

**Report and financial statements prepared in  
accordance with International Financial Reporting  
Standards**

**IHI Magyarország Zrt.**

Year ended 31 December 2018

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## Directors' report

The directors present their report together with the audited financial statements of IHI Magyarország Zrt. (the 'Company') for the year ended 31 December 2018.

### **Mission and Strategy**

The Company's mission is to maximise shareholders' wealth by owning and operating assets at the top end of the market within which it operates.

### **Principal activities**

The Company operates the Corinthia Hotel Budapest, a landmark five-star deluxe hotel located in the heart of Budapest drawing on an unrivalled 111-year history of excellence and tradition. The Company also owns and operates the Royal Residence and the Royal Spa.

The Company's sole shareholder is IHI plc, a company domiciled in Malta.

### **Result for the year**

The results for the year are set out in the statement of profit or loss and other comprehensive income on page 6 of the financial statements. During the year, the hotel's operating performance continued to be positive.

The profit for the year of €4.644 million (2017: €4.959 million) will be added to the retained earnings.

### **Equity**

The statement of changes in equity is set out on page 8 of the financial statements.

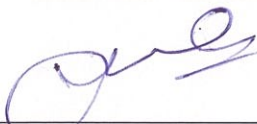
### **Directors**

The board of directors is made up as follows:

Frank Xerri de Caro  
Joseph Galea  
Joseph Pisani

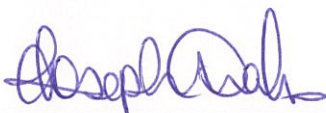
The company's Articles of Association do not require any directors to retire.

Approved by the Board of Directors on 10 May 2019 and signed on its behalf by:



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Frank Xerri de Caro  
Chairperson



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Joseph Galea  
Director  
Erzsébet krt 43-49  
1073 Budapest  
Hungary



## *Independent auditor's report*

To the Shareholders of IHI Magyarorszag Zrt.

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- IHI Magyarorszag Zrt's financial statements give a true and fair view of the company's financial position as at 31 December 2018, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and

#### **What we have audited**

IHI Magyarorszag Zrt's financial statements, set out on pages 6 to 32, comprise:

- the statement of comprehensive income for the year ended 31 December 2018;
- the statement of financial position as at that date;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### *Basis for opinion*

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

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

#### **Independence**

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these Codes.



## *Independent auditor's report - continued*

To the Shareholders of IHI Magyarország Zrt.

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### *Other information*

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

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

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

If based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors for the financial statements*

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

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



## *Independent auditor's report - continued*

To the Shareholders of IHI Magyarorszag Zrt.

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### *Auditor's responsibilities for the audit of the financial statements*

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

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

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

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **PricewaterhouseCoopers**

78, Mill Street  
Qormi  
Malta

Simon Flynn  
Partner

The signature of Simon Flynn is a stylized, handwritten signature in blue ink, appearing as a series of connected loops and lines.

10 May 2019

## Statement of comprehensive income

	Notes	2018 €'000	2017 €'000
Revenue	6	26,360	26,041
Direct costs		(13,008)	(12,199)
<b>Gross profit</b>		<b>13,352</b>	<b>13,842</b>
Marketing costs		(1,624)	(1,632)
Administrative expenses		(4,221)	(4,222)
Depreciation		(1,432)	(1,465)
<b>Results from operating activities</b>	7	<b>6,075</b>	<b>6,523</b>
Finance income		195	143
Finance costs		(1,039)	(1,049)
<b>Net finance costs</b>	9	<b>(844)</b>	<b>(906)</b>
<b>Profit before tax</b>		<b>5,231</b>	<b>5,617</b>
Tax expense	10	(587)	(658)
<b>Profit for the year – total comprehensive income</b>		<b>4,644</b>	<b>4,959</b>

## Statement of financial position

	Notes	2018 €'000	2017 €'000
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	11	121,874	121,617
		<b>121,874</b>	<b>121,617</b>
<b>Current</b>			
Inventories	12	1,062	986
Trade and other receivables	13	3,288	2,233
Cash and cash equivalents	14	1,180	1,929
		<b>5,530</b>	<b>5,148</b>
<b>Total assets</b>		<b>127,404</b>	<b>126,765</b>
<b>Equity</b>			
Called-up share capital	15	3,862	3,862
Capital reserve		6,106	15,038
Revaluation reserve	16	39,855	39,855
Retained earnings	17	18,732	5,156
<b>Total equity</b>		<b>68,555</b>	<b>63,911</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Other loans	19	45,229	50,729
Deferred tax liabilities	20	5,819	5,591
		<b>51,048</b>	<b>56,320</b>
<b>Current</b>			
Other loans	19	603	401
Trade and other payables	21	6,688	5,699
Current taxation		510	434
		<b>7,801</b>	<b>6,534</b>
<b>Total liabilities</b>		<b>58,849</b>	<b>62,854</b>
<b>Total equity and liabilities</b>		<b>127,404</b>	<b>126,765</b>

The financial statements on pages 6 to 32 were authorised for issue by the board of directors on 10 May 2019 and signed on its behalf by:

  
Frank Xerri de Caro  
Chairperson

  
Joseph Galea  
Director



## Statement of changes in equity

	Notes	Share capital €'000	Capital reserve €'000	Revaluation reserve* €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2017		3,862	15,038	39,855	197	58,952
Profit for the year		-	-	-	4,959	4,959
<b>Balance at 31 December 2017</b>		<b>3,862</b>	<b>15,038</b>	<b>39,855</b>	<b>5,156</b>	<b>63,911</b>
Balance at 1 January 2018		3,862	15,038	39,855	5,156	63,911
Reallocation	17	-	(8,932)	-	8,932	-
Profit for the year		-	-	-	4,644	4,644
<b>Balance at 31 December 2018</b>		<b>3,862</b>	<b>6,106</b>	<b>39,855</b>	<b>18,732</b>	<b>68,555</b>

\* Not available for distribution

## Statement of cash flows

	Notes	2018 €'000	2017 €'000
<b>Profit before tax</b>		<b>5,231</b>	<b>5,617</b>
Adjustments	22	1,361	1,479
Working capital changes:			
Inventories		(75)	(1)
Trade and other receivables		(1,003)	(588)
Trade and other payables		519	1,552
<b>Cash from operating activities</b>		<b>6,033</b>	<b>8,059</b>
Tax paid		(282)	(675)
<b>Net cash from operating activities</b>		<b>5,751</b>	<b>7,384</b>
<b>Cash from investing activities</b>			
Payments to acquire property, plant and equipment		(997)	(674)
Interest received		(2)	(3)
<b>Net cash used in investing activities</b>		<b>(999)</b>	<b>(677)</b>
<b>Cash from financing activities</b>			
IC loan repayments*		(5,500)	(6,500)
Interest paid		-	-
<b>Net cash used in financing activities</b>		<b>(5,500)</b>	<b>(6,500)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(748)</b>	<b>207</b>
Cash and cash equivalents at 1 January		1,929	1,722
<b>Cash and cash equivalents at 31 December</b>	14	<b>1,181</b>	<b>1,929</b>

\*During the year the company repaid €5.5 million in shareholders loans. In the previous year €6.5million was repaid.

## Notes to the financial statements

### 1. Nature of operations

The Company's main business is connected with the ownership and operation of a hotel and adjacent apartments and spa in Budapest, Hungary.

### 2. General information

IHI Magyarország Zrt., (the 'Company'), is a limited liability company incorporated in Budapest, Hungary. The Company's registered address is Erzsébet krt. 43-49, 1073 Budapest, Hungary.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

### 3. Change in accounting policies

#### 3.1 Standards, interpretations and amendments to published standards effective in 2018

In 2018, the Group applied the following standards and amendments that are mandatory for the Group's accounting period beginning on 1 January 2018, comprising:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and measurement of Share-based payment transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Company adopted IFRS15 as from 1 January 2017, whilst IFRS 9 was adopted as from 1 January 2018. Upon initial application of these standards, there was no substantial impact on the Company's accounting policies. Accordingly, the financial statements presented did not require restatement. The adoption of the other revisions to the requirements of IFRSs as adopted by the EU also did not result in changes to the Company's accounting policies impacting the Company's financial performance and position.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2018. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's and the Company's financial statements in the period of initial application, except for IFRS 16 'Leases'.

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

## **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 as adopted by the EU for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS as adopted by the EU that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the following notes:

Note 11: Property, plant and equipment

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

### **4.2 Interest-bearing loans**

Borrowings, comprising intra-group loans, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

### **4.3 Foreign currency translation**

Foreign currency transactions are translated into the functional currency of the Company 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 income statement.

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

#### **4. Summary of accounting policies – *continued***

##### **4.4 Revenue**

Revenue includes revenue from accommodation, food and beverage services, and other ancillary services. The substantial majority of services are provided to customers during their stay at the hotel, and, depending on the type of booking, some services would generally be amalgamated into one 'contract' (for example, bed and breakfast).

Each of the services rendered is assessed to be a distinct performance obligation, and if applicable, the Company allocates the transaction price to each of the services rendered to the customer on a relative basis, based on their stand-alone selling price. Revenue from such operations is recognised over time since the customer benefits as the Company is performing; the majority of revenue relates to accommodation (i.e. the amount allocated to such performance obligation is recognised over the customer's stay at hotel).

##### **4.5 Lease payments**

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

##### **4.6 Operating expenses**

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

##### **4.7 Retirement benefit costs**

The Company is required to pay defined employer contributions to the State in accordance with local legislation. Pension costs are charged against profit in the period in which the contributions are payable.

##### **4.8 Property, plant and equipment**

Land and building held for use in production or administration are stated at revalued amounts. Revalued amounts are fair market values determined in appraisals by external professional valuer on a periodic 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.

Items of plant and equipment comprising furniture and fittings, plant and equipment, are initially recognised at acquisition cost. Subsequently they are carried at acquisition cost less subsequent 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.

#### 4. Summary of accounting policies – *continued*

##### 4.8 Property, plant and equipment – *continued*

Depreciation is recognised on a straight-line basis to write down 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 revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised directly in equity. Any loss is recognised immediately in profit or loss. However, to the extent the amount is included in the revaluation surplus for that property the decrease is recognised in other comprehensive income and reduces the revaluation surplus within the equity.

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

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

Cash-generating units to which goodwill has been allocated 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. Cash flows and discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles.

Impairment losses for cash-generating units reduce first 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. Summary of accounting policies – continued**

##### **4.10 Financial instruments**

Financial assets and financial liabilities are recognised when the Company 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 all substantial 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.

##### **Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

##### **Financial liabilities**

The Company's financial liabilities include borrowings, trade and other payables.

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

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'.

##### **4.11 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.

##### **4.12 Income taxes**

Tax expense recognised in profit or loss comprise the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting 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 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.

#### **4. Summary of accounting policies – *continued***

##### **4.12 Income taxes – *continued***

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 Company 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 other comprehensive income (such as the revaluation of land), in which case the related deferred tax is also recognised in other comprehensive income.

##### **4.13 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 changes in value.

##### **4.14 Equity and reserves**

Share capital represents the nominal value of shares that have been issued.

When share capital recognised as equity is purchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment. Retained earnings include all current and prior period losses and retained profits.

##### **4.15 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 Company 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. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company 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, unless it was assumed in the course of a business combination. In a business combination contingent liability are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

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



## 5. Critical accounting estimates and judgements

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

The fair value of property, plant and equipment and investment properties is determined by using valuation techniques. Further details of the judgements and assumption made are disclosed in Note 11.

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

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

## 6. Revenue

	2018 €'000	2017 €'000
Accommodation	17,206	17,702
Food and beverages	7,521	6,719
Other hotel revenue	1,633	1,620
	<u>26,360</u>	<u>26,041</u>

## 7. Results from operating activities

Results from operating activities are after the following charges:

	2018 €'000	2017 €'000
Operating lease costs	10	11
Depreciation of property, plant and equipment (Note 11)	1,432	1,465
Auditors' remuneration	36	31

## 8. Personnel expenses

	2018 €'000	2017 €'000
Wages and salaries	3,209	3,377
Casual workforce	1,918	1,464
Payroll related taxes	600	725
Other payroll related expenses	661	504
	<u>6,388</u>	<u>6,070</u>

## 8. Personnel expenses – *continued*

### 8.1 Average number of employees

	2018	2017
Management and administrative	68	65
Operating	310	322
	<b>378</b>	<b>387</b>

## 9. Finance income and finance costs

	2018	2017
	€'000	€'000
Interest receivable on:		
Bank deposits	-	1
Other financial income	10	5
Exchange gain-net	48	-
Other income from Parent*	137	137
<b>Finance income</b>	<b>195</b>	<b>143</b>
Interest payable on:		
Interest on group balances	(1,038)	(1,037)
Exchange loss-net	-	(11)
Other charges	(1)	(1)
<b>Finance costs</b>	<b>(1,039)</b>	<b>(1,049)</b>
<b>Net finance costs</b>	<b>(844)</b>	<b>(906)</b>

\* The hotel building was pledged as collateral against a bond issued by the parent company amounting to €55 million. Interest receivable in relation to the collateral provided was accrued for at 0.25% or €137,500.

## 10. Tax expense

	2018	2017
	€'000	€'000
Current taxation	(358)	(580)
Deferred taxation (note 20)	(229)	(78)
	<b>(587)</b>	<b>(658)</b>

In 2018 the corporate income tax rate in Hungary is 9% for taxable profit.

Refer to Note 20 for information on the entity's deferred tax assets and liabilities.

10 Tax expense - *continued*

10.1 Tax expense reconciliation

	2018 €'000	2017 €'000
Profit before tax	5,231	5,617
Income tax using the Company's domestic tax rate	471	506
Effect of non-deductible expenses	116	152
<b>Tax expense</b>	<b>587</b>	<b>658</b>

**11 Property, plant and equipment**

	Land and buildings €'000	Plant and equipment €'000	Furniture, fixtures and fittings €'000	Assets in the course of construction €'000	Total €'000
<b>Cost/revalued amount</b>					
Balance at 1 January 2017	142,794	9,248	5,303	459	157,804
Additions	-	-	-	624	624
Reallocations	608	317	51	(976)	-
Disposals	-	-	-	-	-
Revaluation surplus	-	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>143,402</b>	<b>9,565</b>	<b>5,354</b>	<b>107</b>	<b>158,428</b>
Balance at 1 January 2018	143,402	9,565	5,354	107	158,428
Additions	-	-	-	1,689	1,689
Reallocations	1,283	285	15	(1,583)	-
Disposals	-	-	-	-	-
Revaluation surplus	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>144,685</b>	<b>9,850</b>	<b>5,369</b>	<b>213</b>	<b>160,117</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 January 2017	22,177	8,582	4,587	-	35,346
Depreciation for the year	1,204	207	54	-	1,465
Disposals	-	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>23,381</b>	<b>8,789</b>	<b>4,641</b>	<b>-</b>	<b>36,811</b>
Balance at 1 January 2018	23,381	8,789	4,641	-	36,811
Depreciation for the year	1,211	161	60	-	1,432
Disposals	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>24,592</b>	<b>8,950</b>	<b>4,701</b>	<b>-</b>	<b>38,243</b>
<b>Carrying amounts</b>					
At 1 January 2017	120,617	666	716	459	122,458
At 31 December 2017	120,021	776	713	107	121,617
At 1 January 2018	120,021	776	713	107	121,617
At 31 December 2018	120,093	900	668	213	121,874

## **11. Property, plant and equipment – *continued***

### **11.1 Fair valuation of property**

In 2018, management has carried out an assessment for the property measured in accordance with the revaluation model under IAS 16, to determine whether a material shift in fair value had occurred. Where, on the basis of this assessment, management has concluded that there are no material changes in inputs, a full independent valuation was not obtained, as was the case for this property. The fair value disclosures reported as at 31 December 2017 (disclosed further below), are still relevant as at 31 December 2018.

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

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

The Company's land and buildings, within property, plant and equipment, consists principally of hotel property that is owned and managed by companies forming part of the Corinthia Group.

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

### **Valuation processes**

Where management, through its assessment, concludes that the fair value of properties differs materially from its carrying amount, an independent valuation report prepared by third party qualified valuers, is performed. These reports are based on both:

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

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

### **Valuation techniques**

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

This property was last subject to an independent valuation exercise during the year ended 31 December 2016. The fair valuation as at 31 December 2016 of the Corinthia Hotel Budapest was determined on the basis of the adjusted sales comparison approach. The valuation technique considered by the external valuer to be the most appropriate for the respective property has been utilised to attain a more representative measurement at fair value.

## 11. Property, plant and equipment – *continued*

### 11.1 Fair valuation of property – *continued*

#### Valuation techniques – *continued*

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

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2018 and 2017.

Description by class highest and best use	Valuation technique	Fair value at 31 December €'000	Significant unobservable inputs
	Adjusted sales Comparison Approach		Sales price per room
2016		122,458	€1,769

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

As evidenced in the tables above, the highest and best use of the Company properties is equivalent to their current use. This property was last subject to an independent valuation exercise during the year ended 31 December 2016; accordingly, the inputs disclosed in the above tables are those emanating from such valuations.

A shift in discount rate of +/- 0.5% and in EBITDA by 5% would result in a shift in property valuation of +/- €720,000 and +/- €5.6 million respectively.

### 11.2 Adjustments to carrying amount of property

Revaluation surplus and impairment charges recognised on other comprehensive income (within revaluation reserve), gross of deferred tax:

	€'000
At 1 January 2017	46,096
Revaluation of hotel property carried out at year end	-
At 31 December 2017	46,096
Revaluation of hotel property carried out at year end	-
At 31 December 2018	46,096

## 11. Property, plant and equipment – *continued*

### 11.3 Carrying amount of hotel property

Following adjustments the hotel property carrying amount to reflect the outcome of the fair valuation process referred to above at each reporting period, the carrying amount of the hotel property is €121.874 million (2017: €121,617 million).

### 11.4 Historic cost of hotel property

The carrying amounts of the land and buildings that would have been included in these financial statements had these assets been carried at cost less accumulated depreciation there on would be €73.997 million (2017: €73.928 million).

### 11.5 Use as collateral

The hotel property is pledged as collateral against a bond issued by the parent company.

## 12. Inventories

	2018 €'000	2017 €'000
Food and beverages	146	151
Cleaning materials and consumables	144	145
Stationery and promotional material	36	36
Utensils, crockery, cutlery, chinaware and linen	736	654
	<b>1,062</b>	<b>986</b>

## 13. Trade and other receivables

	2018 €'000	2017 €'000
Trade receivables	2,305	1,835
Amounts owed to:		
Group company	35	14
Other related companies	17	7
Other debtors	57	120
<b>Financial assets</b>	<b>2,414</b>	<b>1,976</b>
Advance payments to contractors for capital expenditure	732	61
Prepayments	142	196
<b>Total receivables - current</b>	<b>3,288</b>	<b>2,233</b>

### 13. Trade and other receivables – *continued*

#### *Impairment losses*

The ageing of trade receivables at the reporting date was:

	Gross amount 2017 €'000	Impaired amount 2017 €'000
Not past due	1,055	-
Past due 0-30 days	385	-
Past due 31-120 days	240	-
Past due 121-360 days	114	13
More than one year	108	54
	<b>1,902</b>	<b>67</b>

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

	2018 €'000	2017 €'000
<b>Balance at 1 January</b>	67	163
Amounts written off	-	(107)
Impairment losses recognised	3	67
Impairment losses reversals	(13)	(56)
<b>Balance at 31 December</b>	<b>57</b>	<b>67</b>

The impairment loss at 31 December 2018 relates to specific provision for doubtful debtors that have been overdue for more than one year. Such balances were unsecured.

The provision accounts in respect of trade receivables are used to record impairment losses unless the Company deems 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 Company's impairment model for trade receivables is disclosed in note 25.1.

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

### 14. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2018 €'000	2017 €'000
Bank accounts	1,007	1,819
Cash in hand	173	110
<b>Cash and bank balances</b>	<b>1,180</b>	<b>1,929</b>
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>1,180</b>	<b>1,929</b>



## 15. Share capital

### 15.1 Authorised and issued share capital

	Note	Ordinary shares of €1 each	
		2018 €'000	2017 €'000
On issue at 1 January (100,000 ordinary shares)		3,862	3,862
On issue at 31 December - fully paid up (100,000 ordinary shares)		3,862	3,862

### 15.2 Shareholders rights

Shareholders are entitled to vote at meetings of the shareholders 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.

## 16. Revaluation reserve

There is no change in the revaluation reserve.

## 17. Retained earnings

On 31.12.2018 the Shareholders resolved to transfer €8,931,685 from the Company's capital reserve to the Company's retained earnings, in order to restructure the Company's equity in the Company's statutory accounts in Hungarian forint. As a result of the transfer the amount of the capital reserve will be modified to €6,106,432 and the retained earnings to €14,087,582.

The gain for the year has been transferred to retained earnings as set out in the statement of changes in equity for the year ended 31 December 2018. €4,644,460.

## 18. 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 Company 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 Company seeks to maximise the return on shareholders' equity and to reduce the incidence of interest expense.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

## 19. Other loans

	2018 €'000	2017 €'000
Amounts owed to:		
Parent company (IHI PLC)	45,229	50,729
Group company	603	401
	<u>45,832</u>	<u>51,130</u>
<b>Non-current liabilities</b>		
Amounts owed to:		
Parent company	45,229	50,729
	<u>45,229</u>	<u>50,729</u>
<b>Current liabilities</b>		
Amounts owed to:		
Group company	603	401
	<u>603</u>	<u>401</u>

The terms of the amounts owed to the related parties are as follows:

	€'000	Interest	Terms Repayable by	Security
IHI PLC	25,868	4% (2017: 0.25%)	non-current	None
IHI PLC	19,361	0%	non-current	None
Group company	603	6M EURIBOR + 1%	current	None
	<u>45,832</u>			

## 20. Deferred tax asset and liability

	2018 €'000	2017 €'000
Excess of tax base over carrying amount of tangible fixed assets	(388)	(192)
Tax effect on revaluation of land and buildings	(5,619)	(5,619)
Provision for exchange differences	188	220
	<u>(5,819)</u>	<u>(5,591)</u>

The movement in the deferred tax can be analysed as follows:

### Recognised directly in other comprehensive income

Deferred tax on revaluation of hotel property carried out at year end

### Recognised in profit or loss

-	-
(229)	(78)
<u>(229)</u>	<u>(78)</u>

## 21. Trade and other payables

	2018 €'000	2017 €'000
Trade payables	805	884
Other payables		
Parent company (IHI Plc)	1,826	892
Other related companies	13	16
Other creditors	936	714
Accruals	2,033	2,066
<b>Financial liabilities</b>	<b>5,613</b>	<b>4,572</b>
Advance payments	1,075	1,127
<b>Total payables - current</b>	<b>6,688</b>	<b>5,699</b>

## 22. Cash flow adjustments

	2018 €'000	2017 €'000
<b>Adjustments:</b>		
Depreciation	1,432	1,465
Unrealized foreign exchange gain/loss net	(73)	11
Finance cost-net	2	3
	<b>1,361</b>	<b>1,479</b>

### 22.1 Reconciliation of financial liabilities

The Company	Liabilities from financing activities	
	Other financial liabilities €'000	Total €'000
As at 1 Jan 2018		
- Principal	(50,729)	(50,729)
- Net	(50,729)	(50,729)
Cash flows	5,500	5,500
Other movements	-	-
<b>As at 31 December 2018</b>	<b>(45,229)</b>	<b>(45,229)</b>
Comprising:		
- Principal	(45,229)	(45,229)
- Accrued interest	-	-
<b>As at 31 December 2018</b>	<b>(45,229)</b>	<b>(45,229)</b>

## 23. Commitments

	2018	2017
	€'000	€'000
<b>Capital expenditure</b>		
Contracted capital expenditure	2,574	196
Car lease	33	43
	<u>2,607</u>	<u>239</u>

## 24. Related parties

The Company's related parties include its associates, key management, fellow subsidiaries and shareholders of ultimate parent company. None of the transactions incorporates special terms and conditions and no guarantees were given or received. Transactions with related companies are generally effected on a cost plus basis or on the basis of pre agreed arrangements. Outstanding balances are usually settled by bank payment. Amounts owed by/to related parties are shown separately in Notes 13, 19 and 21.

	2018	2017
	€'000	€'000
<b>Revenue</b>		
Services rendered to		
Ultimate parent company	(5)	(48)
Fellow subsidiaries	(82)	(40)
	<u>(87)</u>	<u>(88)</u>
<b>Expenses</b>		
Charged by Corinthia Hotels Limited (CHL)	370	363
Charged by Corinthia group members	6	3
	<u>376</u>	<u>369</u>
Marketing costs		
Charged by CHL	344	354
Charged by Corinthia group members	40	54
	<u>384</u>	<u>408</u>
Administrative expenses		
Management fee charged by:		
Parent company	260	258
CHL	1,238	1,275
	<u>1,498</u>	<u>1,533</u>
	<u>2,171</u>	<u>2,222</u>
<b>Financing</b>		
Interest payable – Parent company	1,035	1,035
Interest payable – Fellow subsidiaries	3	2
Interest receivable – Parent company	(137)	(137)
	<u>901</u>	<u>900</u>

## 24. Related parties – *continued*

### 24.1 Transactions with key management personnel – *continued*

In addition to the remuneration paid to the directors, in the course of its operations, the Company 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.

## 25. Risk management objectives and policies

The Company 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 Company's risk management is coordinated at its head office, in close co-operation with the board of directors and the audit committee and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The most significant financial risks to which the Company is exposed to are described below. See also 25.4 for a summary of the Company's financial assets and liabilities by category.

### 25.1 Credit risk

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

	2018 €'000	2017 €'000
Classes of financial assets – carrying amounts		
Trade and other receivables	2,414	1,976
Cash and cash equivalents	1,180	1,929
	<b>3,594</b>	<b>3,905</b>

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

## 25. Risk management objectives and policies - *continued*

### 25.1 Credit risk - *continued*

The Company has, over the years, conducted business with various corporates, tour operators and individuals located in different jurisdictions and, due to the spread of the Company's debtor base, there is no concentration of credit risk.

The Company has a credit policy in place under which new customers are analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Customers that fail to meet the Company's benchmark creditworthiness may only transact with the Company 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 Company does not ask for any collateral in respect of trade and other receivables. The Company establishes an allowance for doubtful recoveries that represents its estimate of losses in respect of trade and other receivables. See Note 13 for further information on impairment of financial assets that are past due.

#### *(ii) Impairment of financial assets*

The Company have three types of financial assets that are subject to the expected credit loss model:

- trade receivables and contract assets relating to the provision of services;
- other financial assets at amortised cost, comprising loans receivable from related parties and, in the case of the Company, subsidiary undertakings; and
- cash and cash equivalents.

#### *Trade receivables and contract assets*

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Company has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets since they have substantially the same characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 3 to 4 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on the assessment carried out in accordance with the above methodology the company concluded trade receivables and contract assets are adequately provided for.

## 25. Risk management objectives and policies - *continued*

### 25.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

The Company actively manages its cash flow requirements. Typically, the Company 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 2018, the Company has financial liabilities including estimated interest payments with contractual maturities which are summarised below:

31 December 2018	Current		Non-current	
	Within	6-12	2-5 years	More than
	6 months	months		5 years
	€'000	€'000	€'000	€'000
Parent company loan	-	1,035	4,139	50,404
Other interest bearing borrowings	603	-	-	-
Trade and other payables	5,613	-	-	-
	<b>6,216</b>	<b>-</b>	<b>-</b>	<b>50,404</b>

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

31 December 2017	Current		Non-current	
	Within	6-12	2-5 years	More than
	6 months	months		5 years
	€'000	€'000	€'000	€'000
Parent Company loan	-	1,035	4,139	54,868
Other interest bearing borrowings	401	-	-	-
Trade and other payables	4,572	-	-	-
	<b>4,973</b>	<b>1,035</b>	<b>4,139</b>	<b>54,868</b>

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

### 25.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company'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.

## 25. Risk management objectives and policies - *continued*

### 25.3 Market risk - *continued*

#### 25.3.1 Foreign currency risk

The Company operates internationally and is exposed to currency risk on sales and purchases that are denominated in a currency other than its functional currency which is the euro. The currency giving rise to the highest risk is the Hungarian Forint (HUF).

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level.

The company's revenues, purchase and operating expenditure, financial assets and liabilities, are mainly denominated in euro except for financial assets amounting to €556,092 and financial liabilities amounting to €613,213 which are denominated in HUF.

At 31 December 2016, if the EUR had weakened/strengthened by 10% against the HUF with all other variables held constant, post-tax profit for the year would have been €22,503 lower/€22,503 higher as a result of foreign exchange losses/gains on translation of the EUR denominated borrowings.

### 25.4 Summary of financial assets and liabilities by category

The carrying amounts of the Company's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See Note 4.10 for explanations about how the category of financial instruments affects their subsequent measurement.

	2018 €'000	2017 €'000
<b>Current assets</b>		
Financial assets at amortised cost		
- Amounts due from related companies	52	21
- Trade receivables	2,305	1,835
- Other receivables	57	120
Cash and cash equivalents	1,181	1,929
	<b>3,595</b>	<b>3,905</b>
<b>Non-current liabilities</b>		
Financial liabilities measured at amortised cost		
- Parent company loan	45,229	50,729
	<b>45,229</b>	<b>50,729</b>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost		
- Other interest bearing borrowings	603	401
- Trade payables	805	884
- Amounts due to related companies	1,839	908
- Other payables	936	714
- Accruals	2,032	2,066
	<b>6,215</b>	<b>4,973</b>



## 26 Parent company

The Company is a subsidiary of International Hotel Investments plc (IHI), the registered office of which is situated at 22 Europa Centre, Floriana Malta. The Company's ultimate parent company is Corinthia Palace Hotel Company Limited, the registered office of which is the same as that of IHI.

The parent company prepares consolidated financial statements of which the Company forms part. These financial statements are filed and are available for public inspection at the Registry of Companies in Malta.

## 27 Directors

The Company has three directors, who received total remuneration of €20,000 for the current period compared to €22,500 the previous year.

## 28 Events after balance sheet date

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation by the board.

Approved by the Board of Directors on 10 May 2019 and signed on its behalf by:



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**Frank Xerri de Caro**  
Chairperson



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**Joseph Galea**  
Director