of the current financial position, the existing banking facilities and other funding arrangements, the directors confirm, in accordance with Listing Rule 5.62, that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Board of directors

Mr Alfred Pisani	(Chairman and Chief Executive Officer)
Mr Joseph Fenech	(Managing Director)
Mr Simon Naudi	
Dr Joseph J Vella	
Mr Frank Xerri de Caro	
Mr Michael Beckett	
Mr Andrew Watson	resigned 28 November 2013
Mr Hamza Mustafa	resigned 3 October 2013
Mr Nagmeddin Hemali Mokhtar	resigned 21 January 2014
Mr Abdelnaser Ahmida	appointed 21 January 2014
Mr Ziad Makkawi	appointed 28 November 2013
Mr Hamad Buamim	appointed 31 December 2013

Principal risks and uncertainties faced by the Group

The Group started trading in 2000, undertaking a strategy of rapid expansion. The Group's business is reliant on hotel properties and operations which are seasonal in nature. The hotel industry globally is marked by strong and increasing competition. Many of the Group's current and potential competitors may have longer operating histories, bigger name recognition, larger customer bases and greater financial and other resources than the companies within the Group.

The Group's major operations are located in stable economies. The Group also owns certain subsidiaries that have operations situated in emerging markets. Emerging markets present different economic and political conditions from those of the more developed markets and present less social, political and economic stability. Businesses in emerging markets may not be operating in a market-oriented economy as known in other developed markets.

Reserves

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

Auditor

Grant Thornton has expressed its willingness to continue in office. A resolution proposing the re-appointment of Grant Thornton as auditor of the Company will be submitted at the forthcoming Annual General Meeting.

Approved by the board of directors on 23 April 2014 and signed on its behalf by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

Registered Office
22 Europa Centre,
Floriana FRN 1400,
Malta

STATEMENT BY THE DIRECTORS

on the Financial Statements and Other Information included in the Annual Report

Pursuant to Listing Rule 5.68, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the annual report and prepared in accordance with the requirements of International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company and its undertakings included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and position of the Company and its undertakings together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the board of directors on 23 April 2014 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

DIRECTORS' STATEMENT OF COMPLIANCE

with the Code of Principles of Good Corporate Governance

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

The board of directors (the "directors" or the "board") of International Hotel Investments p.l.c. ("IHI" or the "Company") restate their support for the Code and note that the adoption of the Code has resulted in positive effects to the Company.

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

COMPLIANCE WITH THE CODE

Principles 1 and 4: The board

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

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

Principle 3: Composition of the board

The board of directors consists of three executive directors and six non-executive directors. The present mix of executive and non-executive directors is considered to create a healthy balance and serves to unite all shareholders' interests, whilst providing direction to the Company's management to help maintain a sustainable organisation.

The board of directors consists of three executive directors and six non-executive directors. The present mix of executive and non-executive directors is considered to create a healthy balance and serves to unite all shareholders' interests, whilst providing direction to the Company's management to help maintain a sustainable organisation.

The non-executive directors constitute a majority on the board and their main functions are to monitor the operations of the executive directors and their performance as well as to analyse any investment opportunities that are proposed by the executive directors.

The board is made up as follows:

Executive directors		*Date of first appointment*
Mr Alfred Pisani	Chairman and Chief Executive Officer	29 March 2000
Mr Joseph Fenech	Managing Director	29 March 2000
Mr Simon Naudi	Executive Director	08 June 2005

Non-executive directors	*Date of first appointment*
Mr Abdelnaser Ahmida	21 January 2014
Mr Ziad Makkawi	28 November 2013
Mr Hamad Buamim	31 December 2013
Dr Joseph J. Vella	29 March 2000
Mr Frank Xerri de Caro	02 July 2004
Mr Michael Beckett	23 July 2010

Mr Alfred Fabri acts as secretary to the board of directors.

In accordance with the requirements of the Articles of Association, the term of office of the following directors: Mr Alfred Pisani, Mr Joseph Fenech, Mr Nagmeddin Mokhtar, Dr Joseph J Vella, Mr Simon Naudi, Mr Andrew Watson, Mr Hamza Mustafa, Mr Frank Xerri de Caro and Mr Michael Beckett lapsed at the Annual General Meeting held on 23 May 2013, at which date they were re-appointed for a further term.

Mr Hamza Mustafa resigned on 3 October 2013, Mr Andrew Watson resigned on 28 November 2013 and Mr Nagmeddin Mokhtar resigned on 21 January 2014.

Principle 5: Board meetings

The board met four times during the period under review. The number of board meetings attended by directors for the year under review is as follows:

Mr Alfred Pisani	4
Mr Joseph Fenech	4
Mr Simon Naudi	4
Mr Nagmeddin Mokhtar	3
Mr Hamza Mustafa	1
Mr Andrew Watson	2
Dr Joseph J Vella	3
Mr Frank Xerri de Caro	4
Mr Michael Beckett	4
Mr Ziad Makkawi	1

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 oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee, set up in 2002, is made up of a majority 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 year under review, the committee met five times. The internal and external auditors were invited to attend these meetings.

  Mr Frank Xerri de Caro, a non-executive director, acts as Chairman, whilst Mr Joseph Fenech, Dr Joseph J Vella and Mr Michael Beckett act as members. The Company Secretary, Mr Alfred Fabri acts as Secretary to the committee.

  The board of directors, in terms of Listing Rule 5.118, has indicated Mr Frank Xerri de Caro as the independent non-executive member of the audit committee who is considered to be competent in accounting and/or auditing in view of his considerable experience at a senior level in the banking field.

  The audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the Company (as well as of the subsidiaries and associates of the Group) for the purpose of advising management and the board, through the audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation. During 2013, the internal audit function continued to advise the audit committee on aspects of the regulatory framework which affect the day-to-day operations of the hotels.

  The directors are fully aware that the close association of the Company with CPHCL and its other subsidiaries is central to the attainment by the Company of its investment objectives and implementation of its strategies. The audit committee ensures that transactions entered into with related parties are carried out on an arm's length basis and are for the benefit of the Company, and that the Company and its subsidiaries accurately report all related party transactions in the notes to the financial statements.

- **Monitoring committee**

  The committee is responsible for closely monitoring the performance of the hotels throughout the year to ensure that their budgets are achieved and that corrective action is taken as necessary in the light of changing circumstances.

  Mr Joseph M Pisani acts as chairman, with Mr Eugenio Privitelli and Mr Paul Bugeja as members. The committee reports directly to the directors of the Company. In 2013, the committee met every month to review the performance of each hotel. Meetings were also held as necessary with CHI Limited, the operator of the Company's hotels.

Principle 9: Relations with shareholders and with the market

The Company is highly committed to having an open and communicative relationship with its shareholders and investors. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of interim and annual financial statements, two interim directors' statements and respective Company announcements, the Company seeks to address the diverse information needs of its broad spectrum of shareholders in various ways. It has invested considerable time and effort in setting up and maintaining the Company's website and making it user-friendly, with a section dedicated specifically to investors.

The Company holds an additional meeting for stockbrokers and institutional investors twice a year to coincide with the publication of its financial information. As a result of these initiatives, the investing public is kept abreast of all developments and key events concerning the Company, whether these take place in Malta or abroad.

The Company's commitment to its shareholders is exemplified by the special concessions which it makes available to them. In order to better serve the investing public, the board has appointed the company secretary to be responsible for shareholder relations.

Principle 10: Institutional shareholders

The Company ensures that it is constantly in close touch with its principal institutional shareholders..

Principle 11: Conflicts of interest

The directors are fully aware of their obligations regarding dealings in securities of the Company as required by the Listing Rules in force during the year. Moreover they are notified of blackout periods prior to the issue of the Company's interim and annual financial information during which they may not trade in the Company's shares.

Principle 12: Corporate social responsibility

The Company understands that it has an obligation towards society at large to put into practice sound principles of Corporate Social Responsibility (CSR). It has embarked on several initiatives which support the community, its culture, as well as sports and the arts in the various locations where it operates.

The Company recognises the importance of good CSR principles within the structure of its dealings with its employees. In this regard, the Company actively encourages initiative and personal development, and consistently creates opportunities based on performance. The Company is committed towards a proper work-life balance and the quality of life of its work force and their families, and of the environment in which it operates.

NON-COMPLIANCE WITH THE CODE

Principle 2: Chairman and Chief Executive

The roles of Chairman and Chief Executive Officer are both carried out by Mr Alfred Pisani. Although the Code recommends that the role of Chairman and Chief Executive Officer are kept separate, the directors believe that, in view of the particular circumstances of the Company, Mr Pisani should occupy both positions.

In terms of Principle 3.1, which calls for the appointment of a senior independent director where the roles of Chairman and Chief Executive Officer are carried out by the same person, the board has appointed Mr Frank Xerri de Caro as the indicated senior independent director.

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.

Approved by the board of directors on 23 April 2014 and signed on its behalf by:

Frank Xerri de Caro
Director and Chairman of Audit Committee

Joseph J Vella
Director

OTHER DISCLOSURES IN TERMS OF LISTING RULES

Pursuant to Listing Rule 5.64.1
Share capital structure

The Company's issued share capital is five hundred and fifty four million and two hundred and thirty eight thousand five hundred and seventy three (554,238,573) ordinary shares of €1 each. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank pari passu between themselves.

Pursuant to Listing Rule 5.64.3
Shareholders holding 5% or more of the equity share capital as at 31 December 2013:

	Number of shares	Percentage holding (%)
Corinthia Palace Hotel Company Limited	325,777,026	58.78
Istithmar Hotels FZE	122,226,668	22.05
Libyan Foreign Investment Company	61,113,332	11.03

There were no changes in shareholders holding 5% or more of the equity share capital as at 23 April 2014 .

Pursuant to Listing Rule 5.64.8
Appointment and replacement of directors

In terms of the Memorandum and Articles of Association of the Company, the directors of the Company shall be appointed through an election. All shareholders are entitled to vote for the nominations in the list provided by the nominations committee. The rules governing the nomination, appointment and removal of directors are contained in Article 19 of the Articles of Association.

Amendments to the Memorandum and Articles of Association

In terms of the Companies Act, the Company may by extraordinary resolution at a general meeting alter or add to its Memorandum or Articles of Association.

Pursuant to Listing Rule 5.64.9
Powers of board members

The powers of directors are outlined in Article 21 of the Articles of Association.

Statement by the directors pursuant to Listing Rule 5.70.1

Pursuant to Listing Rule 5.70.1 there are no material contracts to which the Company, or anyone of its subsidiaries, was party to and in which anyone of the directors had a direct or indirect interest therein.

Pursuant to Listing Rule 5.70.2
Company Secretary and registered office

Alfred Fabri
22 Europa Centre, Floriana FRN 1400, Malta
Telephone (+356) 2123 3141

Signed on behalf of the board of directors on 23 April 2014 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

Nominations and remuneration committee

The function of this committee is to propose the appointment and the remuneration package of directors and senior executives of IHI and its subsidiaries. The members of the committee are Mr Michael Beckett acting as Chairman and non-executive directors, Dr Joseph J Vella and Mr Frank Xerri de Caro as members. Mr Alfred Fabri acts as secretary to the committee.

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

Directors' fees

The directors' fees for 2013 including those for membership of board committees and other subsidiary boards are:

	€
Mr Alfred Pisani	41,929
Mr Joseph Fenech	53,940
Mr Simon Naudi	19,000
Mr Hamza Mustafa	9,000
Mr Andrew Watson	11,000
Dr Joseph J Vella	52,000
Mr Frank Xerri de Caro	77,000
Mr Michael Beckett	55,768
Mr Nagmeddin H.Mokhtar	12,000
Mr Ziad Makkawi	3,000
Mr Hamad Buamim	1,000

The foregoing amounts are all fixed remuneration. There are no variable remuneration considerations nor share options.

Remuneration of executive directors and senior executives

In 2013 the remuneration of executive directors and senior executives of the Company and its subsidiaries amounted to €3.2 million (2012: €3 million).

The foregoing amount is all fixed remuneration. There are no variable remunerations nor share options.

Grant Thornton

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Report on the directors' statement of compliance with the Code of Principles of Good Corporate Governance

Listing Rules 5.94 and 5.97 issued by the Listing Authority, require the directors of International Hotel Investments p.l.c. (the "Company") to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the "statement of compliance"), and the effective measures they have taken to ensure compliance with these principles.

Our responsibility, as auditor of the Company, is laid down by Listing Rule 5.98 which requires us to include a report on this statement of compliance.

We read the statement of compliance and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this statement is consistent with other information included in the annual report.

We are not required to, and we do not, consider whether the board's statements on internal control included in the statement of compliance covers all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the statement of compliance set out on pages FS-5 to FS-7 provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority.

Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON
Certified Public Accountants

23 April 2014

Partners and Directors
Margaret Bonello-Cole
Mark Bugeja
Austin Demajo
Wayne Pisani
Joseph Pullicino
George Vella

Certified Public Accountants
Member firm of Grant Thornton International Ltd.

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

FINANCIAL STATEMENTS 2013

CONTENTS

Directors' responsibility for the financial statements	FS - 12
Consolidated financial statements	
Income statement	FS - 13
Statement of comprehensive income	FS - 14
Balance sheet	FS - 15
Statement of changes in equity	FS - 16
Statement of cash flows	FS - 17
Company financial statements	
Statement of comprehensive income	FS - 18
Balance sheet	FS - 19
Statement of changes in equity	FS - 20
Statement of cash flows	FS - 21
Notes to the financial statements	FS - 22
Independent auditor's report	FS - 67

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Save as provided by Article 4 of Regulation 1606/2002/EC (the "IAS Regulation"), which applies to companies that at balance sheet date had their securities trading on a regulated market of any European Union Member State, the Companies Act, Cap 386 (the "Act") requires the directors of International Hotel Investments p.l.c. (the "Company") to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company and the Group as at the end of the financial period and of the profit or loss of the Company and the Group for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union.

In preparing those financial statements, the directors are required to:

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

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

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

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

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

Signed on behalf of the board of directors on 23 April 2014 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

INCOME STATEMENT – THE GROUP

Year ended 31 December 2013

	Notes	**2013** **€'000**	2012 €'000
Revenue	6	**123,734**	118,567
Direct costs		**(64,152)**	(63,554)
		59,582	55,013
Marketing costs		**(5,014)**	(4,664)
Administrative expenses		**(19,409)**	(23,070)
Other expenses		**(178)**	446
		34,981	27,725
Depreciation and amortisation		**(23,763)**	(24,208)
Increase in fair value of investment property	14	**571**	4,154
Net impairment reversal (loss) on hotel properties	15.1	**5,000**	(7,796)
Results from operating activities	7	**16,789**	(125)
Share of (loss) profit from equity accounted investments	17	**(5,788)**	4,970
Finance income	9	**1,276**	1,616
Finance costs	9	**(17,216)**	(18,399)
Net fair value gain on interest rate swaps		**1,789**	1,009
Movement in reimbursement assets		**(883)**	(454)
Loss before tax		**(4,033)**	(11,383)
Tax income	10	**4,299**	950
Profit (loss) for the year		**266**	**(10,433)**
Attributable to:			
Owners of the parent		**266**	(10,263
Non-controlling interest		**-**	(170)
		266	(10,433)
Earnings per share	11	**0.00**	(0.02)

STATEMENT OF COMPREHENSIVE INCOME - THE GROUP

Year ended 31 December 2013

	Notes	**2013 €'000**	2012 €'000
Profit (loss) for the year		**266**	(10,433)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Impairment of hotel properties	23	**(8,200)**	(10,889)
Share of other comprehensive income of equity accounted investments			
- Revaluation of hotel property	23	**39,466**	18,456
Items that will be reclassified subsequently to profit or loss:			
Translation difference		**(1,580)**	1,270
Share of other comprehensive income of equity accounted investments			
- Hedging reserve		**2,150**	1,239
Income tax relating to components of other comprehensive income	10.2	**(5,867)**	(1,752)
Other comprehensive income for the year, net of tax		**25,969**	8,324
Total comprehensive income (expense) for the year		**26,235**	(2,109)
Attributable to:			
Owners of the parent		**26,235**	(1,939)
Non-controlling interest		**-**	(170)
		26,235	(2,109)

BALANCE SHEET – THE GROUP

Year ended 31 December 2013

	Notes	**2013 €'000**	2012 €'000
ASSETS			
Non-current			
Intangible assets	12	**44,856**	46,095
Reimbursement assets	13	**22,566**	23,449
Investment property	14	**191,964**	191,393
Property, plant and equipment	15	**534,558**	555,482
Investments accounted for using the equity method	17	**201,689**	167,441
Loan receivable	18	**44,332**	43,450
Cash held under trust	31	**2,303**	2,223
		1,042,268	1,029,533
Current			
Inventories	19	**5,454**	5,294
Trade and other receivables	20	**31,819**	36,997
Current tax assets		**2,883**	436
Cash and cash equivalents	21	**10,248**	16,423
		50,404	59,150
Total assets		**1,092,672**	1,088,683
EQUITY			
Equity			
Equity attributable to owners of the parent:			
Share capital	22	**554,238**	554,238
Revaluation reserve	23	**84,668**	60,272
Translation reserve	24	**95**	1,379
Reporting currency conversion difference	26	**443**	443
Accumulated losses	27	**(16,448)**	(17,824)
Other equity components	28	**3,495**	1,748
Total equity		**626,491**	600,256
LIABILITIES			
Non-current			
Borrowings	30	**190,600**	205,563
Bonds	31	**88,893**	91,343
Other interest bearing borrowings	32	**13,236**	16,089
Taxation		**323**	236
Deferred tax liabilities	33	**96,803**	93,900
Provision for charges		**206**	206
Derivatives	35	**-**	3,048
		390,061	410,385
Current			
Borrowings	30	**24,933**	26,716
Bonds	31	**2,500**	5,744
Other interest bearing borrowings	32	**292**	516
Trade and other payables	34	**42,035**	38,118
Current tax liabilities		**4,894**	6,740
Derivatives	35	**1,466**	208
		76,120	78,042
Total liabilities		**466,181**	488,427
Total equity and liabilities		**1,092,672**	1,088,683

The financial statements on pages FS 13 to FS 66 were approved by the board of directors, authorised for issue on 23 April 2014 and signed on its behalf by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

STATEMENT OF CHANGES IN EQUITY - THE GROUP

Year ended 31 December 2013

	Share capital €'000	Revaluation reserve €'000	Translation reserve €'000	Reporting currency conversion difference €'000	Accumulated losses €'000	Other equity components €'000	Total attributable to owners €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2012	554,238	55,097	347	443	(14,171)	741	596,695	5,920	602,615
Loss for the year	-	-	-	-	(10,263)	-	(10,263)	(170)	(10,433)
Other comprehensive income	-	6,285	1,032	-	-	1,007	8,324	-	8,324
Total comprehensive expense	-	6,285	1,032	-	(10,263)	1,007	(1,939)	(170)	(2,109)
Transfer on acquisition of non-controlling interest	-	-	-	-	5,500	-	5,500	(5,750)	(250)
Transfer to accumulated losses	-	(1,110)	-	-	1,110	-	-	-	-
Balance at 31 December 2012	554,238	60,272	1,379	443	(17,824)	1,748	600,256	-	600,256
Balance at 1 January 2013	**554,238**	**60,272**	**1,379**	**443**	**(17,824)**	**1,748**	**600,256**	**-**	**600,256**
Profit for the year	**-**	**-**	**-**	**-**	**266**	**-**	**266**	**-**	**266**
Other comprehensive income	**-**	**25,506**	**(1,284)**	**-**	**-**	**1,747**	**25,969**	**-**	**25,969**
Total comprehensive income	**-**	**25,506**	**(1,284)**	**-**	**266**	**1,747**	**26,235**		**26,235**
Transfer to accumulated losses	**-**	**(1,110)**	**-**	**-**	**1,110**	**-**	**-**	**-**	**-**
Balance at 31 December 2013	**554,238**	**84,668**	**95**	**443**	**(16,448)**	**3,495**	**626,491**	**-**	**626,491**

STATEMENT OF CASH FLOWS – THE GROUP

Year ended 31 December 2013

	Notes	2013 €'000	2012 €'000
Loss before tax		**(4,033)**	(11,383)
Adjustments	36	**39,830**	40,866
Working capital changes:			
Inventories		**(160)**	283
Trade and other receivables		**6,713**	(2,051)
Advance payments		**3,127**	233
Trade and other payables		**(529)**	3,018
Cash from operating activities		**44,948**	30,966
Tax paid		**(2,870)**	(821)
Net cash from operating activities		**42,078**	30,145
Investing activities			
Payments to acquire property, plant and equipment		**(4,075)**	(8,742)
Payments to acquire intangible asset		**(416)**	(172)
Acquisition of subsidiary, net of cash acquired		**-**	(4,255)
Acquisition of associate		**-**	(9,100)
Interest received		**207**	1,082
Net cash used in investing activities		**(4,284)**	(21,187)
Financing activities			
Bank finance advanced		**8,480**	14,500
Repayment of bank borrowings		**(24,920)**	(18,983)
Loans (repaid to) advanced from parent company and its subsidiary companies		**(3,954)**	11,500
Loans advanced to associate		**-**	(13,772)
Proceeds from issue of bonds		**5**	3,673
Bond issue costs		**(139)**	(443)
Repayment of bonds		**(5,749)**	-
Interest paid		**(17,389)**	(18,089)
Transfer of cash to trustee		**-**	(2,223)
Net cash used in financing activities		**(43,666)**	(23,837)
Net decrease in cash and cash equivalents		**(5,872)**	(14,879)
Cash and cash equivalents at beginning of year		**11,363**	26,242
Cash and cash equivalents at the year end	21	**5,491**	11,363

STATEMENT OF COMPREHENSIVE INCOME - THE COMPANY

Year ended 31 December 2013

	Notes	**2013** **€'000**	2012 €'000
Interest receivable and similar income		**60,350**	8,787
Interest payable and similar charges		**(9,891)**	(8,773)
Administrative expenses		**(2,666)**	(5,220)
Revaluation to fair value of investments in subsidiaries		**(34,761)**	(6,433)
Profit (loss) before tax	7	**13,032**	(11,639)
Tax (expense) income	10	**(4,734)**	3,007
Profit (loss) for the year		**8,298**	(8,632)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Avalailable for sale investments		**32,527**	27,587
Income tax relating to components of other comprehensive income		**(6,095)**	(5,225)
Other comprehensive income for the year, net of tax		**26,432**	22,362
Total comprehensive income for the year		**34,730**	13,730
Earnings per share	11	**0.02**	(0.02)

BALANCE SHEET – THE COMPANY

Year ended 31 December 2013

	Notes	**2013**	2012 restated	2011 restated
		€'000	€'000	€'000
ASSETS				
Non-current				
Intangible asset	12	**19,947**	19,840	19,814
Property, plant and equipment	15	**118**	140	129
Investments in subsidiaries	16	**405,637**	440,996	434,294
Investments in associates	17	**203,656**	171,129	134,442
Loans receivable	18	**114,591**	108,502	93,353
Cash held by trustee	31	**2,303**	2,223	-
		746,252	742,830	682,032
Current				
Trade and other receivables	20	**60,483**	43,406	45,003
Loans receivable	18	**-**	-	11,500
Tax recoverable		**2,716**	-	-
Cash and cash equivalents	21	**1,158**	6,272	10,831
		64,357	49,678	67,334
Total assets		**810,609**	792,508	749,366
EQUITY				
Share capital	22	**554,238**	554,238	554,238
Other reserve	25	**71,790**	67,953	49,772
Reporting currency conversion difference	26	**443**	443	443
Retained earnings (accumulated losses)	27	**19,743**	(11,150)	(6,699)
Total equity		**646,214**	611,484	597,754
LIABILITIES				
Non-current				
Borrowings	30	**8,600**	11,200	8,300
Bonds	31	**88,893**	91,343	93,686
Other interest bearing borrowings	32	**13,236**	16,089	-
Deferred tax liabilities	33	**32,939**	38,341	36,301
		143,668	156,973	138,287
Current				
Borrowings	30	**2,600**	2,100	1,600
Bonds	31	**2,500**	5,744	-
Current tax liability		**-**	303	6
Trade and other payables	34	**15,627**	15,904	11,719
		20,727	24,051	13,325
Total liabilities		**164,395**	181,024	151,612
Total equity and liabilities		**810,609**	792,508	749,366

The financial statements on pages FS-13 to FS-66 were approved by the board of directors, authorised for issue on 23 April 2014 and signed on its behalf by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

STATEMENT OF CHANGES IN EQUITY– THE COMPANY

Year ended 31 December 2013

	Share capital €'000	Other reserve restated €'000	Reporting currency conversion difference €'000	Retained earnings (accumulated losses) €'000	Total equity €'000
Balance at 1 January 2011 - restated	554,238	50,691	443	(2,599)	602,773
Loss for the year	-	-	-	(4,245)	(4,245)
Other comprehensive income	-	(774)	-	-	(774)
Transfer from / to accumulated losses	-	(145)	-	(145)	-
Balance at 31 December 2011	554,238	49,772	443	(6,699)	597,754
Balance at 1 January 2012	554,238	49,772	443	(6,699)	597,754
Loss for the year	-	-	-	(8,632)	(8,632)
Other comprehensive income	-	22,362	-	-	22,362
Transfer from / to accumulated losses	-	(4,181)	-	4,181	-
Balance at 31 December 2012	554,238	67,953	443	(11,150)	611,484
Balance at 1 January 2013	**554,238**	**67,953**	**443**	**(11,150)**	**611,484**
Profit for the year	**-**	**-**	**-**	**8,298**	**8,298**
Other comprehensive income	**-**	**26,432**	**-**	**-**	**26,432**
Transfer from / to accumulated losses	**-**	**(22,595)**	**-**	**22,595**	**-**
Balance at 31 December 2013	**544,238**	**71,790**	**443**	**19,743**	**646,214**

STATEMENT OF CASH FLOWS – THE COMPANY

Year ended 31 December 2013

	Notes	**2013 €'000**	2012 €'000
Profit (loss) before tax		**13,032**	(11,639)
Working capital changes:	36	**2,991**	6,241
Trade and other receivables		**(4,233)**	1,597
Trade and other payables		**(277)**	4,185
Cash used in operating activities		**11,513**	384
Income tax refund		-	119
Net cash from operating activities		**11,513**	503
Investing activities			
Payments to acquire property, plant and equipment		**-**	(36)
Payments to acquire intangible asset		**(302)**	(172)
Acquisition of subsidiary		**(2,853)**	(5,600)
Investment in associate		**-**	(9,100)
Net loans advanced to subsidiary and associate companies		**(5,489)**	(6,061)
Net cash used in investing activities		**(8,644)**	(20,969)
Financing activities			
Bank finance advanced		**-**	5,000
Repayment of bank borrowings		**(2,100)**	(1,600)
Loans repaid by (advanced to) parent company		**-**	11,500
Proceeds from bond issue		**5**	3,673
Bond issue costs		**(139)**	(443)
Repayment of bonds		**(5,749)**	-
Transfer of cash to trustee		**-**	(2,223)
Net cash (used in) from financing activities		**(7,983)**	15,907
Net decrease increase in cash and cash equivalents		**(5,114)**	(4,559)
Cash and cash equivalents at beginning of year		**6,272**	10,831
Cash and cash equivalents at year end	21	**1,158**	6,272

1 NATURE OF OPERATIONS

International Hotel Investments p.l.c. and subsidiaries' (the 'Group') principal activities include the ownership, development and operation of hotels, leisure facilities and other activities related to the tourism industry. It also owns property held for rental.

2 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

International Hotel Investments p.l.c., (the 'Company'), is a public limited liability company incorporated and domiciled in Malta. The address of the Company's registered office and principal place of business is 22, Europa Centre, Floriana FRN 1400, Malta. The ultimate parent company is Corinthia Palace Hotel Company Limited (CPHCL) of the same address.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union, and in accordance with the Companies Act, 1995.

3 CHANGE IN ACCOUNTING POLICIES

3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2013

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on the new standards relevant to the Group is presented below.

- **Consolidation, associates and disclosures**

  This package of consolidation, associates and disclosures standards comprises IFRS 10 'Consolidated Financial Statements', IAS 27 (revised 2011) 'Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates and Joint Ventures'.

  IFRS 10 'Consolidated Financial Statements'

  IFRS 10 superseded IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation-Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

  Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

  Consequential amendments to IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'

  IAS 27 now only addresses separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

  The Group has evaluated the various facts and circumstances relating to its interests in other entities and has determined that the adoption of the foregoing standards had no material impact on the amounts recognised in the financial statements.

- **IFRS 13 'Fair Value Measurement'**

  IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

  IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has, however, included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 'Financial Instruments: Disclosures'.

  The Group has applied IFRS 13 for the first time in the current year, see note 40.6.

- **Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)**

  Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendment had no material impact on the consolidated financial statements as there was no offsetting in the years presented.

- **IAS 1 (Amendment) 'Presentation of Financial Statements – Clarification of the Requirements for Comparative Information'**

  IAS 1 requires an entity to present an additional balance sheet as at the beginning of the preceding period when an entity:

  - Applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or when it reclassifies items in the financial statements, and

  - The retrospective application, retrospective restatement or the reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period.

  Related notes to the additional balance sheet are not required.

  There were no transactions in the current year which resulted in retrospective restatement or reclassification of the prior years' financial statements of the Group.

- **IAS 16 (Amendment) 'Property, Plant and Equipment – Classification of Servicing Equipment'**

  The Amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on the consolidated financial statements since it has been recognising those servicing equipment in accordance with the recognition criteria under IAS 16.

- **IAS 32 (Amendment) 'Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments'**

  The Amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with IAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognised in profit or loss while income tax related to the transaction costs of an equity transaction is recognised in equity. This amendment had no effect on the consolidated financial statements as it has been recognising the effect of distributions to holders of equity instruments and transaction costs of an equity transaction in accordance with IAS 12.

3.2 Change in valuation of investment in associates

During the current reporting period the company effected a change in accounting policy whereby the investment in in associates started being treated as available-for-sale financial assets, with changes in fair value being taken to 'other comprehensive income'. It is the opinion of the directors that this change in accounting policy will better reflect the financial performance of the subsidiary and associate in the results of the parent company.

This change in accounting policy was applied retrospectively from the beginning of the earliest period presented i.e. 1 January 2011.

The effects of this change on current and previous years are more fully described in note 41.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement, subject to adoption by the European Union. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

- **IFRS 9 'Financial Instruments' (IFRS 9)**

  The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Group's management has yet to assess the impact of this new standard on the consolidated financial statements. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and the IFRS has been adopted by the European Union.

- **IAS 32 (Amendment) 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'**

  The Amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The Amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Amendment is effective for annual periods beginning on or after 1 January 2014 and is required to be applied retrospectively. The Group does not expect this Amendment to have a significant impact on its financial statements.

- **IAS 36 (Amendment) 'Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets'**

  The Amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. The Amendment is effective for annual periods beginning on or after 1 January 2014 and is required to be applied retrospectively. Management will reflect, in its subsequent years' financial statements, the changes arising from this relief on disclosure requirements.

- **IAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting'**

  The Amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. The Amendment is effective for annual periods beginning on or after 1 January 2014 and is required to be applied retrospectively. The Group does not expect this Amendment to have a significant impact on its financial statements.

- **Annual Improvements to IFRS**

  Annual Improvements to IFRS (2010 - 2012 Cycle) and IFRS (2011-2013 Cycle) made minor amendments to a number of IFRS, which are effective for annual periods beginning on or after July 1, 2014 but are still subject to adoption by the European Union.

  Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the consolidated financial statements:

  Annual Improvements to IFRS (2010-2012 Cycle)

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

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

  IAS 24 (Amendment) 'Related Party Disclosures'

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

  IFRS 3 (Amendment) 'Business Combinations'

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

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

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

Annual Improvements to IFRS (2011-2013 Cycle)

IFRS 3 (Amendment) 'Business Combinations'

The Amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 (Amendment) 'Fair Value Measurement'

The Amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

IAS 40 (Amendment) 'Investment Property'

The Amendment clarifies the interrelationship of IFRS 3, Business Combinations, and IAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgement in determining whether the acquisition of an investment property is an acquisition of an asset or a group of assets, or a business combination in reference to IFRS 3.

4 SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

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

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

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

4.2 Presentation of financial statements

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

The financial statements are presented in thousands of euro (€'000) which is the functional currency of the Company and all of its subsidiaries.

4.3 Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2013. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

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

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

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

4.4 Business combinations

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

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets.

It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

4.5 Investments in associates

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

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

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

4.6 Borrowing costs

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

4.7 Foreign currency translation

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

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The only member of the Group that has a functional currency other than the euro is the associate NLI Holding Limited. The functional and presentation currency of this entity is the Great Britain pound. On consolidation of this associate, the results for the year are translated at the average rate of exchange for the period. The group's share of reserves is translated at the closing rate. Exchange differences are charged or credited to other comprehensive income and recognised in the translation reserve in equity.

4.8 Revenue

Revenue comprises revenue from the sale of goods and the rendering of services.

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

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities has been met.

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

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income is recognised at the time the right to receive payment is established.

4.9 Operating lease payments

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

4.10 Operating expenses

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

4.11 Retirement benefit costs

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

4.12 Intangible assets

Intangible assets are subject to impairment testing as described in note 4.15.

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

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

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

	Years
- Operating contracts	20
- Others	3

4.13 Property, plant and equipment

Land and buildings held for use in supply of goods and services or administration are stated at revalued amounts. Revalued amounts are fair market values determined in appraisals by external professional valuers on an annual basis.

Any revaluation surplus is recognised in other comprehensive income and credited to the 'revaluation reserve'. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Depreciation is recognised on a straight-line basis to write off the cost or valuation of assets less estimated residual value over their estimated useful lives. The periods generally applicable are:

	Years
- Freehold buildings	50
- Hotel plant and equipment	3-15
- Furniture, fixture and fittings	3-10
- Motor vehicles	5

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

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss for the year.

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

4.14 Investment property

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

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

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

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

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

4.15 Impairment testing of intangible assets and property, plant and equipment

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

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of fair value less costs to sell and value in use. To determine the value in use, management estimates expected future cash flows from each cash- generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Cash flows and discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset- specific risk factors (see notes 12 and 15).

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

4.16 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and liabilities are measured subsequently as described below.

Financial assets

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

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

The Group does not own any HTM investments.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied to each category of financial assets, and are described below.

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

Loans and receivables

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

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

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

Financial assets at FVTPL

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

Investments in subsidiaries are presented in the Company's balance sheet as financial assets at FVTPL at inception.

AFS financial assets

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

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

Investments in associates are presented in the Company's balance sheet as AFS financial assets.

Financial liabilities

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

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

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

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

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL, except for derivatives designed as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

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

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

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

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in the statement of comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

4.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

4.18 Income taxes

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

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

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

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in the statement of comprehensive income or equity (such as the revaluation of land) in which case the related deferred tax is also recognised in the statement of comprehensive income or equity respectively.

4.19 Cash and cash equivalents

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

4.20 Equity and reserves

Share capital represents the nominal value of shares that have been issued, (see note 22).

The revaluation reserve within equity comprises gains and losses due to the revaluation of property (see note 23).

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the translation reserve (see note 24). This applies to the Group’s investment in the London associate.

Gains and losses on certain financial instruments are included in other reserve (see note 25).

The difference arising on the conversion of assets and liabilities from Maltese lira to euro prior to 1 January 2008 is included in the reporting currency conversion difference reserve (see note 26).

Accumulated losses include all current and prior period losses less retained profits (see note 27).

Other equity components include, the increase in the fair value of the original shareholding in a subsidiary and the share of an associate’s hedging reserve (see note 28).

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

4.21 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

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

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.22 Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.23.

Deferred tax assets

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

Control assesment

IFRS 10 requires the parent company to assess its involvement in its investee companies. Refer to note 17.4 for further details.

4.23 Estimation uncertainty

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

Impairment

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

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

In the case of goodwill no impairment loss has been registered in the year under review (2012: nil). If the independent valuer's discount rate was increased by 1% the valuation would decrease by approximately €8 million and the valuation would still be higher than the carrying amount.

The Group has incurred a net impairment loss of €3.2 million in 2013 (2012: €18.7 million) on its hotel properties to reduce the carrying amount to their recoverable amounts (see note 14.3). If the independent valuer's discount rate was increased by 1% a further impairment loss of €73 million (2012: €90 million) would have to be recognised, of which €30 million (2012: €38 million) would be written off against reserves and €43 million (2012: €52 million) in profit or loss.

Business combinations

Management uses valuation techniques in determining the fair value of various elements of a business combination see note 4.4).

Useful lives of depreciable assets

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

Fair value of financial assets at FVTPL

Management uses valuation techniques in measuring the fair value of financial assets since active market quotes are not available. Details of the assumptions used are the same as those used in valuing the underlying properties. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Income taxes

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

Investment properties

At each reporting date investment properties are revalued by independent valuers. The Group has recognised fair value adjustments to investments property of €0.5 million (2012: €4.2 million). When based on management's estimate of expected future cashflows the value of each property is determined by applying a suitable discount rate. If the discount rate is changed by 1%, the fair value of investment property would change by €7 million (2012: €4.3million).

4.24 Segment reporting

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

An operating segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from that of other segments. Each hotel is considered to be an operating segment.

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

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

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

5 ACQUISITIONS

5.1 Marina San Gorg Limited

On 1 January 2012, the Group acquired 100% of the equity instruments of Marina San Gorg Limited, the owner and operator of the Marina Hotel in St George's Bay, Malta.

The details of the business combination are as follows:

	€'000
Property, plant and equipment	23,000
Reimbursement asset (refer to note 13)	1,471
Deferred tax assets	151
Inventories	195
Trade and other receivables	1,681
Cash at bank	195
Trade and other payables	(2,725)
Bank borrowings	(1,379)
Shareholder's loans taken over	(12,175)
Net identifiable assets and liabilities	10,414
Consideration	10,414

Marina San Gorg Limited contributed a loss for the year of €727,524 to the Group's results for the year ended 31 December 2012.

5.2 Payment to acquire subsidiary

	€'000
Marina San Gorg Limited	
Consideration for shares	10,414
Adjustment for loan	12,175
Cash acquired	(195)
Parent loan outstanding (note 32)	(16,089)
	6,305
Less advance payment in 2011	(2,300)
Amount paid in 2012	4,005

5.3 CHI Limited

During 2012 the company acquired the 30% non-controlling interest in CHI Limited for a consideration of €250,000.

6 SEGMENT REPORTING

Information about reportable segments

Hotels	**Malta**		**Portugal**		**Hungary**		**Russia**		**Prague**		**Libya**		**Total**	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000	**2013 €'000**	2012 €'000	**2013 €'000**	2012 €'000	**2013 €'000**	2012 €'000	**2013 €'000**	2012 €'000	**2013 €'000**	2012 €'000
Segment revenue	**18,607**	17,851	**17,766**	16,179	**18,799**	18,070	**18,954**	17,645	**14,659**	17,017	**19,705**	16,536	**108,490**	103,298
EBITDA	**2,081**	2,422	**3,591**	2,438	**4,502**	4,655	**5,358**	4,995	**2,403**	2,552	**5,683**	4,191	**23,618**	21,253
Depreciation and amortisation	**(1,528)**	(1,530)	**(3,212)**	(3,514)	**(1,846)**	(2,069)	**(4,528)**	(4,532)	**(2,989)**	(3,123)	**(8,146)**	(8,010)	**(22,249)**	(22,778)
(Impairments) reversals	**-**	(1,887)	**5,000**	(6,402)	**-**	(3,022)	**-**	-	**-**	3,515	**-**	-	**5,000**	(7,796)
Segment profit or loss	**553**	(995)	**5,379**	(7,478)	**2,656**	(436)	**830**	463	**(586)**	2,944	**(2,463)**	(3,819)	**6,369**	(9,321)

Entity wide disclosure	**Total**	
	2013 €'000	2012 €'000
Segment revenue	**108,490**	103,298
Rental income from investment property	**10,851**	8,989
Hotel management company revenue	**11,503**	9,192
Holding company revenue	**57,380**	5,135
Elimination of intra group revenue	**(64,490)**	(7,587)
Consolidation adjustments	**-**	(460)
Group revenue	**123,734**	118,567
Segment profit or loss	**6,369**	(9,321)
Net rental income from investment property	**9,808**	8,727
Change in fair value of investment property	**571**	4,154
Unallocated items	**56,554**	(1,674)
Depreciation	**(151)**	(117)
Amortisation	**(1,362)**	(1,313)
Consolidation adjustments	**(55,000)**	(581)
	16,789	(125)
Share of (loss) profit from equity accounted investments	**(5,788)**	4,970
Finance income	**1,276**	1,616
Finance costs	**(17,216)**	(18,399)
Net fair value adjustment on interest rate swap	**1,789**	1,010
Movement in reimbursement assets	**(883)**	(455)
Loss before tax	**(4,033)**	(11,383)

	Malta 2013	Malta 2012	**Portugal 2013**	Portugal 2012	**Hungary 2013**	Hungary 2012	**Russia 2013**	Russia 2012	**Prague 2013**	Prague 2012	**Libya 2013**	Libya 2012	**Total 2013**	Total 2012
Non-current assets	**296,476**	264,222	**81,399**	78,315	**86,152**	87,700	**202,426**	214,400	**76,852**	79,420	**229,293**	236,409	**972,598**	960,466
Consolidation adjustments													**(55)**	(55)
													972,543	960,411

7 RESULTS FROM OPERATING ACTIVITIES

Results from operating activites are after the following charges:

	2013	2012
	€'000	€'000
The Group		
Directors' remuneration	**600**	600
Loss on disposal of property, plant and equipment	**57**	186
Operating lease costs	**137**	137
Auditor's remuneration	**286**	278
Cost of sales	**8,508**	8,353

	2013	2012
	€'000	€'000
The Company		
Directors' remuneration	**600**	600
Depreciation of property, plant and equipment	**21**	25
Amortisation of intangible asset	**195**	146
Auditor's remuneration	**32**	31

8 PERSONNEL EXPENSES

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Wages and salaries	**32,878**	30,329	**1,600**	1,588
Social security contributions	**4,624**	4,468	**37**	32
Other staff costs	**3,569**	3,882	**26**	23
	41,071	38,679	**1,663**	1,643
Weekly average number of employees:	**No.**	No.	**No.**	No.
Management and administrative	**393**	390	**21**	21
Operating	**1,595**	1,588	**-**	-
	1,988	1,948	**21**	21

9 FINANCE INCOME AND FINANCE COSTS

	The Group	
	2013	2012
Finance income:	**€'000**	€'000
Interest receivable on:		
Loans advanced to related companies	**1,037**	823
Other balances	**91**	12
Bank deposits	**43**	247
Exchange differences	**105**	534
Finance income	**1,276**	1,616
Finance costs:		
Interest payable on:		
Bank borrowings	**(9,024)**	(11,080)
Bonds	**(5,803)**	(6,012)
Loans advanced by parent company and its subsidiaries	**(875)**	(780)
Capital and other creditors	**(50)**	(49)
Amortisation of bond issue costs	**(189)**	(171)
Other costs	**(250)**	-
Exchange differences	**(1,025)**	(307)
Finance costs	**(17,216)**	(18,399)

10 TAX INCOME (EXPENSE)

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

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Current taxation	**1,335**	(786)	**(16,231)**	(178)
Deferred taxation	**2,964**	1,736	**11,497**	3,185
	4,299	950	**(4,734)**	3,007

Refer to note 33 for the information on deferred tax assets and liabilities.

10.1 Tax income (expense) reconciliation

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Loss before tax	**(4,033)**	(11,383)	**13,032**	(11,639)
Income tax using the Company's domestic tax rate	**1,412**	3984	**(4,561)**	4,074
Effect of income subject to foreign/different tax rates	**210**	(681)	**(1,735)**	-
Non-tax deductible expenses	**(1,586)**	(864)	**-**	(1,072)
Current year losses for which no deferred income is recognised	**-**	(727)	**-**	-
Effect of other consolidation adjustments	**341**	478	**1,562**	-
Change in unrecognised temporary differences	**4,181**	(1,240)	**-**	5
(Under) overprovision in respect of previous years	**(259)**	-	**-**	-
Tax income	**4,299**	950	**(4,734)**	3,007

10.2 Tax recognised in other comprehensive income (expense)

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Tax effect on:				
Revaluation of hotel properties	**(5,760)**	(1,282)	**-**	-
Fair value adjustment on hedging instruments	**(403)**	(232)	**-**	-
Exchange translation difference	**296**	(238)	**-**	-
Fair value adjustment on AFS investments	**-**	-	**(6,095)**	(5,225)
	(5,867)	(1,752)	**(6,095)**	(5,225)

11 EARNING PER SHARE

The calculation of earnings per share is based on the profit for the year attributable to ordinary shareholders and the number of ordinary shares outstanding during the year of 554,238,573.

12 INTANGIBLE ASSETS

	The Group				
	Goodwill	Brand	Operating contracts	Others	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2012	24,841	19,600	23,334	1,056	68,831
Acquisitions	-	-	-	172	172
At 31 December 2012	24,841	19,600	23,334	1,228	69,003
At 1 January 2013	24,841	19,600	23,334	1,228	69,003
Acquisitions	-	-	-	416	416
Disposals	-	-	-	(114)	(114)
At 31 December 2013	**24,841**	**19,600**	**23,334**	**1,530**	**69,305**
Amortisation					
At 1 January 2012	15,114	-	6,029	273	21,416
Amortisation for the year	-	-	1,167	325	1,492
At 31 December 2012	15,114	-	7,196	598	22,908
At 1 January 2013	15,114	-	7,196	598	22,908
Amortisation for the year	-	-	1,167	374	1,542
At 31 December 2013	**15,114**	**-**	**8,363**	**972**	**24,449**
Carrying amount					
At 1 January 2012	9,727	19,600	17,305	783	47,415
At 31 December 2012	9,727	19,600	16,138	630	46,095
At 31 December 2013	**9,727**	**19,600**	**14,971**	**558**	**44,856**

	The Company		
	Brand	Others	Total
	€'000	€'000	€'000
Cost			
At 1 January 2012	19,600	309	19,909
Acquisitions	-	172	172
At 31 December 2012	19,600	481	20,081
At 1 January 2013	19,600	481	20,081
Acquisitions	-	416	416
Disposals	-	(114)	(114)
At 31 December 2013	**19,600**	**783**	**20,383**
Amortisation			
At 1 January 2012	-	95	95
Amortisation for the year	-	146	146
At 31 December 2012	-	241	241
At 1 January 2013	-	241	241
Amortisation for the year	-	195	195
At 31 December 2013	**-**	**436**	**436**
Carrying amount			
At 1 January 2012	19,600	214	19,814
At 31 December 2012	19,600	240	19,840
At 31 December 2013	**19,600**	**347**	**19,947**

Goodwill

For the purpose of impairment testing of the goodwill arising on the acquisition of CHI Limited ("CHI"), the directors have relied on the expert opinion of an independent third party. The indicative valuation is based on the discounted cash flows derived from hotel operating projections as prepared by HVS International, specialists in hotel consulting and valuations ("HVS").

Brand

In December 2010 the Company purchased the Corinthia brand from its parent company (CPHCL) for €19.6 million. This value was determined by independent valuers on the basis of the projected income statements of existing hotels as at the end of 2009 and was subject to an adjustment following a similar valuation exercise based on 2010 figures.

The agreement also provides for a 10 year period within which any addition of Corinthia branded rooms to the brand portfolio will result in an additional payment of €6,400 per room to CPHCL.

The value of the brand was tested together with CHI for any impairment. This valuation confirmed that there was no impairment.

Operating contracts

These contracts represent the assumed value attributable to the operation of hotel properties which arose on the acquisition of CHI in 2007.

The contracts were tested for impairment in conjunction with goodwill above and CHI. This valuation confirmed that there was no impairment

Key assumptions used to test intangible assets

Value in use was determined by discounting the forecast future cash flows generated by CHI for a six year explicit period 2014 – 2019.

The following are the key assumptions underlying the projections:

- revenue derived from IHI properties is based on operational projections prepared by HVS. This accounts for 94% of the total revenue in the explicit period (2012 – 86%);
- revenue from other properties is assumed to increase by 5% per annum on 2013 budget (2012 – 5% on 2013 budget) (in-perpetuity growth rate of 2% per annum applied subsequently to the five year period covered by the explicit projections);
- the rates charged by CHI and the royalties payable to IHI and Ramada are assumed to remain unchanged at current levels;
- inflationary growth in operating expenses on 2014 budget is assumed to be 2% (2012 – 2% on 2013 budget); and
- a pre-tax discount rate of 14.58% was applied to the operating projections of CHI (2012 – 14.34%), based on a debt to equity ratio of 30:70.

This valuation confirmed that there was no impairment.

Others

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

13 REIMBURSEMENT ASSETS

	The Group	
	2013	2012
	€'000	€'000
At 1 January	**23,449**	22,432
Additions	**-**	1,471
Change in fair value	**(883)**	(454)
At 31 December	**22,566**	23,449

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

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

On the sale of its shares in Marina San Gorg Limited ("MSG"), CPHCL provided a tax indemnity to IHI. The sales contract was exempt from taxation on the basis that share capital of MSG was transferred rather than the hotel property. Should IHI dispose of the hotel property, it may become liable to tax that it would not have become liable to pay had CPHCL transferred the hotel property as opposed to the transfer of the issued share capital. The indemnity agreement provides that in this event, CPHCL will indemnify against any tax which IHI may incur or sustain up to a maximum of €4.77 million. The indemnity shall automatically expire on 13 February 2019.

14 INVESTMENT PROPERTY

	The Group	
	2013	2012
	€'000	€'000
At 1 January	**191,393**	187,239
Change in fair value (a)	**571**	4,154
At 31 December	**191,964**	191,393

a) At the balance sheet date, the fair value of investment property held by the Group in St. Petersburg has been increased by the directors by €0.4 million (2012 - €4.2 million), relying on the expert opinion of Colliers International, an independent firm of estate valuers and consultants.

The valuation of the investment property in Lisbon gave rise to a lower value than previously recorded of €29,000 (2011 - €46,000), based on the expert opinion of CPU, an independent firm of valuers.

In 2013, the directors, relying on the expert opinion of external professional valuers, recognised an uplift of €0.2 million (2012 - nil) in the value of the Commercial Centre in Tripoli.

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

b) All investment property is hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in note 30.

c) Rental income earned by the Group for the period from investment property amounted to €10.9 million (2012 - €9.5 million) and direct expenses to €1.0 million (2012 - €0.8 million).

e) All investment property is leased out on operating leases which are not non-cancellable.

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings €'000	Plant and equipment €'000	Furniture, fixtures & fittings €'000	Motor vehicles €'000	Assets in the course of construction €'000	Total €'000
Cost/revalued amount						
Balance at 1 January 2012	665,232	75,101	64,469	840	4,234	809,876
Acquisition of subsidiary	21,915	4,794	7,277	33	-	34,019
Additions	389	972	775	151	6,214	8,501
Reallocations	1,208	310	99	-	(1,617)	-
Disposals	-	(927)	(22)	-	-	(949)
Balance at 31 December 2012	688,744	80,250	72,598	1,024	8,831	851,447
Balance at 1 January 2013	688,744	80,250	72,598	1,024	8,831	851,447
Additions	218	1,687	2,298	49	517	4,769
Reallocations	2,554	717	554	-	(3,825)	-
Disposals	-	(367)	(36)	(117)	(224)	(744)
Balance at 31 December 2013	**691,516**	**82,287**	**75,414**	**956**	**5,299**	**855,472**
Depreciation and impairment losses						
Balance at 1 January 2012	136,847	58,583	48,051	827	-	244,308
Acquisition of subsidiary	-	4,286	6,709	24	-	11,019
Depreciation for the year	12,244	6,015	4,419	38	-	22,716
Net reversal of impairment losses	18,685	-	-	-	-	18,685
Disposals	-	(756)	(7)	-	-	(763)
Balance at 31 December 2012	167,776	68,128	59,172	889	-	295,965
Balance at 1 January 2013	167,775	68,153	59,172	865	-	295,965
Depreciation for the year	12,183	5,784	4,198	58	-	22,223
Net impairment losses	3,200	-	-	-	-	3,200
Disposals	-	(300)	(34)	(140)	-	(474)
Balance at 31 December 2013	**183,158**	**73,637**	**63,336**	**783**	**-**	**320,914**
Carrying amounts						
At 1 January 2012	528,385	16,518	16,418	13	4,234	565,568
At 31 December 2012	520,968	12,122	13,426	135	8,831	555,482
At 31 December 2013	**508,358**	**8,650**	**12,078**	**173**	**5,299**	**534,558**

The Company

	Plant and equipment €'000	Furniture, fixtures & fittings €'000	Motor vehicles €'000	Total €'000
Cost				
Balance at 1 January 2012	90	99	47	236
Additions	26	-	10	36
Balance at 31 December 2012	116	99	57	272
Balance at 1 January 2013	116	99	57	272
Additions	11	1	-	12
Disposals	(13)	-	-	(13)
Balance at 31 December 2013	**114**	**100**	**57**	**271**
Depreciation				
Balance at 1 January 2012	36	36	35	107
Depreciation for the year	5	10	10	25
Balance at 31 December 2012	41	46	45	132
Balance at 1 January 2013	41	46	45	132
Depreciation for the year	5	11	5	21
Balance at 31 December 2013	**46**	**57**	**50**	**153**
Carrying amounts				
At 1 January 2012	54	63	12	129
At 31 December 2012	75	53	12	140
At 31 December 2013	**68**	**43**	**7**	**118**

15.1 Impairment of assets

In line with the requirements of IAS 36, Impairment of Assets, the directors have assessed whether there are any indications that the value of the Group's hotel properties may be impaired. In assessing such indications, the directors considered, inter alia, evidence available from internal reporting and independent expert valuation reports.

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

Impairment losses and reversals have been recognised as follows:

	Note	Recognised at 1 January 2012 €'000	Change €'000	Recognised at 31 December 2012 €'000
Hotel property				
Corinthia Hotel St George's Bay, Malta		2,803	-	2,803
Corinthia Hotel & Spa Lisbon		906	6,402	7,308
Corinthia Hotel Prague		17,260	(3,515)	13,745
Corinthia Hotel Tripoli		20,300	-	20,300
Corinthia Hotel Budapest		19,679	3,022	22,701
Corinthia Hotel St Petersburg		12,703	10,889	23,592
Marina Hotel, St George's Bay, Malta		-	1,887	1,887
		73,651	18,685	92,336
Reported in income statement			7,796	
Reported in revaluation reserve	23		10,889	
			18,685	

	Note	Recognised at 1 January 2013 €'000	Change €'000	Recognised at 31 December 2013 €'000
Hotel property				
Corinthia Hotel St George's Bay, Malta		2,803	-	2,803
Corinthia Hotel & Spa Lisbon		7,308	(5,000)	2,308
Corinthia Hotel Prague		13,745	-	13,745
Corinthia Hotel Tripoli		20,300	-	20,300
Corinthia Hotel Budapest		22,701	-	22,701
Corinthia Hotel St Petersburg		23,592	8,200	31,792
Marina Hotel, St George's Bay, Malta		1,887	-	1,887
		92,336	3,200	95,536
Reported in income statement			(5,000)	
Reported in revaluation reserve	23		8,200	
			3,200	

In assessing the recoverable amounts of the above hotel properties by reference to their value in use, the future cash flows to be derived from the continuing use and ultimate disposal were estimated in the currency in which they will be generated, and discounted by applying the following pre-tax discount rates.

	2013 %	2012 %
Hotel property		
Corinthia Hotel St George's Bay, Malta	**-**	8.15
Corinthia Hotel & Spa Lisbon	**8.69**	8.10
Corinthia Hotel Prague	**7.53**	7.66
Corinthia Hotel Tripoli	**10.88**	11.30
Corinthia Hotel Budapest	**8.76**	8.82
Corinthia Hotel St Petersburg	**10.68**	9.64

These discount rates reflect the current market assessment of the time value of money and the risks specific to these hotel properties for which the future cash flow estimates used in arriving at their carrying amount have not been adjusted for.

The values of the Corinthia Hotel St George's Bay, Malta and the Marina Hotel were based on their market value.

15.2 Carrying amounts of hotel properties

In assessing the recoverable amounts of the above hotel properties by reference to their value in use, the future cash flows to be derived from the continuing use and ultimate disposal were estimated in the currency in which they will be generated, and discounted by applying the following pre-tax discount rates.

	2013	2012
	€'000	€'000
Hotel property		
Corinthia Hotel St George's Bay, Malta	**28,327**	29,661
Corinthia Hotel & Spa Lisbon	**79,725**	77,125
Corinthia Hotel Prague	**76,700**	79,420
Corinthia Hotel Tripoli	**124,090**	131,509
Corinthia Hotel Budapest	**85,984**	87,700
Corinthia Hotel St Petersburg	**113,448**	126,400
Marina Hotel, St George's Bay, Malta	**20,896**	21,000
	529,170	552,815

15.3 Historic cost of hotel properties

If the cost model had been used the carrying amounts of the revalued properties would be €464.3 million (2012: €475.1 million). The revalued amounts include a revaluation surplus of €44 million before tax (2012: €54 million), which is not available for distribution to the shareholders of IHI.

15.4 Security

Certain tangible fixed assets owned by the Group are hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in note 30.

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013	2012
	€'000	€'000
Shares in subsidiary companies	**246,244**	281,003
Loans to subsidiary companies	**159,393**	159,993
	405,637	440,996

Subsidiary company	Registered office	Nature of business	% Ownership 2013	2012
Alfa Investimentos Turisticos Lda	Avenida Columbana Bordalo Pinheiro Lisboa 1099 - 031 Portugal	Owns and operates the Corinthia Hotel & Spa Lisbon Portugal	**100**	100
CHI Limited	1, Europa Centre, Floriana FRN 1400 Malta	Hotel management company	**100**	100
Corinthia Towers Tripoli Limited	22, Europa Centre Floriana FRN 1400 Malta	Owns and operates the Corinthia Hotel Tripoli and Commercial Centre, Libya	**100**	100
Five Star Hotels Limited	22, Europa Centre Floriana FRN 1400 Malta	Owns and operates the Corinthia Hotel St George's Bay Malta	**100**	100
IHI Benelux B.V.	Frederick Roeskestraat 123,1076 EE Amsterdam P.O. Box 72888 1070 AC Amsterdam The Netherlands	Owns and operates the Corinthia Hotel St Petersburg	**100**	100
IHI Benghazi Limited	22, Europa Centre Floriana FRN 1400 Malta	Investment company	**75**	75
IHI Cyprus Limited	1 Naousis Karapatakis Building P.C. 6018, Larnaca Cyprus	Investment company	**100**	100
IHI Hungary Zrt	Erzsebet Krt 43-49 H-1073, Budapest Hungary	Owns and operates the Corinthia Hotel Budapest	**100**	100
IHI Lisbon Limited	22, Europa Centre Floriana FRN 1400 Malta	Investment company holding an equity stake in Alfa Investimentos Turisticos Lda	**100**	100
IHI St Petersburg LLC	57, Nevskij Prospect St Petersburg 191025 Russian Federation	Investment company	**100**	100
IHI Towers s.r.o.	Kongresová 1655/1 1406 / 69 Praha 4 Czech Republic	Owns and operates the Corinthia Hotel Prague	**100**	100
IHI Zagreb d.d.	Centar Kaptol Nova Ves 11 10000 Zagreb Croatia	Investment company	**100**	100
Marina San Gorg Limited	22, Europa Centre Floriana FRN 1400 Malta	Owns and operates the Marina Hotel in St George's Bay, Malta	**100**	100
Corinthia Company Limited	22, Europa Centre Floriana FRN 1400 Malta	Investment company	**100**	-

16.1 Shares in subsidiary companies

	The Company	
	2013	2012
	€'000	€'000
At 1 January	**281,003**	276,772
Acquisition of equity	**2**	10,664
Decrease in fair value	**(34,761)**	(6,433)
At 31 December	**246,244**	281,003

In 2012 the company acquired the share capital of Marina San Gorg Limited (refer to note 5). In addition the non-controlling interest in CHI Limited was acquired in the same year.

16.2 Investments in subsidiaries at FVTPL

The fair values of the investments of IHI in its subsidiaries, accounted for at FVTPL, have been determined by reference to the fair values of the underlying properties held by the respective subsidiaries and, in the case of CHI Limited, by reference to its enterprise value. Specific to the fair value of these investments, account has been taken of:

(i) the deferred tax liabilities arising as a result of the revaluation to fair value of such properties, on the basis that the directors will pursue a sale of the shares held by IHI in its subsidiary companies, notwithstanding that, as the tax rules stand today, it may be more tax efficient to sell the underlying properties; and

(ii) the tax indemnity granted by CPHCL, the previous owner of the shares now held in Marina San Gorg Limited, Corinthia Towers Tripoli Limited and IHI Towers s.r.o., details of which are set out in note 13 to the financial statements.

16.3 Security

Shares in certain subsidiary companies are pledged in favour of the Group's banks as collateral for loans advanced. Refer to note 30 for details.

17 ASSOCIATES

17.1 Investments accounted for using the equity method

	The Group	
	2013	2012
	€'000	€'000
At 1 January	**167,441**	132,867
Additions	**-**	9,100
Share of results	**(5,788)**	4,970
Share of other comprehensive income	**41,616**	19,695
Exchange differences	**(1,580)**	1,271
Dividend received	**-**	(462)
At 31 December	**201,689**	167,441

17.2 Investments in associates

	The Company	
	2013	2012
	€'000	€'000
At 1 January	**171,129**	134,442
Additions	**-**	9,100
Increase in fair value	**32,527**	27,587
At 31 December	**203,656**	171,129

In 2012 the investment in Medina Towers J.S.C. was increased by €9.1 million.

17.3 Associate companies

Company name	Registered office	Nature of business	% Ownership 2013	% Ownership 2012
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**50**	50
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**50**	50
Medina Towers J.S.C.	Suite 107, Tower 2 Tripoli Tower Tripoli Libya	Owns the Medina Tower project in Tripoli	**25**	25
NLI Holdings Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a group that owns the Corinthia Hotel London and 10 Whitehall Place, London, UK	**50**	50
QPM Limited	22, Europa Centre Floriana FRN 1400 Malta	Project management	**20**	20

17.4 Significant judgements and assumptions

The Group holds 50% of the ordinary shares and voting rights of NLI Holding Limited group (NLI). Mangement has reassessed its invlovement in NLI in accordance with IFRS 10's revised control definition and guidance. It has concluded that it has significant influence but not outright control, which rests with the board of directors in Jersey.

Management has assessed its involvement in Medina Towers S.J.C. It has concluded that it has significant influence but not outright control. The remaining 80% of QPM limited is held by CPHCL, the ultimate parent company and hence control rests with that company.

INI Hotels Holdings Limited and INI Hotels Management Company Limited, both with a Group shareholding of 50%, have not yet commenced operations and therefore no assessment will be made until operations commence.

17.5 Summary of financial information of associate companies

	The Group	
	2013	2012
	€'000	€'000
Total assets	**719,355**	680,536
Total liabilities	**(285,247)**	(309,576)
Net assets	**434,108**	370,960
Revenue	**58,305**	49,080
(Loss) profit for the year	**(11,594)**	9,248
Share of contingent liabilities of associates	**-**	-

18 LOANS RECEIVABLE

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Non-current				
Group companies	**-**	-	**70,259**	65,052
Associate company	**44,332**	43,450	**44,332**	43,450
Total non-current loans receivable	**44,332**	43,450	**114,591**	108,502

The carrying amount of loans receivable is considered to be a reasonable approximation of fair value.

Terms
The loan to the associate company is unsecured and subordinated to bank debt. £7.5 million bear no interest and the balance bears interest at 3%.

The loans to Group companies are unsecured, bear interest at Euribor + 3% or 0.1% and are subordinated to bank loans.

19 INVENTORIES

	The Group	
	2013	2012
	€'000	€'000
Food and beverages	**1,022**	941
Consumables	**592**	581
Goods held for resale	**34**	26
Other	**3,806**	3,746
	5,454	5,294

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Trade receivables	**17,103**	14,661	**-**	-
Amounts owed by:				
Parent company	**1,332**	560	**-**	-
Subsidiary companies	**-**	-	**58,578**	31,897
Associate companies	**1,757**	13,028	**174**	9,881
Other related companies	4,494	3,412	**-**	3
Other debtors	**1,047**	1,161	**135**	142
Accrued income	**1,974**	1,420	**1,501**	1,388
Financial assets	**27,707**	34,242	**60,388**	43,311
Recoverable VAT on capital expenditure	**512**	110	**-**	-
Advance payments in respect of capital creditors	**708**	1,314	**-**	-
Prepayments	**2,892**	1,331	**95**	95
Total receivables - current	**31,819**	36,997	**60,483**	43,406

20.1 Impairment losses on trade receivables

The ageing of trade receivables at the reporting date was:

	The Group	
	2013	2012
Gross amount	**€'000**	€'000
Not past due	**1,889**	2,004
Past due 0-30 days	**3,884**	2,276
Past due 31-120 days	**3,113**	3,556
Past due 121-360 days	**4,064**	2,327
More than one year	**10,142**	9,859
	23,092	20,022

	2012	2011
Impaired amount	**€'000**	€'000
Past due 31-120 days	**(102)**	(629)
Past due 121-360 days	**(655)**	(1,081)
More than one year	**(5,232)**	(3,651)
	(5,989)	(5,361)
Net amount	**17,103**	14,661

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

	2013	2012
	€'000	€'000
At 1 January	**5,361**	3,501
Impairment losses acquired	**-**	459
Impairment losses recognised	**711**	1,432
Impairment losses reversed	**(83)**	(31)
At 31 December	**5,989**	5,361

The impairment loss at period ends mainly relates to specific provisions for doubtful debtors that have been overdue for more than one year. Such balances were unsecured.

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

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

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

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Cash and bank balances:				
Current	**10,248**	16,423	**1,158**	6,272
Cash and cash equivalents in the balance sheet	**10,248**	16,423	**1,158**	6,272
Bank overdraft	**(4,757)**	(5,060)	**-**	-
Cash and cash equivalents in the statement of cash flows	**5,491**	11,363	**1,158**	6,272

The bank balances include amounts of €3.2 million (2012 - €3.4 million) set aside by two subsidiary companies for debt servicing requirements and €1.67 million (2012 - €0.9 million) is set aside by another subsidiary for capital expenditure purposes.

22 SHARE CAPITAL

21.1 Authorised share capital

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

21.2 Issued share capital

The issued share capital consists of 554,238,573 ordinary shares of €1 each, fully paid up.

	The Company	
	2013	2012
	€'000	€'000
At 1 January and 31 December	**554,238**	554,238

22.3 Shareholder rights

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

23 REVALUATION RESERVE

	The Group			
	Revaluation surplus €'000	**Deferred taxation** €'000	**Bonus share issue** €'000	**Net** €'000
At 1 January 2012	101,429	(23,494)	(22,838)	55,097
Revaluation of hotel property carried out at year end:				
Corinthia Hotel St Petersburg	(10,889)	2,178	-	(8,711)
Corinthia Hotel London	18,456	(3,460)	-	14,996
	7,567	(1,282)	-	6,285
Transfer to accumulated losses	(1,500)	390	-	(1,110)
At 31 December 2012	107,496	(24,386)	(22,838)	60,272
At 1 January 2013	107,496	(24,386)	(22,838)	60,272
Revaluation of hotel property carried out at year end:				
Corinthia Hotel St Petersburg	(8,200)	1,640	-	(6,560)
Corinthia Hotel London	39,466	(7,400)	-	32,066
	31,266	(5,760)	-	25,506
Transfer to accumulated losses	(1,500)	390	-	(1,110)
At 31 December 2013	**137,262**	**(29,756)**	**(22,838)**	**84,668**

24 TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

25 OTHER RESERVE

The reserve represents the following unrealised gains, net of related deferred taxation.

	The Company	
	2013 **€'000**	2012 restated €'000
Fair value gain on investments in subsidiary companies	**13,179**	35,774
Fair value gain on investments in associates	**90,762**	64,330
Issue of bonus shares	**(22,838)**	(22,838)
Transfer of accumulated losses	**(9,313)**	(9,313)
	71,790	67,953

26 REPORTING CURRENCY CONVERSION DIFFERENCE

The reporting currency conversion difference represents the excess of total assets over the aggregate of total liabilities and funds attributable to the shareholders, following the re-denomination of the paid-up share capital from Maltese lira to euro in 2003.

27 ACCUMULATED LOSSES

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

28 OTHER EQUITY COMPONENTS

	The Group	
	2013	2012
	€'000	€'000
Increase in value of original shareholding in CHI pursuant to independent valuation carried out on acquisition of further shareholding in 2006, net of deferred tax	**3,859**	3,859
Share of hedging reserve of associate company	**(364)**	(2,111)
	3,495	1,748

29 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, which the Group defines as the profit for the year divided by total equity.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group seeks to maximise the return on shareholders' equity and to reduce the incidence of interest expense. The interest expense expressed as a percentage of interest-bearing borrowings was 4.6% (2012 – 4.86%).

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 BANK BORROWINGS

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Bank overdraft	**4,757**	5,060	**-**	-
Bank loans	**210,776**	227,219	**11,200**	13,300
	215,533	232,279	**11,200**	13,300
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 – 5 years	**95,121**	95,738	**8,100**	9,700
Bank loans due later than 5 years	**95,479**	109,825	**500**	1,500
	190,600	205,563	**8,600**	11,200
Current bank borrowings				
Bank overdraft	**4,757**	5,060	**-**	-
Bank loans due within 1 year	**20,176**	21,656	**2,600**	2,100
	24,933	26,716	**2,600**	2,100

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

Terms and repayment schedule

	Total €'000	**Within 1 year** €'000	**Between 2-5 years** €'000	**After 5 years** €'000	**Security and nominal interest rate**	**Year of maturity**
International Hotel Investments p.l.c.						
Bank loan I						
2013	**1,200**	**600**	**600**	**-**	General hypothec for €3.6 million over all Company assets present and future. General hypothecary guarantee over all Company assets present and future and special hypothecary guarantee over the Corinthia Hotel St George's Bay.	2015
2012	1,800	600	1,200	-	Bank euro base rate + 2.5%	
Bank loan II						
2013	**4,500**	**1,000**	**3,500**	**-**	As for bank loan I	2018
2012	5,000	500	4,500	-	6 month Euribor + 3.0%	
Bank loan III						
2013	**5,500**	**1,000**	**4,000**	**500**	First general hypothec for €1.66 million and third general hypothec for €9.5 million over all of the Company assets present and future. Joint and several suretyship with a related company and a first special hypothec over property owned by this company. Second ranking mortgage guarantee by Thermal Hotel Aquincum Rt over the Aquincum Hotel.	2019
2012	6,500	1,000	4,000	1,500	6 month Euribor + 1.5%	
Five Star Hotels Limited						
Bank overdraft						
2013	**1,879**	**1,879**	**-**	**-**	General hypothec over assets belonging to Five Star Hotels Limited supported by a special hypothec and privilege over the leasehold land and buildings and a pledge over the company's comprehensive insurance policies.	On demand
2012	1,866	1,866	-	-	Bank euro base + 2.5%	
Bank loan						
2013	**2,143**	**833**	**1,310**	**-**	As for overdraft	2015
2012	2,968	792	2,176	-	Bank euro base rate + 2.5%	
Alfa Investimentos Turisticos Lda						
Bank loan I(a)						
2013	**18,219**	**2,042**	**9,352**	**6,825**	Secured by mortgages over the Corinthia Hotel & Spa Lisbon including land.	2022
2012	19,940	1,720	8,815	9,405	3 month Euribor + 1.25%	
Bank loan I(b)						
2013	**14,030**	**-**	**-**	**14,030**	Secured by mortgages over the Corinthia Hotel & Spa Lisbon including land.	2022
2012	14,030	-	-	14,030	Fixed at 6.24% up to April 2013, at which point it will be merged with Loan I(a)	
Bank loan II						
2013	**312**	**250**	**62**	**-**	Secured by a second ranking mortgage over the Corinthia Hotel & Spa Lisbon including land and a blank bill of exchange.	2013-2015
2012	637	325	312	-	3 month Euribor + 1.75%	
Bank loan III						
2013	**1,803**	**451**	**1,352**	**-**	Secured by a second ranking mortgage over the Corinthia Hotel & Spa Lisbon including land and a blank bill of exchange.	2017
2012	1,115	124	743	248	3 month Euribor + 6.0%	
Bank overdraft						
2013	**850**	**850**	**-**	**-**	Promissory note and letter of comfort from parent company.	On demand
2012	1,283	1,283	-	-	7.5% on 1 month Euribor + 4.95%	

Terms and repayment schedule *(continued)*

	Total €'000	Within 1 year €'000	Between 2-5 years €'000	After 5 years €'000	Security and nominal interest rate	Year of maturity
IHI Benelux B.V.						
Bank loan						
2013	**55,835**	**731**	**8,996**	**46,108**	Secured over the Corinthia Hotel St Petersburg and adjacent commercial buildings. Subordination of loans due to the parent company and by a pledge on the comprehensive insurance policy.	2023
2012	49,095	2,700	23,040	23,355	3 month Euribor + 5%	
IHI Hungary Zrt.						
Bank loan						
2013	**31,383**	**2,148**	**29,235**	**-**	Secured by a mortgage over the Corinthia Hotel Budapest and by a security deposit over the shares of IHI Hungary Zrt and by cash collateral. In addition, IHI, CPHCL and Corinthia Investments Limited have provided additional financial guarantees to the bankers granting this loan. As part of this loan agreement no repayment of group loans can be effected except with the consent of the security agent.	2019
2012	33,396	2,013	12,273	19,110	3 month Euribor + 2.9% (composite rate)	
Corinthia Towers Tripoli Limited						
Bank loan I						
2013	**-**	**-**	**-**	**-**	Secured by a general hypothec over the land and buildings of the hotel property in Tripoli.	2013
2012	7,500	7,500	-	-	3 month Libor + 1.5%	
Bank loan II						
2013	**2,000**	**2,000**	**-**	**-**	Secured by a pledge on shares in Corinthia Towers Tripoli Limited.	2014
2012	4,000	2,000	2,000	-	3 month Euribor + 3.5%	
Bank loan III						
2013	**40,000**	**6,667**	**26,667**	**6,666**	Secured by a general hypothec over the land and buildings of the hotel property in Tripoli.	2018
2012	40,000	-	26,667	13,333	3 month Euribor + 2.0%	
IHI Towers sro						
Bank loan						
2013	**33,018**	**2,179**	**9,489**	**21,350**	Secured by mortgages over the Corinthia Hotel Prague and by a pledge on shares, movables, bank accounts and insurance policy.	2020
2012	40,126	2,107	9,175	28,844	3 month Euribor + 1.45%	
Marina San Gorg Limited						
Bank overdraft						
2013	**121**	**121**	**-**	**-**	General hypothec over assets belonging to Marina San Gorg Limited supported by a special hypothec and privilege over the leasehold land and buildings and a pledge over the company's comprehensive insurance policies.	2020
2012	371	371	-	-		
Bank loan						
2013	**833**	**275**	**558**	**-**	As per overdraft	2020
2012	1,112	275	837	-	Bank base rate + 2.50%	
CHI Limited						
Bank overdraft						
2013	**1,907**	**1,907**	**-**	**-**	Secured by a general hypothec over the company's assets and by a guarantee given by IHI and CPHCL	On demand
2012	1,520	1,520	-	-	Bank base rate + 1.50% and 1 month Euribor + 4.0%	

31 BONDS

	2013	2012
	€'000	€'000
Pre-euro bond (previously Lm bond)	-	4,054
Bond I	-	1,690
Bond II	2,500	12,475
Bond III	34,678	34,600
Bond IV	24,758	24,711
Bond V	19,592	19,557
Bond VI	9,865	-
	91,393	97,087
Non-current	88,893	91,343
Current	2,500	5,744
	91,393	97,087

31.1 Pre-euro and euro bonds

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

	Year of issue	Nominal amount on issue €'000	Rate of interest %	Maturity date	Redemption option period
Pre-euro bond	2003	14,300	6.30	15 February 2013	-
Bond I	2003	8,000	6.20 - 6.80	15 February 2013	-
Bond II	2006	12,500	6.50	27 March 2014	2012 - 2014
Bond III	2009	35,000	6.25	10 July 2019	2015 - 2019
Bond IV	2010	25,000	6.25	8 April 2020	2017 - 2020
Bond V	2012	20,000	5.80	21 December 2021	-
Bond VI	2013	10,000	5.80	14 November 2023	-

In the case of bonds II, III and IV the Company has the right to redeem the bond or any part thereof at any time prior to the stated maturity date during the redemption option period.

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

(iii) Security
The bonds constitute the general, direct, unconditional, unsecured and unsubordinated obligations of the Company and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations of the Company.

(iv) Sinking funds
The prospectuses for Bonds III, IV and V provide for the setting up of sinking funds administered by a trustee to cover 50% of the repayment of bonds on maturity. By 31 December 2013 the amounts set aside for this purpose totalled €2.3 million whilst at the beginning of March 2014 the company transferred a further amount of €3.6 million to satisfy the requirements of the Listing Authority Policy Guidelines on Sinking Funds for the redemption of bonds.

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

	Pre-euro bond	I	II	III	IV	V	VI
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2012	13,966	8,070	12,456	34,527	24,667	-	-
Transfer	(9,957)	(6,370)	-	-	-	16,327	-
Proceeds from issue	-	-	-	-	-	3,673	-
Issue costs	-	-	-	-	-	(443)	-
Amortisation of transaction costs	45	(10)	19	73	44	-	-
At 31 December 2012	4,054	1,690	12,475	34,600	24,711	19,557	-
Transfer	-	-	(9,995)	-	-	-	9,995
Proceeds from issue/ cash settlement	(4,061)	(1,688)	-	-	-	-	5
Issue costs	-	-	-	-	-	(4)	(135)
Amortisation of transaction costs	7	(2)	20	78	47	39	-
At 31 December 2013	**-**	**-**	**2,500**	**34,678**	**24,758**	**19,592**	**9,865**

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

32 OTHER INTEREST BEARING BORROWINGS

	The Group	
	2013	2012
	€'000	€'000
Amounts owed to:		
Parent company	**13,236**	16,089
Associate companies	**71**	122
Related companies	**221**	394
	13,528	16,605
Non-current liabilities		
Amounts owed to:		
Parent company	**13,236**	16,089
Current liabilities		
Amounts owed to:		
Associate companies	**71**	122
Related companies	**221**	394
	292	516

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

	The Company	
	2013	2012
	€'000	€'000
Non-current liabilities		
Amounts owed to:		
Parent company	**13,236**	16,089

The terms of the amounts owed are as follows:

	€'000	Interest	Repayable by
At 31 December 2013			
Parent company	**13,236**	5.0%	Due by the end of 2015
Associate companies	**71**	3 month Euribor + 2.0%	On demand
Related companies	**221**	6.0%	On demand
	13,528		
At 31 December 2012			
Parent company	16,089	5.0%	Due by the end of 2014
Associate companies	122	3 month Euribor + 2.0%	On demand
Related companies	394	6.0%	On demand
	16,605		

None of the loans is secured.

33 DEFERRED TAXATION

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Tax effect of temporary differences relating to:				
Excess of tax base over carrying amount of tangible fixed assets	**28,080**	28,362	**56**	23
Unrelieved tax losses and unabsorbed capital allowances	**(19,317)**	(14,800)	**-**	(1,122)
Investment in intangible asset	**5,686**	6,094	**-**	-
Investment in subsidiary	**5,150**	5,150	**12,246**	24,412
Investment in associate	**20,748**	14,714	**20,686**	14,591
Tax effect on revaluation of land and buildings	**35,485**	32,794	**-**	-
Tax effect on revaluation of investment property	**20,933**	20,792	**-**	-
Provision for exchange differences	**(651)**	479	**(49)**	437
Provision for doubtful debts	**(408)**	(426)	**-**	-
Derivatives	**(279)**	(634)	**-**	-
Accrued charges	**1,376**	1,375	**-**	-
	96,803	93,900	**32,939**	38,341
The movement can be analysed as follows:				
Movement for the year	**(2,903)**	135	**-**	2,040
Arising on business combinations	**-**	(151)	**(5,402)**	-
Recognised directly in equity				
Deferred tax on components of comprehensive income carried out at year end	**5,867**	1,752	**-**	-
Recognised in profit or loss	**2,964**	1,736	**(5,402)**	2,040

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses of certain subsidiaries. The tax losses expire as follows:

	The Group	
	2013	2012
	€'000	€'000
Expiry		
2013	**-**	2,520
2014	**3,085**	3,085
2015	**3,375**	3,375
2016	**2,704**	2,704
2017	**1,703**	1,703
2018	**2,745**	2,745
2019	**535**	-
	14,147	16,132

Deferred tax benefits arising out of certain tax losses which may become available for set-off against future taxable income have not been recognised in these financial statements as it cannot be determined with reasonable certainty whether the respective Group companies would be in a position to claim the right to utilise such losses before their expiry.

34 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Trade payables	**10,591**	9,741	394	893
Amounts owed to:				
Parent company	**3,698**	2,494	**1,559**	1,055
Subsidiary companies	**-**	-	**8,548**	7,058
Associate companies	**702**	1,993	**-**	1,376
Other related parties	**763**	576	**202**	190
Capital creditors	**418**	903	**-**	-
Other creditors	**2,594**	2,529	**154**	61
Accruals	**14,805**	14,151	**4,641**	5,040
Financial liabilities	**33,571**	32,387	**15,498**	15,673
Advance payments	**7,715**	4,588	**-**	-
Statutory liabilities	**749**	1,143	**129**	231
Total payables – current	**42,035**	38,118	**15,627**	15,904

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

35 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2013	2012
	€'000	€'000
Interest rate swaps:		
Current	**1,466**	208
Non-current	**-**	3,048
	1,466	3,256

35.1 Terms

	The Group	
	2013	2012
	€'000	€'000
Notional amount:		
maturing in 2013	**-**	14,030
maturing in 2014	**36,391**	36,391

Interest rates:

Maturing in 2013	
Receive variable interest at the rate of	3 month Euribor
Pay fixed interest at the rate of	4.89% to 5.2% per quarter
Maturing in 2014	
Receive variable interest at the rate of	3 month Euribor
Pay fixed interest at the rate of	4.15% per annum

36 CASH FLOW ADJUSTMENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Adjustments:				
Depreciation	**22,223**	22,716	**21**	25
Provision for doubtful debts	**628**	1,401	**-**	-
Fair value adjustment on derivative instruments	**(1,789)**	(1,010)	**-**	-
Loss on disposal of property, plant and equipment	**57**	186	**-**	-
Amortisation of intangible asset	**1,542**	1,492	**195**	146
Net impairment loss (reversal)	**(5,000)**	7,796	**-**	-
Fair value adjustment on investment in subsidiaries	**-**	-	**2,666**	6,433
Fair value adjustment on investment properties	**(571)**	(4,154)	**-**	-
Share of results of associate companies	**5,788**	(4,970)	**-**	-
Movement in reimbursement of assets	**833**	455	**-**	-
Amortisation of transaction costs	**189**	171	**189**	171
Interest receivable	**(1,171)**	(1,082)	**(80)**	-
Interest payable	**16,191**	18,092	**-**	-
Provision for exchange difference	**910**	(227)	**-**	(534)
	39,830	40,866	**2,991**	6,241

37 COMMITMENTS

	The Group	
	2013	2012
Capital expenditure	**€'000**	€'000
Contracted for:		
Five Star Hotels Limited (Corinthia Hotel St.George's Bay, Malta)	**-**	525
Alfa Investimentos Turisticos Lda (Corinthia Hotel & Spa Lisbon)	**500**	435
IHI Benelux B.V. (Corinthia Hotel St. Petersburg)	**500**	832
IHI Hungary zrt (Corinthia Hotel Budapest)	**250**	373
Corinthia Towers Tripoli Limited (Corinthia Hotel Tripoli)	**-**	100
IHI Benghazi Limited	**880**	-
Marina San Gorg Limited	**150**	200
	2,280	2,465
Authorised but not yet contracted for:		
Alfa Investimentos Turisticos Lda (Corinthia Hotel & Spa Lisbon)	**1,700**	-
IHI Benelux B.V. (Corinthia Hotel St. Petersburg)	**3,500**	1,250
IHI Hungary zrt (Corinthia Hotel Budapest)	**1,000**	2,500
IHI Benghazi Limited	**110**	12,000
Medina Towers J.S.C.	**11,400**	11,400
Marina San Gorg Limited	**150**	-
	17,860	27,150
	20,140	29,615

Operating leases

Non-cancellable operating lease rentals are as follows:

	2013	2012
	€'000	€'000
Less than one year	**137**	137
Between one and five years	**565**	565
More than five years	**15,594**	15,731
	16,296	16,433

The above lease rentals arise on the temporary emphyteusis for a period of 99 years in relation to the land underlying the Corinthia Hotel St George's Bay, Malta.

During the year ended 2013, €137,000 (2012 - €137,000) was recognised as an expense in the income statement in respect of operating leases.

38 CONTINGENT LIABILITIES

The Company, together with a related company, is a co-defendant in court proceedings against them for unpaid professional fees. The Company's share of this claim is estimated at €0.8 million. The Company believes that it has a strong defence in respect of this claim, which it is vigorously defending in court. Court proceedings are still at an early stage and therefore a possible outcome cannot be foreseen.

39 RELATED PARTIES

The Group's related parties include its associates, key management, fellow subsidiaries and shareholders of the ultimate parent company.

None of the transactions incorporates special terms and conditions and, except as disclosed in note 13, no guarantees were given or received. Transactions with related companies are generally effected on a cost plus basis or on the basis of pre-agreed arrangements. Outstanding balances are usually settled in cash. Amounts owed by / to related parties are shown separately in notes 16, 18, 20, 32 and 34.

39.1 Related parties

	The Group		**The Company**	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Revenue				
Services rendered to:				
Parent company	**775**	783	**600**	600
Fellow subsidiaries	**931**	1,460	**1,235**	1,113
Associate companies	**4,241**	4,224	**546**	1,695
	5,947	6,467	**2,381**	3,408
Direct costs				
Charged by:				
Parent company	**(70)**	(70)	**-**	-
Fellow subsidiaries	**(70)**	(70)	**-**	-
Financing				
Interest receivable				
Parent company	**-**	-	**-**	17
Fellow subsidiaries	**-**	-	**1,931**	2,249
Associate companies	**1,037**	823	**1,037**	737
Interest payable				
Parent company	**(875)**	(780)	**(798)**	(697)
	162	43	**2,170**	2,306
Income	**6,039**	6,440	**4,551**	5,714

39.2 Transactions with key management personnel

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

In 2013 the remuneration of the executive directors and senior executives of the Company and its subsidiaries amounted to €3.2 million (2012: €3 million). The foregoing amount is all fixed remuneration. There are no variable remunerations nor share options.

40 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below. See also note 40.4 for a summary of the Group's financial assets and liabilities by category.

40.1 Credit risk

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

	The Group		The Company	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Classes of financial assets – carrying amounts				
Reimbursement assets	**22,566**	23,449	**-**	-
Investments in subsidiaries	**-**	-	**246,244**	281,003
Long term loans	**44,332**	43,450	**273,984**	268,495
Cash held by trustee	**2,303**	2,223	**2,303**	2,223
Trade and other receivables	**28,218**	34,242	**60,388**	43,311
Cash and cash equivalents	**10,248**	16,423	**1,158**	6,272
	107,667	119,787	**584,077**	601,304

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

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

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

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

The Group does not require collateral in respect of trade and other receivables. The Group establishes an allowance for doubtful recoveries that represents its estimate of losses in respect of trade and other receivables. See note 20.1 for further information on impairment of financial assets that are past due.

Cash at bank

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

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 20.1 for further information on impairment of financial assets that are past due.

40.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group actively manages its cash flow requirements. Each subsidiary company within the Group updates its cash flow on a monthly basis. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

At 31 December 2013 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Group

	Current		Non-current	
31 December 2013	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Non-derivatives:				
Bank borrowings	15,165	15,203	105,872	14,4041
Bonds	4,875	3,928	21,960	96,693
Parent company loan and other interest bearing borrowings	-	666	13,326	-
Bank overdraft	4,757	-	-	-
Trade and other payables	33,578	-	-	-
Derivatives	742	720	-	-
	59,117	20,517	141,148	240,734

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

	Current		Non-current	
31 December 2012	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Non-derivatives:				
Bank borrowings	17,710	15,217	129,767	120,077
Bonds	9,395	3,348	32,953	93,703
Parent company loan and other interest bearing borrowings	-	1,246	16,893	-
Bank overdraft	5,060	-	-	-
Trade and other payables	32,387	-	-	-
Derivatives	988	780	780	-
	65,540	20,591	180,393	213,780

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

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

The Company

	Current		Non-current	
31 December 2013	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Bank borrowings	1,600	1,571	9,000	522
Bonds	1,875	3,928	21,960	96,693
Other interest bearing borrowings	-	666	13,326	-
Trade and other payables	15,498	-	-	-
	18,973	6,165	44,286	97,215

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

31 December 2012	Current		Non-current	
	Within 6 months	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Bank borrowings	1,231	1,228	11,405	1,588
Bonds	9,395	3,348	32,953	93,703
Other interest bearing borrowings	-	804	16,893	-
Trade and other payables	15,673	-	-	-
	26,299	5,380	61,251	95,291

40.3 Market risk

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

(i) Foreign currency risk

The Group operates internationally and is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of group entities, the euro. The currencies giving rise to this risk are the Hungarian forint, the Russian rouble, the Czech crown, Libyan dinar and the Great Britain pound.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, when necessary, to address short-term mismatches.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into.

(ii) Interest rate risk

The Group is exposed to changes in market interest rates through bank borrowings and related party loans at variable interest rates. The Group's interest bearing financial instruments at the reporting dates were as follows:

	The Group		The Company	
	2013	2012	**2013**	2012 restated
	€'000	€'000	**€'000**	€'000
Fixed rate instruments				
Financial assets other than cash at bank:				
Loan receivable	**44,332**	43,450	**60,538**	54,450
Financial liabilities:				
Bonds	**(91,393)**	(97,087)	**(91,393)**	(97,087)
Parent company loan and other interest-bearing borrowings	**(13,457)**	(16,483)	**(13,236)**	(16,089)
	(60,518)	(70,120)	**(44,091)**	(58,726)
Variable rate instruments				
Financial assets other than cash at bank:				
Non-current -				
Loan to related company	**-**	-	**54,052**	54,052
Financial liabilities:				
Bank borrowings	**(215,533)**	(232,279)	**(11,200)**	(13,300)
Other interest bearing liabilities	**(71)**	(122)	**-**	-
	(215,604)	(232,401)	**42,852**	40,752

The Group adopts a policy of ensuring adequate hedging against its exposure to changes in interest rates on interest-bearing borrowings due by the parent company and its subsidiaries, by entering into financial arrangements subject to fixed rates of interest whenever possible.

With a view to mitigating interest rate risk, the Group entered into interest rate swap agreements with financial institutions. Swaps are over-the-counter agreements between the two parties to exchange future cash flows based upon agreed notional amounts. Under these interest rate swap agreements, the Group agreed with the counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts.

The following table illustrates the sensitivity of results for the year to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the market interest rates for each period and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	The Group		The Company	
	€'000	€'000	**€'000**	€'000
Interest payable -	+0.5%	-0.5%	+0.5%	-0.5%
31 December 2013	**(970)**	**970**	**(65)**	**65**
31 December 2012	(1,000)	1,000	(55)	55
Interest receivable -				
31 December 2013	164	(164)	438	(438)
31 December 2012	60	(60)	270	(270)

40.4 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at balance sheet date of the reporting periods under review may also be categorised as follows. See note 4.16 for explanations about how the category of financial instruments affects their subsequent measurement.

	The Group		The Company	
	2013	2012	**2013**	2012 restated
	€'000	€'000	**€'000**	€'000
Non-current assets				
Investments at fair value through profit and loss	**-**	-	**246,244**	281,003
AFS investments at fair value through other comprehensive income	-	-	**203,656**	171,129
Reimbursement assets	**22,566**	23,449	**-**	-
Loans and receivables:				
Amounts due from group and related companies	**44,332**	43,450	**273,984**	268,495
Cash and cash equivalents	**2,303**	2,223	**2,303**	2,223
	69,201	69,122	**726,187**	722,850
Loans and receivables:				
Trade receivables	**17,103**	14,661	**-**	-
Other receivables	**10,604**	19,581	**60,388**	43,311
Cash and cash equivalents	**10,248**	16,423	**1,158**	6,272
	37,955	50,665	**61,546**	49,583
Non-current liabilities				
Financial liabilities measured at amortised cost:				
Bank borrowings	**190,600**	205,563	**8,600**	11,200
Bonds	**88,893**	91,343	**88,893**	91,343
Other interest bearing borrowings	**13,236**	16,089	**13,236**	16,089
Derivatives	**-**	3,048	**-**	-
	292,729	316,043	**110,729**	118,632
Current liabilities				
Financial liabilities measured at amortised cost:				
Bank borrowings	**24,933**	26,716	**2,600**	2,100
Bonds	**2,500**	5,744	**2,500**	5,744
Other interest bearing borrowings	**292**	516	**-**	-
Trade payables	**10,591**	9,741	**394**	893
Other payables	**8,175**	8,495	**10,463**	9,740
Accruals	**14,805**	14,151	**4,641**	5,040
Derivatives	**1,466**	208	**-**	-
	62,762	65,571	**20,598**	23,517

40.5 Financial instruments measured at fair value

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

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

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

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

	Level 2		**Level 3**	
	The Group		**The Company**	
	2013	2012	**2013**	2012 restated
	€'000	€'000	**€'000**	€'000
Assets				
Investments in subsidiaries (a)	**-**	-	**246,244**	281,003
Investments in associates (a)	**-**	-	**203,656**	171,129
	-	-	**449,900**	452,132
Liabilities				
Interest rate swaps (a)	**(1,466)**	(3,256)	**-**	-

Measurement of fair value

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

a) Investments in subsidiaries

The fair values of investments in subsidiaries have been determined by reference to the fair values of the underlying properties or enterprise value as outlined in note 16.2. Movements in level 3 are as indicated in note 16.1

b) Interest rate swap agreements

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

There have been no transfers into or out of level 2 in the reporting period under review.

40.6 Fair value measurement of non-financial assets

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

31 December 2013	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Property, plant and equipment				
Corinthia St George's, Malta	-	-	28,327	28,327
Marina Hotel, Malta	-	-	20,896	20,896
Investment property				
Commercial Centre in St Petersburg	-	-	87,400	87,400
Commercial Centre in Tripoli	-	-	73,800	73,800
Apartment block in Lisbon	-	-	1,161	1,161
Site in Tripoli	-	-	29,603	29,603

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

Further information is set out below.

The appraisal for property, plant and equipment was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the asset in question, including hotel room count, location, encumbrances and current use.

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

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

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

31 December 2013	**Property, plant & equipment €'000**	**Investment properties €'000**
Balance as at1 January 2013	50,661	191,393
Gains recognised in profit or loss:		
- movement in fair value of investment property	-	571
Net other movements – depreciation and additions	(1,438)	-
Balance as at 31 December 2013	49,223	191,964

41 PRIOR YEAR ADJUSTMENT FOR CHANGE IN ACCOUNTING POLICY

During the current reporting period, the Company effected a change in accounting policy, whereby the investment in associates was recognised as an available-for-sale financial asset. Previously, these investments were shown at cost in the Company's financial statements.

This change in accounting policy is being applied retrospectively. As a result, these financial statements reflect this change from the beginning of the earliest accounting presented, i.e. 1 January 2011.

The effects of the above change in the Company's financial statements are as follows:

31 December 2012	As originally reported €'000	Adjustments €'000	As restated €'000
Statement of other comprehensive income			
Other comprehensive income:			
Items that will be reclassified subsequently to profit and loss:			
Available-for-sale financial investments	-	27,587	27,587
Income tax relating to other components of other comprehensive income	-	(5,225)	(5,225)
Other comprehensive income for the year, net of tax	-	22,362	22,362
Total comprehensive income for the year	(8,632)	22,362	13,730
Balance sheet			
Non-current assets			
Investments in associates	92,208	78,921	171,129
Total assets	**713,587**	**78,921**	**792,508**
Non-current liabilities			
Deferred tax	-	14,591	14,591
Total liabilities	**166,433**	**14,591**	**181,024**
Equity			
Other reserves	3,623	64,330	67,953
Total equity	**547,154**	**64,330**	**611,484**
Total equity and liabilities	**713,587**	**78,921**	**792,508**
31 December 2011			
Statement of other comprehensive income			
Items that will be reclassified subsequently to profit and loss:			
Available-for-sale financial investments	-	(1,011)	(1,011)
Income tax relating to other components of other comprehensive income	-	237	237
Other comprehensive income for the year, net of tax	-	(774)	(774)
Total comprehensive income for the year	**(4,245)**	**(774)**	**(5,019)**
Balance sheet			
Non-current assets			
Investments in associates	83,108	51,334	134,442
Total assets	**698,032**	**51,334**	**749,366**
Non-current liabilities			
Deferred tax	-	9,366	9,366
Total liabilities	**142,246**	**9,366**	**151,612**
Equity			
Other reserves	7,804	41,968	67,953
Total equity	**555,786**	**41,968**	**597,754**
Total equity and liabilities	**698,032**	**51,334**	**749,366**

42 ULTIMATE CONTROLLING PARTY

The Group's ultimate parent company is CPHCL, the registered office of which is 22, Europa Centre, Floriana FRN 1400, Malta.

CPHCL prepares the consolidated financial statements of the group of which IHI and its subsidiaries form part. These financial statements are filed and are available for public inspection at the Registry of Companies in Malta.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of International Hotel Investments p.l.c.

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Report on the financial statements

We have audited the accompanying consolidated financial statements of International Hotel Investments p.l.c. and the individual Company financial statements for the year ended 31 December 2013 set out on pages FS-13 to FS-66, which comprise the Group income statement, the Group and Company statements of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Partners and Directors
Margaret Bonello-Cole
Mark Bugeja
Austin Demajo
Wayne Pisani
Joseph Pullicino
George Vella

Certified Public Accountants
Member firm of Grant Thornton International Ltd.

Opinion

In our opinion, the Group's consolidated financial statements and the Company's financial statements give a true and fair view of their financial position as at 31 December 2013, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386.

Report on other legal and regulatory requirements

We also have responsibilities:

- under the Companies Act, Cap 386 to report to you if, in our opinion:
  - the information given in the directors' report is not consistent with the financial statements,
  - the Company has not kept proper accounting records,
  - the Company's financial statements are not in agreement with the accounting records,
  - we have not received all the information and explanations we require for our audit,
  - certain information required by the Act regarding directors' remuneration is not disclosed in the financial statements, in which case we are required to include the required particulars in a statement in our report.
- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON
Certified Public Accountants

23 April 2014

Certified Public Accountants
Member firm of Grant Thornton International Ltd.