

Corinthia Palace Hotel Company Limited

**Report and Financial Statements
31 December 2019**

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Directors' report

The Directors present their report together with the audited financial statements of Corinthia Palace Hotel Company Limited (the 'Company' or 'CPHCL') and the consolidated financial statements of the Group of which it is the parent, for the year ended 31 December 2019.

Principal Activities

The Group's main business is the ownership, development and operation of hotels, leisure facilities, and other activities related to the tourism industry. The Group is also actively engaged in the provision of residential accommodation, the rental of retail and office space, the origination of projects for the Group and third-party investors and services related to construction, project management and catering.

Results

Total revenue for the year under review amounted to €310.1 million compared to €302.5 million registered in 2018. The year-on-year revenue increase of €7.6 million is the result of continued performance improvements in the Group's operations.

During 2019 the Group registered a total comprehensive income of €86.7 million which is significantly better than the corresponding figure of €35.7 million in 2018. This is made up of a profit after tax of €53.3 million (2018: €19.7 million) and net other comprehensive income of €33.4 million (2018: €16.0 million).

€64.9 million (2018: €22.9 million) of the total comprehensive income is attributable to the shareholders of CPHCL whilst the balance is attributable to non-controlling interests.

Details of the results for the year under review are set out in the consolidated income statement and the statement of comprehensive income on pages 12 to 14 and in the related notes to the audited financial statements for the year ended 31 December 2019.

Review of Performance

The Earnings for 2019 before Interest, Tax, Depreciation and Amortisation (EBITDA), excluding the results of jointly controlled companies shown under a different line item, amounted to €70.7 million more or less mirroring the €70.3 million achieved in 2018. This represents a 23% conversion on Revenue and is consistent with the positive results being achieved year-on-year. Indeed, the €70.7 million EBITDA for 2019 effectively represents another record performance for the Corinthia Group.

The 2019 operational results registered by the Group's main lines of business were generally at the same level as those for 2018 with relatively small fluctuations. The hotel operations in Budapest, Lisbon and London registered improvements year-on-year. Conversely, the hotel operations in Malta registered a lower performance in 2019 compared to that of 2018.

The depreciation and amortisation charge for 2019 increased to €42.6 million from €39.4 million in 2018. €2.5 million of this amount represents depreciation on right of use assets which resulted from the application of IFRS 16 – Leases.

In 2019, the effect on the income statement of revaluation uplifts on investment properties was a marginal impairment of €0.1 million (2018: uplifts of €7.0 million).

Directors' report – continued

Finance costs before exchange differences increased by €2.1 million (from €25.8 million in 2018 to €27.9 million in 2019). Net finance costs on the contrary decreased by €12.2 million (from €34.8 million in 2018 to €22.6 million in 2019). The significant reduction in net finance cost is in consequence of an exchange profit of €5.3 million compared to a loss on exchange of €9.0 million in 2018. This overall improvement of €14.3 million in exchange differences is mainly related to the St. Petersburg property, on account of an improved rouble compared to last year.

In 2019, the Group sold the Panorama Hotel and adjoining garage complex located in the Czech Republic, through the disposal of its shareholding in Pankrac Property Holdings s.r.o. (PPH) and realised a profit of €46.5 million on this sale.

The net profit of €3.4 million in 2019 resulting from the Group's share of results of associate companies (2018: €9.6 million) was dampened by the results of the Golden Sands hotel and timeshare operation (50% share owned by IHI p.l.c.), which resulted in an erosion of €4 million. The corresponding loss registered in 2018 for this activity was €1.4 million. The timeshare operation has been discontinued in 2020. On the other hand, the results of MIH p.l.c. through its principal subsidiary company Palm City Ltd, owner of the Palm City Residences in Libya, continued to improve. In 2019, this investment contributed €7.3 million to the Group's profitability (2018: €10.9 million, €7 million of which related to the net fair value gain on the investment property). On a like for like basis, the Group's share of profits from this investment increased by €3.5 million between 2018 and 2019.

In 2019, Palm City Residences, the only operating asset of MIH p.l.c., continued to perform resolutely, registering a surge in occupancy from 45.1% in December 2018 to 55.3% as at the end of 2019. Revenue for the year amounted to €27.3 million (€18.9 million in 2018) while the operating profit increased from €11.6 million in 2018 to €19.8 million in 2019.

The Group's consolidated profit before tax net of the above movements amounted to €59.5 million compared to €9.8 million in 2018.

In consequence of the foregoing, in 2019 the Group registered a profit after tax of €53.3 million against a profit of €19.7 million in 2018. It is also worth noting that whilst in 2019 there was a tax charge of €6.2 million, in 2018 there was a tax credit of €9.9 million.

The other comprehensive income for 2019 was also positive with an income of €33.4 million (2018: €15.9 million), mainly reflecting the effect of currency translation differences. The impact of an improved sterling and rouble relative to the reporting currency of the Group, which is the Euro, resulted in the Group recording a combined currency translation profit of €32.1 million (2018: loss of €16.5 million). Conversely whilst in 2018 the Group reported a revaluation surplus on hotel properties of €37.7 million, this surplus reduced to €7 million in 2019.

The various and substantial positive effects described above helped the Group achieve a total comprehensive income for 2019 of €86.7 million against €35.7 million registered in 2018.

The Group's total asset value increased to €1.9 billion (2018: €1.8 billion) with owners' equity increasing from €426.3 million in 2018 to €469.8 million at the end of 2019.

Directors' report – continued

State of Affairs

Development and Divestments

As reported earlier, in 2019, the Company sold the Panorama Hotel and adjoining garage in Prague, Czech Republic at a profit of €46.5 million. Part of the proceeds from this sale were utilised to early repay a €7.5 million bond issued by the public finance company of CPHCL, Corinthia Finance p.l.c.. The proceeds from the sale were also used to reduce loans from subsidiary companies. An amount of €17.3 million was utilised to reduce such indebtedness. Finally, it is also worth noting that 'cash and cash equivalents' have more than doubled between 2019 and 2018 increasing from €61.2 million to €125.7 million.

Working Capital

At 31 December 2019, the Group's working capital, net of the payment of dividends to the owners and to non-controlling interests effected during the year, amounts to €62.6 million compared to a marginal deficit of €0.3 million at the end of 2018.

Apart from the effect of improving surplus cash flows being generated by its operations, the Group also supplements the cash available for its working capital requirements through various financing initiatives and the disposal of non-core assets. In the meantime, the Group's gearing ratio remains at a prudent level of 37.3% (2018: 40.1%).

Notwithstanding the lower revenue and profit generation that the Group had to deal with over the years because of the instability in Libya, the Group remained resilient thanks to its robust asset base, diversified portfolio, prudent gearing ratio, and the unbending commitment of its shareholders and employees.

Dividends

During the year, the Company's major subsidiary company IHI p.l.c. (57.8% holding) distributed a 2% net cash dividend to its shareholders out of its retained earnings.

During 2019, the Company distributed €23 million by way of dividends to its shareholders. The corresponding distribution in 2018 was of €3 million. The significant year-on-year increase in dividend distribution was in consequence of the substantial profit realised from the sale of one of the Company's non-core assets in Prague, Czech Republic, reported elsewhere in this report.

Future Developments

The Corinthia Group's business as a developer and operator of hotels and real estate has continued to evolve and diversify over the years with the result that there is no major dependence on any single operation. The outlook for 2020 in all the Group's hotels in the first quarter of the year was positive, with actual performances surpassing the performance registered in the first quarter of 2019.

Directors' report – continued

However, since the start of 2020, the world has suffered from a widespread COVID-19 pandemic, resulting in disruptions to businesses worldwide. Global border restrictions, local mobility restrictions, and the enforced closure of hotels, food and beverage outlets and other places of entertainment, have had a negative impact on the Company and the Group, the hospitality industry in general as well as most other economic sectors worldwide. Governments in many countries have responded with monetary and fiscal interventions to assist companies to overcome these unprecedented financial difficulties.

As a result of the pandemic and notwithstanding the measures taken by governments, the Group experienced a severe curtailment of its business since mid-March 2020. The Group has taken significant measures to reduce its cost base and is also in receipt of various COVID-19 business assistance programmes aimed at mitigating against the adverse financial impact of this pandemic and to safeguard the Group's future wellbeing, as well as that of its employees and all stakeholders. The Group took immediate action to curtail its payroll by shedding all part-time workers and others on probation, whilst also terminating all outside labour service providers. Many of the Group's employees have also taken drastic cuts in their take home pay. Internal guidelines on operations and staff welfare have also been circulated and updated regularly, especially now, as the Group enters into a phase of re-opening its hotels.

The Directors are giving due consideration to the uncertainties and mitigating factors that have been taken across the board in order to ensure the going concern of the Company. The Directors continue to closely monitor the situation on an ongoing basis with a view to minimizing the impact of the COVID -19 pandemic on the Group, the more so now as various governments are lifting border restrictions and local mobility restrictions. The Group is also reviewing on an ongoing basis the right-sizing of its operating base, even more so now as the level of business generated in the second half of 2020 will, with the gradual opening of its hotel operations, be a fraction of that generated in the corresponding period in 2019.

Work on the designs for the redevelopment of the Corinthia Hotel Brussels is progressing at a good pace. The main construction contract is under negotiation and will be awarded as soon as the Group decides to proceed with construction on site.

Works on a mixed-used residential and hotel property in Moscow, in which the Group through its main subsidiary, IHI p.l.c., has a 10% shareholding, is also progressing well, with completion scheduled for 2023.

Corinthia Hotels Limited (CHL), the Group's hotel management company, is also involved in the development of four luxury hotels under construction. These are located in Rome, Bucharest, Dubai and Doha and once completed CHL will take responsibility for the hotel management of these four properties. In the case of Bucharest and Rome, the Group, via its QP Limited and CDI Limited subsidiaries, is also involved in the project development as project managers and developer.

Going concern

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

Directors' report – continued

Principal risks and uncertainties

The hotel industry globally is marked by strong and increasing consolidation and many of the Group's current and potential competitors may thus have bigger name recognition, larger customer bases and greater financial and other resources than the companies within the Group.

The Group is subject to general market and economic risks that may have a significant impact on the valuations of its properties (comprising hotels and investment property). A number of the Group's major operations are located in stable economies. The Group also owns certain subsidiaries that have operations situated in emerging or unstable markets. Such markets present different economic and political conditions from those of the more developed markets and present less social, political and economic stability. Businesses in unstable markets are not operating in a market-oriented economy as known in other developed or emerging markets. Further information about the significant uncertainties being faced in Libya are included in Note 6.

The Group is exposed to various risks arising through its use of financial instruments including market risk, credit risk and liquidity risk, which result from both its operating activities. The most significant financial risks as well as an explanation of the risk management policies employed by the Group are included in Note 38 of the financial statements.

Subsequent events

As from mid-March 2020, the Company and the Group were negatively impacted by the adverse effects of the COVID-19, pandemic. The risks, uncertainties and mitigating actions taken by the Company and the Group are better described in the section relating to 'Outlook' in this report. However, the Directors are of the view that the Company and the Group have sufficient financial resources, including new credit lines, to withstand this calamity at least up to 30 July 2021, which is twelve months from the sign-off date of these financial statements.

No other adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the board.

Note 3.1 to the financial statements gives more detail about the consequences of COVID-19 on the appropriateness of preparing the company's financial statements on a going concern basis.

Reserves

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

Directors

The following have served as directors of CPHCL during 2019 and until the date of these financial statements:

Mr Alfred Pisani – Chairman
Mr Abuagila Almahdi – Vice Chairman (resigned 6 April 2020)
Mr Khalid S T Benrjoba
Ms Karima Munir Elbeshir
Mr Joseph Pisani
Mr Victor Pisani
Mr Khaled Amr Algonsel (appointed 1 May 2020)

Directors' report – continued

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

Statement of directors' responsibilities for the Financial Statements

The directors are required by the Maltese Companies Act, (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of each reporting period and of the profit or loss for that period.

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

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


Even though not required by law, the Group has set up an independent audit committee which meets regularly.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, (Cap. 386). They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office. A resolution proposing the re-appointment of PricewaterhouseCoopers as auditors of the Company will be submitted at the forthcoming Annual General Meeting.

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



Alfred Pisani
Chairman

22 Europa Centre,
Floriana FRN 1400,
Malta

30 July 2020



Joseph Pisani
Director



Independent auditor's report

To the Shareholders of Corinthia Palace Hotel Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Corinthia Palace Hotel Company Limited's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2019, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Corinthia Palace Hotel Company Limited's financial statements, set out on pages 12 to 136 comprise:

- the Consolidated and Parent Company income statements and statements of total comprehensive income for the year ended 31 December 2019;
- the Consolidated and Parent Company statements of financial position as at the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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



Independent auditor's report - continued

To the Shareholders of Corinthia Palace Hotel Company Limited

Independence

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

Material Uncertainty Relating to Going Concern as a Result of COVID-19

We draw attention to Note 3.1 to these financial statements, which describes the directors' assessment of the estimated impacts of COVID-19 on the Group's projected financial results, cash flows and financial position, taking cognisance of the unprecedented nature of the adverse economic conditions currently being experienced. These events or conditions, along with other matters as set forth in the said note, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – significant uncertainties prevailing in Libya

Without qualifying our opinion, we draw attention to Note 6 to the financial statements, which highlights the significant political and economic uncertainties prevailing in Libya and their impact on the Group's financial statements. The note also explains the significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya which is influenced by the timing of a recovery in the country that in turn has a bearing on the projected cash flows from the relative operations. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant manner. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

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



Independent auditor's report - continued

To the Shareholders of Corinthia Palace Hotel Company Limited

Other information – continued

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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



Independent auditor's report - continued

To the Shareholders of Corinthia Palace Hotel Company Limited

Auditor's responsibilities for the audit of the financial statements - continued

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent 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 Group's or the Parent 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 Group or the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Independent auditor's report - continued

To the Shareholders of Corinthia Palace Hotel Company Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

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

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta



Simon Flynn
Partner

30 July 2020

Income statements

	Notes	The Group		The Company	
		2019 €'000	2018 €'000	2019 €'000	2018 €'000
Continuing operations					
Revenue	7.1	310,063	302,456	-	-
Net operating expenses	7.2	(242,077)	(233,988)	(6,565)	(6,363)
Depreciation and amortisation	7.2	(42,549)	(39,436)	(220)	(39)
Other income		2,811	1,324	1,443	1,159
Exchange differences		(79)	475	(303)	224
Credit losses on loans receivable and other assets		-	-	(2,765)	(2,716)
Net changes in fair value of investment property	14	(137)	6,966	-	-
Impairment losses attributable to properties	15	-	(345)	-	-
Other losses arising on property, plant and equipment		(1,826)	(1,426)	-	-
Impairment losses attributable to intangible assets	13	(1,693)	(2,339)	-	-
Net changes in fair value of contingent consideration		4,445	438	(563)	85
Net changes in fair value of indemnification liabilities	30	-	-	210	210
Results from operating activities		28,958	34,125	(8,763)	(7,440)
Investment income		-	-	24,036	11,269
Net changes in fair value of financial assets at FVPTL	21	2,204	126	1	-
Finance income	9				
- interest and similar income		1,053	799	215	314
Finance costs	9				
- interest expense and similar charges		(27,896)	(25,822)	(4,807)	(5,019)
- net exchange differences on borrowings		5,336	(8,974)	-	-
Share of net profit of associates and joint ventures accounted for using the equity method	18.1	3,382	9,579	-	-
Gain on sale of intangible asset	17.2	-	-	2,400	-
Gain on sale of investment in subsidiaries	36, 17.2	46,487	-	70,213	-
Profit/(loss) before tax		59,524	9,833	83,295	(876)
Tax (expense)/income	10	(6,179)	9,903	2,369	(225)
Profit/(loss) from continuing operations		53,345	19,736	85,664	(1,101)

Income statements – continued

	Note	The Group		The Company	
		2019 €'000	2018 €'000	2019 €000	2018 €'000
Discontinued operations					
Profit from discontinued operations	11.1	-	-	-	1,535
Profit for the year		53,345	19,736	85,664	434
Profit for the year attributable to:					
- Owners of CPHCL		51,922	14,719	85,664	434
- Non-controlling interests		1,423	5,017	-	-
		53,345	19,736	85,664	434

Statements of total comprehensive income

	Notes	The Group		The Company	
		2019 €'000	2018 €'000	2019 €'000	2018 €'000
Profit for the year		53,345	19,736	85,664	434
Other comprehensive income					
<i>Items that will not be subsequently reclassified to profit or loss</i>					
Surplus arising on revaluation of hotel properties	15	7,000	37,675	-	-
Deferred tax on surplus arising on revaluation of hotel properties		(1,330)	(7,868)	-	-
Reversal of deferred tax liability attributable to asset previously held for sale		-	-	-	2,397
Share of other comprehensive income of joint ventures and associates accounted for using the equity method:					
- (Loss)/surplus arising on revaluation of hotel and other property	18	(4,550)	1,794	-	-
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences		31,932	(16,512)	-	-
Share of other comprehensive income of joint ventures and associates accounted for using the equity method:					
- Cash flow hedges	18	5	(33)	-	-
- Currency translation differences	18	331	860	-	-
Other comprehensive income for the year, net of tax		33,388	15,916	-	2,397
Total comprehensive income for the year		86,733	35,652	85,664	2,831
Total comprehensive income attributable to:					
- Owners of CPHCL		64,920	22,888	85,664	2,831
- Non-controlling interests		21,813	12,764	-	-
		86,733	35,652	85,664	2,831
Total comprehensive income attributable to equity shareholders arises from:					
Continuing operations		64,920	22,888	85,664	(1,101)
Discontinued operations		-	-	-	3,932
		64,920	22,888	85,664	2,831

Statements of financial position

	Notes	The Group		The Company	
		31 December 2019 €'000	31 December 2018 €'000	31 December 2019 €'000	31 December 2018 €'000
Assets					
Non-current					
Intangible assets	13	6,469	8,589	-	-
Investment property	14	232,652	228,667	820	820
Property, plant and equipment	15	1,239,706	1,252,693	149	148
Right-of-use assets	16	15,986	-	238	-
Investments in subsidiaries	17	-	-	377,927	386,491
Investments in associates and joint ventures	18	127,525	128,950	26,604	28,604
Financial assets at fair value through profit or loss	21	8,401	-	-	-
Deferred tax assets	31	20,719	21,702	3,555	2,751
Trade and other receivables	20	267	1,406	-	1,030
Assets placed under trust arrangement	28.2	3,698	5,229	-	-
Total non-current assets		1,655,423	1,647,236	409,293	419,844
Current					
Inventories	19	15,335	14,122	-	-
Trade and other receivables	20	43,873	48,314	9,108	8,273
Current tax assets		6,786	3,956	2,570	1,095
Financial assets at fair value through profit or loss	21	10,073	8,485	1,160	-
Assets placed under trust arrangement	28.2	122	122	-	-
Cash and cash equivalents	22	125,749	61,179	46,590	2,809
		201,938	136,178	59,428	12,177
Assets classified as held for sale	23	1,283	1,267	-	-
Total current assets		203,221	137,445	59,428	12,177
Total assets		1,858,644	1,784,681	468,721	432,021

Statements of financial position – continued

	Notes	The Group		The Company	
		31 December 2019 €'000	31 December 2018 €'000	31 December 2019 €'000	31 December 2018 €'000
Equity and liabilities					
Equity					
Issued capital	24	20,000	20,000	20,000	20,000
Other reserves	25	152,343	164,767	21,617	21,617
Retained earnings		297,479	241,495	268,615	205,951
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Capital and reserves attributable to owners of CPHCL		469,822	426,262	310,232	247,568
Non-controlling interests	17.3	490,331	482,621	-	-
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Total equity		960,153	908,883	310,232	247,568
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Statements of financial position – continued

	Notes	The Group		The Company	
		31 December 2019 €'000	31 December 2018 €'000	31 December 2019 €'000	31 December 2018 €'000
Liabilities					
Non-current					
Bank borrowings	27	340,706	354,886	3,306	4,032
Bonds	28	262,081	249,383	-	-
Lease liabilities	16	13,193	-	38	-
Other borrowings	29	32,054	20,617	116,902	134,195
Deferred tax liabilities	31	101,949	105,104	-	-
Indemnification liabilities	30	-	-	23,396	23,606
Trade and other payables	32	7,518	7,807	-	-
Provisions		352	219	-	-
Total non-current liabilities		757,853	738,016	143,642	161,833
Current					
Bank borrowings	27	50,399	45,920	1,290	1,798
Lease liabilities	16	3,149	-	208	-
Other borrowings	29	-	4,553	947	947
Current tax liabilities		2,165	1,592	-	-
Trade and other payables	32	84,925	85,717	12,402	19,875
Total current liabilities		140,638	137,782	14,847	22,620
Total liabilities		898,491	875,798	158,489	184,453
Total equity and liabilities		1,858,644	1,784,681	468,721	432,021

The financial statements on pages 12 to 136 were approved by the board of directors, authorised for issue on 30 July 2020 and signed on its behalf by:


Alfred Pisani
Chairman


Joseph Pisani
Director

Statement of changes in equity - the Group

	Notes	Issued capital €'000	Other reserves €'000	Retained earnings €'000	Total attributable to owners of CPHCL €'000	Non controlling interest €'000	Total equity €'000
Balance at 1 January 2018		20,000	158,802	227,572	406,374	475,260	881,634
Comprehensive income:							
Profit for the year		-	-	14,719	14,719	5,017	19,736
Other comprehensive income		-	8,201	(32)	8,169	7,747	15,916
Total comprehensive income		-	8,201	14,687	22,888	12,764	35,652
Transfer to retained earnings	25	-	(2,236)	2,236	-	-	-
Transactions with owners:							
Dividends distributed	12	-	-	(3,000)	(3,000)	(5,403)	(8,403)
Total transactions with owners		-	-	(3,000)	(3,000)	(5,403)	(8,403)
Balance at 31 December 2018		20,000	164,767	241,495	426,262	482,621	908,883
	Notes	Issued capital €'000	Other reserves €'000	Retained Earnings €'000	Total attributable to owners of CPHCL €'000	Non Controlling Interest €'000	Total equity €'000
Balance at 1 January 2019		20,000	164,767	241,495	426,262	482,621	908,883
Comprehensive income:							
Profit for the year		-	-	51,922	51,922	1,423	53,345
Other comprehensive income		-	12,998	-	12,998	20,390	33,388
Total comprehensive income		-	12,998	51,922	64,920	21,813	86,733
Transfer to retained earnings	25	-	(25,422)	25,422	-	-	-
Transactions with owners:							
Transactions with NCI	36	-	-	1,640	1,640	(1,640)	-
Dividends distributed	12	-	-	(23,000)	(23,000)	(12,463)	(35,463)
Total transactions with owners		-	-	(21,360)	(21,360)	(14,103)	(35,463)
Balance at 31 December 2019		20,000	152,343	297,479	469,822	490,331	960,153

Statement of changes in equity - the Company

	Notes	Issued capital €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2018		20,000	19,220	208,517	247,737
Comprehensive income:					
Profit for the year		-	-	434	434
Other comprehensive income	25	-	2,397	-	2,397
Total comprehensive income		-	2,397	434	2,831
Transactions with owners:					
Dividends distributed	12	-	-	(3,000)	(3,000)
Balance at 31 December 2018		20,000	21,617	205,951	247,568
Comprehensive income:					
Profit for the year		-	-	85,664	85,664
Total comprehensive income		-	-	85,664	85,664
Transactions with owners:					
Dividends distributed	12	-	-	(23,000)	(23,000)
Balance at 31 December 2019		20,000	21,617	268,615	310,232

Statements of cash flows

	Notes	The Group		The Company	
		2019 €'000	2018 €'000	2019 €'000	2018 €'000
Profit/(loss) before tax from					
Continuing operations		59,524	9,833	83,295	(876)
Discontinued operations	11.1	-	-	-	1,535
Profit/(loss) before tax including discontinued operations		59,524	9,833	83,295	659
Adjustments	33	10,071	64,280	(88,598)	(4,015)
Working capital changes:					
Inventories		(916)	(1,022)	-	590
Trade and other receivables		3,076	(7,740)	(269)	6,321
Trade and other payables		3,726	4,996	(8,666)	(10,042)
Cash generated from/(used in) operating activities		75,481	70,347	(14,238)	(6,487)
Interest paid		(25,621)	(25,758)	(2,295)	(223)
Tax paid		(6,154)	(7,841)	(346)	(302)
Tax refund received		56	37	56	37
Net cash generated from/(used in) operating activities		43,762	36,785	(16,823)	(6,975)
Investing activities					
Payments to acquire investment property	14	(299)	(481)	-	-
Payments to acquire intangible assets	13	(925)	(350)	-	-
Payments to acquire property, plant and equipment	15	(20,211)	(32,397)	(13)	(5)
Proceeds from disposal of property, plant and equipment, intangible assets and investment property		2,525	2,320	2,400	25,971
Proceeds from disposal of financial assets at FVTPL		5,277	-	-	-
Proceeds from trustee placed under trust arrangement		1,587	-	-	-
Disposal of subsidiaries, net of cash disposed	36	64,175	-	66,447	-

Statements of cash flows – continued

	Notes	The Group		The Company	
		2019 €'000	2018 €'000	2019 €'000	2018 €'000
Investing activities - continued					
Payment to acquire financial assets at FVTPL		(12,798)	(7)	(1,159)	-
Payment to acquire shares in associates		(24)	-	-	-
Transfer of cash to trustee placed under trust arrangement		(53)	(1,971)	-	-
Loan advances to subsidiary companies		-	-	-	(3,419)
Loan repayments from associate companies		2,000	749	2,000	499
Advances to associate companies		(1,363)	-	-	-
Dividends received		-	504	8,010	6,617
Interest received		1,053	799	214	314
Net cash generated from/(used in) investing activities		40,944	(30,834)	77,899	29,977
Financing activities					
Repayments of bank borrowings		(41,762)	(60,524)	(1,830)	(2,588)
Proceeds from bank borrowings		36,959	76,870	600	5,000
Bank loan arrangement fees		-	(471)	-	-
Proceeds from issue of bonds		20,000	-	-	-
Payments for redemption of bonds		(7,500)	-	-	-
Bond issue costs		(313)	-	-	-
Proceeds of loans from related parties		-	-	2,161	7,291
Principal elements of lease payments		(2,337)	-	(201)	-
Repayments of loans from related parties		(16,116)	(1,589)	(17,982)	(20,714)
Dividend payments		(12,463)	(8,404)	-	-
Net cash (used in)/generated from financing activities		(23,532)	5,882	(17,252)	(11,011)
Net change in cash and cash equivalents		61,174	11,833	43,824	11,991
Cash and cash equivalents at beginning of year		54,890	44,821	2,766	(9,225)
Effect of translation of group entities to presentation currency		2,441	(1,764)	-	-
Cash and cash equivalents at end of year	22	118,505	54,890	46,590	2,766

Notes to the financial statements

1. General information

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

2. Nature of operations

Corinthia Palace Hotel Company Limited and its subsidiaries' (the 'Group' or 'CPHCL') principal activities include the ownership, development and operation of hotels, leisure facilities, and other activities related to the tourism industry and commercial centres. The Group is also actively engaged in the provision of residential accommodation, project management services and industrial catering.

3. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), the land and buildings class within property, plant and equipment and investment property – which are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies (see Note 5 – Critical accounting estimates and judgements).

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events that occurred subsequent to the end of the reporting period

In view of the developments pertaining to the COVID-19 pandemic that occurred after the end of the reporting period, the Group's operations within the hospitality sector were principally closed for business or suspended for a period of time, in line with the directions given by the health authorities of the jurisdictions within which the Group operates.

For financial reporting purposes, events relating to the COVID-19 pandemic are deemed to be non-adjusting subsequent events, and accordingly the Group's financial results and financial position reported within the financial statements for the year ended 31 December 2019 have not been impacted by these events. However, these events have a significant impact on the Group's operations during the year ending 31 December 2020 and on the financial results expected to be registered during that year with material adverse impacts on the Group's profitability, cash flows and financial position. The Board's views are that the situation is unprecedented and the directors and senior management remain committed to taking all necessary actions to mitigate the negative impact that COVID-19 could have on the Group.

3. Summary of significant accounting policies - continued

3.1 Basis of preparation - continued

In a public announcement dated 28 March 2020, the Group's principal subsidiary stated that the global pandemic has had a significant impact on the hospitality industry, with the Group's hotels, related commercial properties and catering activities being at best in partial operation with significantly reduced business at that point in time. As outlined previously, the Group ultimately curtailed its principal hospitality and catering businesses as events unfolded. Immediate measures have been adopted across the Group to reduce operating costs to the minimum required to secure and maintain the Group's properties, with the objective of preserving financial resources. The Group's most material remaining operating cost is payroll and accordingly the Group has taken immediate action to curtail its payroll related costs. The Group adopted a series of bold and far-reaching measures that have significantly reduced operating costs and payroll expenses. It is benefitting from varying schemes adopted by the respective Governments in all countries in which the Group operates, including Malta and the United Kingdom, which include outright salary subsidies, as well as the waiver or deferral of payroll taxes and social security contributions, together with waiver of property taxes for 2020.

The Company has directed the compilation of Group financial projections for the years ending 31 December 2020 and 31 December 2021, comprising historical financial information up to the date of authorisation for issue of these financial statements and forecast financial information for the residual period, incorporating the estimated impact of the events referred to above on the projected financial results, cash flows and financial position of the Group. The projected financial information reflects the estimated impact of the stressed conditions currently experienced, under a scenario which encompasses a set of prudent and severe assumptions that capture the forecast business conditions until 31 December 2021. These assumptions centre around the expected timing of resumption of operations of the different hospitality and catering businesses, the expected pace of recovery to business as usual once operations resume and expected level of activity and revenues post resumption.

The Group is incorporating minimal forecast revenues for the second semester of the financial year ending 31 December 2020 within the projections and is assuming that forecast revenues for the subsequent year would amount to a fraction of the historical 2019 figures. Hence the Group is projecting that revenue levels will not revert to pre COVID-19 benchmarks before the financial year ending 31 December 2022. The projections referred to above contemplate the impacts of the cost containment and management measures together with government support in respect of operating expenditure until 31 December 2020. The cost containment measures adopted in 2020 are assumed to be lifted in relation to operating costs throughout 2021, but the Group may have to continue to apply certain measures should the need arise.

The Group is assessing the resumption of business dates on a specific property and business basis. The Group intends to resume certain operations in the latter part of 2020 and others during 2021, but this plan is reviewed on an ongoing basis taking into account developments and events as these unfold.

The Group has applied for banking facilities with local banks under the Malta Development Bank COVID-19 Guarantee Scheme, with the requested facilities amounting to the maximum amount possible under the Scheme. At the date of authorisation for issue of these financial statements, the Group has submitted applications for the full aggregate amount. The entire amount of the facilities is included as liquidity inflows within the projections.

The Group has also engaged in an extensive dialogue with its funding banks in Malta and internationally, and has entered into ad hoc arrangements with some of its principal lending banks to defer capital and in some cases interest payments too, which deferrals are reflected within the projections.

3. Summary of significant accounting policies - continued

3.1 Basis of preparation - continued

Certain banking facilities include loan to value and debt service cover covenants which are tested on a periodical basis. On the basis of the projections made, the Group is expected to breach specific covenants exclusively in view of COVID-19 impacts on its business and financial results. Whilst waivers have been obtained in respect of breaches expected throughout a substantial part of 2020, waivers for the forecast breaches in the latter part of 2020 and in 2021 have not been obtained at the date of approval of the 31 December 2019 financial statements, as it is premature to apply for such waivers now. If waivers are required and are not successfully negotiated, then the Group would be technically considered in default in respect of the related loan agreements and facilities would need to be repaid, which may mean that the Group may not be able to meet these liabilities at that point in time. However, the Group expects to secure these waivers, if required, and this is assumed within the financial projections.

The bonds issued by an associate of the Group, maturing throughout 2020, one of which is secured by guarantees provided by CPHCL are in the process of being refinanced. Whilst the Group has obtained an undertaking from the Malta Development Bank that it would cover part of the listed bond that remains unsubscribed by the market should the need arise, it will not be making use of this facility as the bond has been heavily oversubscribed. The same associate company will also be extending the term of an unlisted bond maturing in October 2020 by another term of five years. The bonds issued by the Group and by the same associate, maturing throughout 2021, are also expected to be refinanced. Interest payment obligations on all bonds issued are included within the projections.

The Group's principal subsidiary is also negotiating a three-year loan to refinance a loan maturing in October 2020 on one of the overseas hotel properties. The proceeds from such refinancing have not been included within the cash flow projections.

The Group is not relying on asset disposals for cash flow purposes and accordingly did not reflect any proceeds from disposal of any significant non-core assets during the explicit period of the cash flow projections, although disposals are an option.

The combined effects of the actions effected are to safeguard the Group's financial and liquidity positions to see the business through the period of the pandemic, taking into account the forecasted revenue levels expected to be generated by the Group's hotels and catering businesses within the explicit period of the projections. Under the cash flow projections, using a prudent scenario, the Group is expected to have sufficient liquidity and financial resources to meet obligations and expected cash outflows taking into account the actual outcome of actions taken so far by the Group and also the expected outcome of other forecasted funding actions and related initiatives throughout the explicit period of the projections. Hence, the Group is likely to have sufficient resources and funds to meet all its payment obligations, including bond interest payments as they arise through the course of the explicit period, as the projections reveal a certain level of headroom in respect of liquidity available to the Group throughout the period to 31 December 2021.

The impact of the expected reduction in revenues and deterioration of financial results during the years ending 31 December 2020 and 31 December 2021 on the fair valuation of the Group's properties is not expected to have a significant impact on the statement of financial position on the basis of the information available at date of signing of the financial statements.

3. Summary of significant accounting policies - continued

3.1 Basis of preparation - continued

The Directors are conscious that, in common with similar businesses operating in the same sectors, all judgements reached at this stage remain subject to a material degree of underlying uncertainty, however the following matters are considered to constitute a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern:

- While the Group's analysis assumes a sharp downturn in the level of business activity during 2020, followed by a gradual recovery into 2021 limited to a fraction of the business generated in 2019, the eventual outcome of the pandemic remains subject to material uncertainty. A more prolonged outbreak, or a resurgence of the disease, would lead to more widespread economic disruption; which may in part be countered by further governmental measures that also cannot be foreseen at this stage.
- The political and economic uncertainties prevailing in Libya entail significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya, which is influenced by the timing of a recovery in the country that in turn has a bearing on the projected cash flows from the relative operations. These projections remain subjective and difficult to predict due to the current market environment, also taking into account the COVID-19 related events subsequent to the end of the reporting period. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant manner (refer to Note 6 to the financial statements for further information in this respect).
- At the date of approval of these financial statements, the Group has not yet obtained approval of the required banking facilities from local banks under the Malta Development Bank COVID-19 Guarantee Scheme and has not obtained waivers for the forecast covenant breaches in the latter part of 2020 and in 2021, attributable to certain banking facilities. Also, the outcome in respect of the Group's assumed refinancing of the bonds issued by the Group and its associate and maturing in 2021 is beyond the control of the Group as at the date of the 2019 financial statements.

Should an adverse outcome emanate from the uncertainties surrounding either the banking facilities under the Malta Development Bank COVID-19 Guarantee Scheme or the assumed refinancing of the bonds issued by the Group and its associate maturing in 2021, the level of headroom in respect of liquidity available to the Group throughout the period to 31 December 2021 is impacted in a significant manner but not depleted. Should adverse developments occur in respect of both factors referred to above cumulatively or should waivers for the forecast covenant breaches attributable to certain banking facilities not be secured, the headroom of liquidity available to the Group would be depleted. However, should these latter unlikely events materialise, the Group would be able to deploy other mechanisms or funding options as highlighted previously. It is also worth noting that the refinancing of a loan maturing in 2020 has not been included within the cash flow projections, even though negotiations with a financing bank have progressed significantly.

The Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Group will be successful in securing:

- the approval of the full amount of requested banking facilities from local banks under the Malta Development Bank COVID-19 Guarantee Scheme;
- continued support from its funding banks and waivers for the forecast covenant breaches in the latter part of 2020 and in 2021; and
- refinancing of the bonds expected to mature in 2021, as referred to above.

3. Summary of significant accounting policies - continued

3.1 Basis of preparation - continued

Accordingly, based on the outcome of the cash flow projections in a rather prudent scenario as referred to, the Directors and senior management consider the going concern assumption in the preparation of the Group's financial statements as appropriate as at the date of authorisation for issue of the 2019 financial statements.

The board of directors and senior management remain vigilant on developments and will be taking further measures as and when necessary to ensure the continued viability of the Group and to preserve the Group's liquid resources to enable it to manage the liquidity demands over the coming months in an agile and decisive manner as events unfold.

Working capital position

The Group's working capital position as at the end of December 2019 reflects a surplus of €62.58 million (2018: deficiency of €0.30 million).

The increase in working capital was mainly affected by the sale of Pankrac Property Holdings s.r.o, a direct subsidiary of the Group which owns the Panorama Hotel and adjacent garage situated in Prague, Czech Republic. The cash receipts net of transaction costs relating to the sale amounted to €66.45 million. During 2019 the Company declared a dividend of €23.00 million to its shareholders. Apart from the surplus cash flows generated from the Group's operations and investment, the Group maintains a policy of supplementing cash available for its working capital requirements through various financing initiatives and the disposal of non-core assets.

3.2 Standards, interpretations and amendments to published standards effective in 2019

In 2019, the Group applied the following standards and amendments that are mandatory for the Group's accounting period beginning on 1 January 2019, comprising:

- IFRS 16 *Leases*
- Annual Improvements 2015-2017 cycle
- Long term interests in Associates and Joint Ventures – Amendments to IAS 28
- Interpretation 23 *Uncertainty over Income Tax Treatment*

The Group had to change its accounting policies following the adoption of IFRS 16. The impact of this change in accounting policy is disclosed in Note 4. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3.3 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 2019. 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 current or future reporting periods and on foreseeable future transactions.

3. Summary of significant accounting policies - continued

3.4 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.6).

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

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

(ii) Associates

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

(iii) Joint arrangements

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

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the statement of financial position.

(iv) Equity method

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

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

3. Summary of significant accounting policies - continued

3.4 Principles of consolidation and equity accounting – continued

(v) Equity method - continued

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.11.

(vi) Changes in ownership interests

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

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

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

3.5 Investments in subsidiaries, associates and joint ventures in the Company's stand-alone financial statements

In the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for by the cost method of accounting i.e. at cost less impairment. Cost includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries, associates and joint ventures are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

3. Summary of significant accounting policies - continued

3.6 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquired business is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3. Summary of significant accounting policies - continued

3.7 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is CPHCL's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within administrative expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) *Group companies*

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

3. Summary of significant accounting policies - continued

3.8 Property, plant and equipment

Property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value, based on periodic valuations by professional valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets to their residual values over their estimated useful lives, as follows:

	Years
Freehold buildings	33 - 100
Plant and equipment	3 - 20
Motor vehicles	5 - 6

Freehold land is not depreciated as it is deemed to have an indefinite life. Assets in the course of construction and payments on account are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (refer to Note 15). An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

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

3. Summary of significant accounting policies - continued

3.9 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by entities forming part of the Group is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made. Investment property principally comprises land and buildings.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually.

These fair valuations are reviewed regularly by a professional valuer. The fair value of investment property generally reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation surplus under IAS 16.

3.10 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 13. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Impairment losses on goodwill are not reversed.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of joint ventures and associates is included within the carrying amount of the investments.

3. Summary of significant accounting policies - continued

3.10 Intangible assets - continued

(a) Goodwill - continued

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Brands

The brand comprises the 'Island Caterers' brand name which was separately identified as part of the assets acquired on the acquisition of Island Hotels Groups Holdings p.l.c..

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

(c) Other intangible assets

Separately acquired intangible assets, such as purchased computer software are shown at historical cost. Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. These intangible assets have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it related. All other expenditure including costs incurred in the ongoing maintenance of software, is recognised in profit or loss as incurred.

Intangible assets include intangibles with finite lives, which are amortised, on a straight-line basis over their estimated useful lives. Estimated useful life is the lower of legal duration and expected useful life. The estimated useful lives are as follows:

	Years
Brand design fee and other rights	5 - 10
Concessions	2 - 10
Operating contracts	20
Others	3

3.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3. Summary of significant accounting policies - continued

3.12 Financial assets

3.12.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3.12.2 Recognition and derecognition

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.12.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group's and the Company's debt instruments principally comprise loans and advances to other undertakings. The Group also holds investments in mutual funds; management has assessed that such investments do not meet the definition of equity in accordance with IAS 32 from the issuer's perspective since the Group can sell its holding back to the fund in return for cash. Accordingly, these investments are considered to be debt instruments from the Group's perspective.

3. Summary of significant accounting policies - continued

3.12 Financial assets - continued

3.12.3 Measurement - continued

There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating expenses together with foreign exchange gains and losses. Impairment losses are presented under credit losses on loans receivable in the income statement.
- **FVTPL:** Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within net changes in fair value of financial assets in the period in which it arises. The Group classified its investments in mutual funds in this category, on the basis that such investments fail to meet the 'solely payments of principal and interest' test.

Equity instruments

The Group subsequently measures all its financial assets in equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as investment income, when the entity's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are shown separately in the income statement.

3.12.4 Impairment

The Group assesses the expected credit losses associated with its debt instruments carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 38.1 for further details.

3.13 Trade receivables

Trade and other 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 good 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 recognized at fair value. The Group 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. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 38.

3. Summary of significant accounting policies - continued

3.14 Inventories

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

3.15 Cash and cash equivalents

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

3.16 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, other than derivative financial instruments, are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. Financial liabilities at fair value through profit or loss would be initially recognised at fair value through profit or loss with transaction costs expensed in profit or loss and would be subsequently measured at fair value. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

3.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.18 Borrowings

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

Borrowings are removed from the 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 asset transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

3. Summary of significant accounting policies - continued

3.19 Offsetting financial instruments

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

3.20 Income tax

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies - continued

3.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.22 Contingent liabilities

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

3.23 Revenue recognition

(a) Revenue from hotel operations

Revenue from hotel operations includes revenue from accommodation, food and beverage services, and other ancillary services. The substantial majority of services are provided to customers during their stays in one of the Group's hotels, 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 Group 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 Group 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 the respective hotel).

(b) Catering services

The Group provides services in the catering industry. The transaction price comprises a fixed amount agreed with the respective customer. Any upfront payments are deferred as contract liabilities, and revenue is recognised in the period that the services are provided to the customer.

(c) Project management services

The Group provides a wide range of project management services, some of which may span over multiple accounting periods. Some contracts require the provision of multiple services, and the Group assesses whether these constitute distinct performance obligations in the context of the arrangement. In any case, revenue from such performance obligations is recognised over time, using an input method of progress to calculate the stage of completion.

3. Summary of significant accounting policies – continued

3.23 Revenue recognition – continued

(c) Project management services - continued

The consideration for project management services is based on the expected number of hours that the Group expects to be required for the project to be completed. Revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The stage of completion is measured by reference to the proportion of contract costs incurred for work performed up to the end of the reporting period in relation to the estimated total costs for the contract. Costs incurred during the year that relate to future activity on a contract are excluded from contract costs in determining the stage of completion and are shown as contract work in progress.

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

3.24 Leases

As explained in Note 3.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The Group accounting policy applicable as from 1 January 2019 is disclosed in Note 16 and the impact of the change is explained in Note 4.

3.24.1 Accounting policy where the Group is the lessee until 31 December 2018

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

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

3. Summary of significant accounting policies – continued

3.24 Leases - continued

3.24.2 Accounting policy where the Group is the lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3.25 Borrowing costs

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

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

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

3.26 Employee benefits

(a) Short-term obligations

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

(b) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Contributions to defined contribution pension plans

The Group contributes towards the State defined contribution pension plan in accordance with local legislation in exchange for services rendered by employees and to which it has no commitment beyond the payment of fixed contributions. Obligations for contributions are recognised as an employee benefit in profit or loss in the periods during which services are rendered by employees.

3.27 Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Summary of significant accounting policies – continued

3.28 Dividends

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

4. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's and the Company's financial statements.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 16.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group's and the Company's weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.26%. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or, contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made for applying IAS 17 and Interpretation 4 - *Determining whether an Arrangement contains a Lease*.

4. Changes in accounting policies - continued

(ii) Measurement of lease liabilities

	The Group 2019 €'000	The Company 2019 €'000
Operating lease commitments as at 31 December 2018	30,730	477
Discounted using the lessee's incremental borrowing rate at the date of initial application	(17,100)	(40)
Add: finance lease liabilities recognised as at 31 December 2018	1,329	-
Add: adjustments as a result of a different treatment of extension and termination options	1,208	-
Lease liability recognised as at 1 January 2019	16,167	437
Of which are:		
- Current lease liabilities	2,294	198
- Non-Current lease liabilities	13,873	239
	16,167	437

(iii) Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There was no impact on opening retained earnings as a result of the initial application of IFRS 16.

(iv) Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

Group:

- Property, plant and equipment – decrease by €1.33 million
- Right-of-use assets – increase by €16.96 million
- Lease liabilities – increase by €14.84 million

Company:

- Right-of-use assets – increase by €0.44 million
- Lease liabilities – increase by €0.44 million

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

5. Critical accounting estimates and judgements

Management makes estimates, assumptions and 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 resulting accounting estimates will, by definition, seldom equal actual results.

The fair value of property, plant and equipment and investment properties is determined by using valuation techniques. Further details of the judgements and assumptions made are disclosed in Note 15. Additionally, the significant estimates and uncertainties arising from the Group's operations in Libya are disclosed in Note 6.

Note 15 to these financial statements highlights information about the fair value estimation of land and buildings and investment property, together with a sensitivity analysis of the effect of shifts in unobservable inputs used in determining these fair values.

Estimations, uncertainties and judgements made in determining the lease term in relation to lease accounting are disclosed in Note 16.

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

6. The Group's operations in Libya

The Group's investments in Libya principally comprise:

- The Corinthia Hotel Tripoli, a fully owned five-star hotel in Tripoli with a carrying amount of €74.10 million (2018: €76.40 million) managed through Corinthia Towers Tripoli Limited (CTTL), a company registered in Malta with a branch in Libya, owned by IHI p.l.c., a subsidiary of CPHCL.;
- An adjoining Commercial Centre to the above-mentioned hotel, with a carrying amount of €73.70 million (2018: €73.70 million) also operated by CTTL;
- A site surrounding the Hotel, with a carrying amount of €29.50 million (2018: €29.50 million) also operated by CTTL;
- The Palm City Residences, a large-scale complex in Janzour, Libya, owned by an associate company, Mediterranean Investments Holding p.l.c. (MIH p.l.c.), in which the CPHCL Group holds a 50% share. The book value of this property is €272.50 million (2018: €272.00 million) and the Group's share of this asset and of another site owned by MIH p.l.c. in Libya is €141.00 million (2018: €140.40 million); and
- The development of the Medina Tower Project through IHI p.l.c. and MIH p.l.c., each company owning 25.00% of such project with each company having a carrying amount of €12.80 million (2018: €12.80 million).

6. The Group's operations in Libya - continued

Since 2014, Libya experienced severe political instability due to the collapse of the central government during the same year and the country has been going through difficult times ever since. A United Nations-brokered ceasefire deal was reached in December 2015 and the Libyan Political Agreement to form a Government of National Accord was signed. On 31 March 2016, the leaders of the new UN-supported unity government arrived in Tripoli. In May 2018 Libya's rival leaders agreed to hold parliamentary and presidential elections following a meeting in Paris. No firm date for such elections has been set with rival leaders jostling for territory, which could further exacerbate the situation. The political instability in Libya and the state of economic uncertainty that continued to prevail during the financial year ended 31 December 2019 have a negative effect on the Libyan hospitality and real estate sectors. This situation continues to impact the CPHCL Group's financial results in Libya. The events that occurred subsequent to the end of the reporting period in relation to COVID-19 (refer to Note 3.1) give rise to heightened risks, even though the situation in Libya in this respect does not appear to be particularly adverse on the basis of information which is publicly available.

Having stated the above, it should be noted that the turnover registered during 2019 by Corinthia Towers Tripoli Limited amounts to €10.40 million (2018: €10.70 million) representing 3.40% (2018: 3.50%) of the Group's Revenue, with a profit before tax of €1.40 million (2018: €6.50 million, €5.50 million of which related to the uplift in the value of the investment property). Current year revenue includes €7.20 million (2018: €6.90 million) generated from rental contracts attributable to the Commercial Centre that remained in full operation throughout since its opening, generating a steady income from the lease of commercial offices within the Centre. The existence of long-term leases has mitigated the impact of the continued political instability and state of uncertainty on the Commercial Centre. The Group secured further lease agreements resulting in the Commercial Centre being almost fully leased out as from the last quarter of 2018.

Accordingly, whilst the hotel sustained negative net financial results during 2019 and 2018 particularly in view of the relatively fixed nature of certain expenses, the net contribution from the Commercial Centre was positive. Management's objective for the hotel is to minimise operational losses and to ensure that payroll and other operating costs are managed in the context of the reduced operating income levels. At the same time, however, the company continues to invest in maintenance and security costs to ensure that the hotel is kept in a pristine condition to allow it to benefit from increased revenues once the situation improves.

The significant economic and political uncertainty prevailing in Libya at present, renders fair valuation of property assets situated in Libya, by reference to projected cash flows from operating the asset or to market sales prices, extremely difficult and judgmental. The uncertainty could potentially be exacerbated by the events related to COVID-19.

The economic conditions in Libya create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2019, in addition to a current tax asset of €2.30 million (2018: €2.30 million), Corinthia Towers Tripoli Limited also had amounts due from Government related entities and other amounts receivable from embassies and corporate clients. Increased provisions for impairment have been registered to reflect the net estimated recoverable amounts in this respect.

6. The Group's operations in Libya - continued

The Palm City Residences, operated through an associate company in which the Group owns a 50% share, continued to perform resolutely during the year under review, registering a surge in occupancy from 45.10% in December 2018 to 55.30% as at the end of 2019. During this time, the residential village was kept busy with new client uptake particularly in the first half of the year, as well as short-term surges through the year. Management continues to seek opportunities, prepare proposals and negotiate the way forward with existing clients, even under the present circumstances. Whilst revenues increased by €8.40 million over last year, operating costs and administrative expenses were retained at relatively low operating levels such that the increased revenue directly contributed to an operating profit of €19.80 million compared to €11.60 million the year before. The operation registered a profit after tax of €14.50 million compared to €21.70 million in 2018, although last year's result included a net fair value gain on the investment property of €14.04 million (€21.60 million less resultant deferred tax of €7.56 million). On a like for like basis there was an 89.30% improvement in the profit after tax in 2019 compared to the 2018 results.

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

	Carrying amount 31 December 2019 €'000	Carrying amount 31 December 2018 €'000
Corinthia Towers Tripoli Limited		
Property, plant and equipment	74.1	76.4
Investment property	103.2	103.2
Inventories	1.7	1.7
Trade receivables, net of provisions	1.3	1.3
Current tax receivable	2.3	2.3
Mediterranean Investments Holding p.l.c.		
Share of total assets	157.6	154.4
Medina Tower J.S.C.		
Investment in associate accounted for using the equity method of accounting	12.8	12.8

The future performance of the Hotel, the Commercial Centre and other operations referred to above, together with the fair value of the related and other property assets situated in Libya are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside.

In assessing the value of the Hotel, the Directors also believe that the outlook has not changed significantly over the past twelve months and therefore they have retained the expectations of a gradual recovery for the Hotel. However, the Directors also recognise that there is interest from a number of sources for short and long-term accommodation. Hotel occupancy rates in the initial months of 2020 are encouraging and occupancy levels of 20% have been reached. As a result, the results of the valuation assessment supporting the carrying amount of the Hotel in Libya are substantially in line with the assessments made last year, save for a reduction in the carrying value of €2.60 million representing the depreciation charge for the year under review. In accordance with this assessment, no further impairment charges were deemed necessary in these financial statements after taking into account the impairment charges of €40.50 million recognised in 2014 and further depreciation charges amounting to €14.40 million accounted for between 2015 and 2019.

In the case of the Commercial Centre, in 2018 the Directors engaged a firm of independent third-party valuers to assist them in establishing fair value of this asset. This exercise resulted in the value of the premises increasing by €5.50 million. This increase is supported by the fact that the premises were almost fully leased out to blue chip companies. The carrying amount of the property is unchanged as at 31 December 2019.

6. The Group's operations in Libya - continued

The Group's investment property also includes a site surrounding the Hotel, with no determined commercial use, having a carrying amount of €29.50 million as at 31 December 2019, which is unchanged from the carrying amount as at 31 December 2018. This fair valuation is based on an independent real estate value of the site taking into account limited available market information.

The fair value of Palm City Residences as at 31 December 2019, carried out by the Directors of Palm City Ltd., was determined by discounting the forecast future cash flows generated for the remaining period of 52 years of the Build-Operate-Transfer agreement signed between Corinthia Palace Hotel Company Limited and Palm City Ltd. In the previous reporting period, a valuation exercise was carried out by the directors to determine the fair value of the investment property, and a composite pre-tax discount rate of 12.58% in real terms was applied to the projected cash flows. The fair value of Palm City Residences was determined at the level of €272.00 million as at 31 December 2018, reflecting the recognition of fair value gains of €21.60 million, 50% of which are recognised in the consolidated financial statements through the application of the equity method of accounting. During the current reporting period, another exercise was carried out by the Directors to determine the fair value of the investment property. The valuation arrived at was a result of specific premiums being applied including country risk, property risk and projection risk premium. The composite pre-tax discount rate utilised for the year under review is 12.65%. Notwithstanding the improved performance of the operation, and in consideration of the various scenarios possible in the current political climate, the Directors of the associate have retained the value of the investment property unchanged in this reporting period.

In view of the prevailing circumstances in Libya, The Medina Tower Project owned by an associate of the Group has slowed down considerably. The key assets within this company as at 31 December 2019 comprise the project site carried at €43.30 million (2018: €42.70 million), and cash balances amounting to €8.10 million (2018: €8.40 million).

At this point in time, different scenarios in terms of the future political landscape in Libya are plausible, which scenarios, negative and positive, could significantly influence the timing and amount of projected cash flows and the availability of property market sales price information. The impact of these different plausible scenarios on the operating and financial performance of the hotel, Commercial Centre and Palm City Residences, and on the fair valuation of the related property assets would accordingly vary in a significant manner, also taking cognisance of potential future developments in respect of the COVID-19 pandemic as referred to in Note 3.1 to the financial statements.

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

7. Revenue and expenses

7.1 Revenue

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

	The Group	
	2019 €'000	2018 €'000
Hotel operations	247,360	237,017
Rental income	13,737	13,393
Catering	35,028	34,631
Project management	6,876	5,956
Manufacturing	847	4,869
Laundry and dry cleaning	3,275	3,048
Event organisation	2,522	2,530
Others	418	1,012
	310,063	302,456

Contract assets and contract liabilities with respect to the Group's revenue from contracts are disclosed in Notes 20 and 32 respectively.

7.2 Expenses by nature

	The Group		The Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Directors' fees	90	88	-	-
Management fees	-	-	1,100	1,100
Food, beverage and other direct costs	30,887	27,688	-	-
Professional fees (excluding audit fees)	5,024	4,511	356	582
Energy costs	11,538	11,094	8	6
Depreciation of property, plant and equipment (Note 15)	38,689	37,611	11	39
Depreciation of right-of-use assets (Note 16)*	2,505	-	209	-
Amortisation of intangible assets (Note 13)	1,355	1,825	-	-
Personnel expenses (Note 8)	109,131	103,254	2,174	1,848
Operating lease costs*	-	5,079	-	104

* With effect from 1 January 2019, the Group recognised right-of-use assets in respect of leases where the Group is a lessee and which were previously recognised as operating leases. See Notes 4 and 16 for more information.

The Group's Directors' remuneration charged in profit or loss in 2019 amounted to €2.96 million (2018: €1.60 million). Directors' remuneration for the Company charged in profit or loss in 2019 amounted to €2.06 million (2018: €0.66 million). Part of this amount is netted off within gain on sale of investment in subsidiary.

7. Revenue and expenses - continued

7.3 Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2019 and 31 December 2018 are shown in the table below.

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Annual statutory audit	778	776	74	94
Tax compliance and advisory services	214	164	-	-
Other non-audit services	68	59	9	9
	1,060	999	83	103

8. Personnel expenses

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Wages and salaries	92,124	86,269	1,430	1,167
Social security contributions	8,516	8,716	41	41
Other staff costs	8,491	8,269	703	640
	109,131	103,254	2,174	1,848

The average number of employees is as follows:

	The Group		The Company	
	2019	2018	2019	2018
	No.	No.	No.	No.
Management and administrative	743	879	30	26
Operating	2,856	2,608	11	10
	3,599	3,487	41	36

9. Finance income and finance costs

	The Group		The Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Finance income:				
Interest income on loans to associates	213	286	203	263
Interest income on bank balances	350	397	-	-
Others	490	116	12	51
Total finance income	1,053	799	215	314
Finance costs:				
Interest expense on bank borrowings	11,606	11,519	193	311
Interest expense on bonds in issue	12,900	12,388	-	-
Interest expense on shareholders' loans	813	886	813	886
Interest expense on subsidiaries' loans	-	-	3,615	3,675
Interest expense on lease liabilities	855	-	18	-
Bond issue and other financing costs	1,504	845	-	-
Net exchange differences	(5,336)	8,974	-	-
Others	218	184	168	147
Total finance costs	22,560	34,796	4,807	5,019

10. Tax (expense)/income

The (charges)/credits for income tax on profits/(losses) derived from local and foreign operations have been calculated at the applicable tax rates.

	The Group		The Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Current taxation:				
- Current year tax expense	(6,835)	(3,392)	-	-
- Adjustment recognised in financial period for current tax of prior period	14	76	-	-
Deferred taxation:				
- Deferred tax income/(expense)	1,220	12,513	2,369	(225)
- Adjustment recognised in financial period for deferred tax of prior period	(578)	706	-	-
	(6,179)	9,903	2,369	(225)

Refer to Note 31 for information on the deferred tax assets and liabilities.

10. Tax (expense)/income - continued

10.1 Tax (expense)/income reconciliation

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Profit/(loss) from continuing operations before income tax expense	59,524	9,833	83,295	(876)
Profit from discontinued operations before income tax expense	-	-	-	1,535
	59,524	9,833	83,295	659
Income tax using the Company's domestic tax rate	(20,833)	(3,442)	(29,153)	(231)
Effect of income/(losses) subject to foreign/different tax rates	7,110	(758)	8,330	66
Effect of reduction in tax rate on opening deferred tax assets	(1,658)	-	-	-
Non-taxable income	11,622	84	22,237	1,993
Non-tax deductible expenses	(1,337)	(526)	(822)	(688)
Movement in unrecognised deferred tax	(1,140)	1,649	1,777	(1,365)
Increase in tax base of intangible asset	-	12,250	-	-
Adjustments in respect of previous years	(564)	782	-	-
Effect of Group's share of profit and loss attributable to investments accounted for using the equity method	1,184	-	-	-
Other	(563)	(136)	-	-
Tax (expense)/income	(6,179)	9,903	2,369	(225)

Non-taxable income for the current year mainly comprises from the gain on disposal of a subsidiary which gain was not subject to tax in Malta.

The effect of the reduction in tax rates on opening deferred tax assets is a one-off impact of a decreased corporate income tax rate in respect of profits generated from NLI operations, from 20.00% to 17.00%. The reduction in tax rate mainly had the impact of reducing the opening deferred tax asset attributable unutilised tax losses, increasing the consolidated tax charge by €1.70 million.

10. Tax (expense)/income - continued

10.2 Tax recognised in other comprehensive income

The tax impacts which are entirely attributable to deferred taxation, relating to components of other comprehensive income, are as follows:

	2019			2018		
	Before tax €'000	Tax (charge) €'000	Net of tax €'000	Before tax €'000	Tax (charge)/credit €'000	Net of tax €'000
Group						
Surplus arising on revaluation of hotel properties	7,000	(1,330)	5,670	37,675	(7,868)	29,807
Currency translation differences	36,491	(4,429)	32,062	(17,841)	1,329	(16,512)
	43,491	(5,759)	37,732	19,834	(6,539)	13,295

11. Discontinued operations

In the financial year ended 31 December 2017, the Company's Board of Directors had taken the decision to transfer the 150-room Corinthia Palace Hotel located in Attard, Malta, (a division of the Company) to its main subsidiary company, International Hotel Investments p.l.c. (IHI p.l.c.).

In view of this development, commencing from the Company's 2017 financial statements this hotel property was reclassified as an 'Asset held for sale' while the hotel's operational results were presented as 'Discontinued operations'.

Since this sale constituted a related party transaction, the sale consideration was assessed through the applicable corporate governance procedures. The deed of sale was signed on 10 April 2018. The sale consideration exceeded the carrying value of the property and hence no impairment loss was recognised in 2017 upon reclassification of this property as 'Asset held for sale'. The financial results and cash flows from the discontinued operation for 2018 have been presented accordingly.

11. Discontinued operations - continued

11.1 Financial performance and cash flow information

The financial performance and cash flow information of the discontinued operation for the year ended 31 December 2018 is presented below:

	The Company 2018 €'000
Revenue	1,301
Expenses	(1,640)
Gain on disposal of Property, Plant & Equipment	1,874
Profit before and after income tax of discontinued operation	1,535
	The Company 2018 €'000
Net cash inflow from operating activities	81
Net cash outflow from investing activities	(1,165)
Net cash inflow from financing activities	790
Net decrease in cash generated by the division	(294)

11.2 Assets of disposal group classified as held for sale

The major class of asset of the division being disposed of was the hotel and related property. Other net liabilities attributable to the operation being transferred had not been presented as part of the disposal group held for sale in view of their low materiality.

On 10 April 2018, the Company disposed of the Corinthia Palace Hotel business in Attard for a consideration of €26.60 million and the Company realised a gain of €1.90 million. The gain was reflected within the Company's financial statements for the year ended 31 December 2018.

12. Dividends

	The Company	
	2019	2018
	€'000	€'000
Dividends paid on ordinary shares	23,000	3,000
Dividends per share	€1.15	€0.15

A dividend in respect of the year ended 31 December 2018 of circa €3.00 million net of tax (€0.15c per share) was proposed by the Directors on 26 June 2019 and reflected within the financial statements for the year ended 31 December 2019.

The Directors also proposed on 26 June 2019 that, upon closure of the transaction to dispose of Pankrac Property Holding s.r.o., a further dividend of €20.00 million net of tax in respect of the year ended 31 December 2019 be distributed.

13. Intangible assets

	The Group						
	Goodwill €'000	Brand €'000	Brand design fee and other rights €'000	Con- cessions €'000	Operating contracts €'000	Others €'000	Total €'000
Cost							
At 1 January 2018	2,905	3,121	10,676	463	7,000	2,160	26,325
Additions	-	-	66	-	-	284	350
Disposals	-	-	(1,134)	-	-	(56)	(1,190)
Exchange differences	-	-	-	-	-	(4)	(4)
At 31 December 2018	2,905	3,121	9,608	463	7,000	2,384	25,481
At 1 January 2019	2,905	3,121	9,608	463	7,000	2,384	25,481
Additions	-	-	194	-	-	731	925
Exchange differences	-	-	-	-	-	4	4
At 31 December 2019	2,905	3,121	9,802	463	7,000	3,119	26,410
Amortisation and impairment							
At 1 January 2018	407	500	5,842	290	3,908	1,882	12,829
Amortisation charge	-	-	1,311	40	350	124	1,825
Disposals	-	-	(97)	-	-	-	(97)
Impairment losses	359	1,000	980	-	-	-	2,339
Exchange differences	-	-	-	-	-	(4)	(4)
At 31 December 2018	766	1,500	8,036	330	4,258	2,002	16,892
At 1 January 2019	766	1,500	8,036	330	4,258	2,002	16,892
Amortisation charge	-	-	586	40	350	379	1,355
Impairment losses	-	1,621	-	-	-	72	1,693
Exchange differences	-	-	-	-	-	1	1
At 31 December 2019	766	3,121	8,622	370	4,608	2,454	19,941
Carrying amount							
At 1 January 2018	2,498	2,621	4,834	173	3,092	278	13,496
At 31 December 2018	2,139	1,621	1,572	133	2,742	382	8,589
At 31 December 2019	2,139	-	1,180	93	2,392	665	6,469

13. **Intangible assets - continued**

Goodwill

The acquisition of CaterMax Limited and Malta Fairs and Conventions Centre Limited in 2016 gave rise to goodwill amounting to €0.78 million, attributable to synergies expected between the acquired business and the Group's previously owned business line operating within CaterMax's sector.

During 2018, the directors carried out a value in use assessment of the carrying amount of goodwill arising on the acquisition of D.X. Design Consultancy Ltd. which had taken place in prior years and determined that an impairment charge of €0.40 million was required. This has now resulted in the intangible recognised on acquisition of D.X. Design Consultancy Ltd., determined at €0.70 million being fully impaired at 31 December 2018. The impairment charge was recognised in profit or loss. The amount was not considered to be of such significance to warrant further disclosures as required by IAS 36.

In 2015, IHI p.l.c. had acquired the IHGH Group. The goodwill arising on this major acquisition was of €1.40 million. The goodwill is attributable to cost synergies. Relative to the Group's total asset base, the goodwill arising on this acquisition is not material to warrant the disclosures that would have otherwise been required by IAS 36.

Brand

As part of the acquisition of the IHGH Group, IHI p.l.c. identified and recognised an amount of €3.10 million attributable to the 'Island Caterers' brand name. The value of the brand was determined by independent experts upon acquisition.

In 2019, following an assessment of the brand's recoverable amount, the directors impaired the value of the brand by €1.60 million (2018: €1.00 million). Given that the brand is no longer in use, the intangible related to the 'Island Caterers' brand amounting to €3.10 million has been fully impaired at 31 December 2019. The impairment on the brand is not deemed material to warrant the disclosures that would have otherwise been required by IAS 36.

Brand design fees and other rights

The Group has franchise agreements with Costa International Limited to develop and operate the Costa Coffee brand in the Maltese Islands as well as in the territory of Spain (East Coast), the Balearic Islands and the Canary Islands. These intangibles arise from the acquisition of the IHGH Group in 2015 and the Group has identified two cash-generating units ("CGUs") from this acquisition: Costa Coffee Spain and Costa Coffee Malta. The total amount of brand design fees and other rights recognised on acquisition amounted to €8.70 million, of which €6.10 million related to Costa Coffee Spain.

Costa Coffee Malta

This cash-generating unit includes the operation of the Costa Coffee retail brand in Malta. As at 31 December 2019 and 2018, the Group operated twelve outlets each enjoying a strategic location in areas popular for retail operations.

Costa Coffee Spain

The Group operates twelve Costa Coffee outlets in the east coast of Spain, the Canary and Balearic Islands.

13. Intangible assets – continued

Brand design fees and other rights - continued

The recoverable amount of these cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors. In relation to the Costa Coffee Spain CGU a fifteen-year explicit period has been adopted to reflect more accurately expected renewals of the operational arrangements. With respect to the Costa Coffee Spain CGU, given the negative financial results, the related intangible was fully impaired in 2018.

The cash flow projections from the Costa Coffee Malta CGU are mainly based on the initial five-year period, also extrapolated to a fifteen-year period to reflect expected renewal of operational agreements.

The discount rates are based on the group's weighted average cost of capital adjusted for specific industry risks and the Group's optimal desired debt-to-equity ratio.

The key assumptions utilised in determining the value in use of these CGUs as at 31 December 2018 are reflected in the table below. As at 31 December 2019, there was no indication of impairment of the Costa Coffee Malta brand, or conversely, an indicator that the Costa Coffee Spain CGU brand impairment may be subject to a reversal. Accordingly, an impairment test on these CGUs was not deemed as required as at the financial year end.

Information about significant unobservable inputs in determining recoverable amount as at 31 December 2018

Description by class based on highest and best use	Valuation technique	Significant unobservable inputs weighted average			
		Evolution of EBITDA	Pre-tax discount rate (WACC)	Growth rate	Capitalisation rate
	Income capitalisation approach (DCF)		%	%	%
Costa Coffee Malta		€1.4m - €1.3m - initial five-year period FY19-FY23	18.75	2.00	16.75
		€(0.3)m - €0.4m - initial five-year period FY 19-FY23			
Costa Coffee Spain		€0.6m - €1.2m second five-year period FY24-FY28	9.4	2.00	7.4

13. Intangible assets – continued

Operating contracts

These contracts represent the assumed value attributable to the operation of hotel properties which arose on the re-acquisition of 30% shareholding of Corinthia Hotels Limited ('CHL'), formerly known as CHI Limited in 2012.

The impairment test in respect of the carrying amount of this intangible asset was performed by virtue of an expert valuation of an independent party. The indicative valuation is based on the discounted cash flows derived from hotel operating projections as prepared by specialists in hotel consulting and valuations, and such projections confirm that no impairment charge was required as at 31 December 2019 and 2018.

The discounted cash flow (value-in-use) calculation was determined by discounting the forecast future cash flows generated by CHL for a ten-year explicit period 2020 – 2029. The following are the key assumptions underlying the projections:

- revenue derived from IHI p.l.c. properties is based on operational projections. This accounts for 75.00% of the total revenue in the explicit period (2018: 72.00%);
- revenue from other properties is assumed to increase by 2% per annum on 2020 budget (2018: 2.00% on 2019 budget) (in-perpetuity growth rate of 2.00% per annum applied subsequently to the ten-year period covered by the explicit projections);
- a pre-tax discount rate of 13.40% was applied to the operating projections of CHL (2018: 12.90%).

Others

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

14. Investment property

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
At 1 January	228,667	234,668	820	820
Change in fair value (a)	(137)	6,966	-	-
Disposal of a subsidiary (Note 36)	(5,666)	-	-	-
Additions	299	481	-	-
Disposals	(1,118)	(358)	-	-
Net transfers to property, plant & equipment	-	(4,321)	-	-
Net exchange differences	10,607	(8,769)	-	-
At 31 December	232,652	228,667	820	820

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

14. Investment property - continued

The carrying amount of the investment properties are as follows:

	The Group	
	2019	2018
	€'000	€'000
Investment property		
Commercial Centre in St Petersburg – Russia	64,829	55,687
Commercial Centre in Tripoli – Libya	73,743	73,743
Apartment block in Lisbon	3,160	2,800
Site in Tripoli – Libya	29,500	29,500
Apartment in London	42,942	41,809
Site in Marsa – Malta	9,633	9,633
Site in Konopiste – Czech Republic	7,453	7,350
Site in Misurata – Libya	88	88
Site in Benghazi – Libya	732	732
Amber Hotels – Czech Republic	336	1,435
Garage in Pankrac – Czech Republic	-	5,654
Other	236	236
	232,652	228,667

Disclosures required in terms of IFRS 13 in relation to fair value measurements attributable to investment property are presented in Note 15.1.

- b) Investment properties with a carrying amount of €223.81 million (2018: €218.83 million) are hypothecated in favour of bankers as collateral for general banking facilities and loans granted to the Group.
- c) Rental income earned by the Group from investment property amounted to €13.74 million (2018: €13.36 million) while direct expenses amounted to €2.10 million (2018: €2.34 million).
- d) All investment property is leased out under operating leases with rentals payable monthly. Lease payments for some contracts include Consumer Price Index (CPI) increases. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

15. Property, plant and equipment

	The Group				Total €'000
	Assets in the				
	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	course of construction €'000	
Cost / valuation					
Balance at 1 January 2018	1,425,038	293,533	2,832	55,346	1,776,749
Revaluation	37,455	-	-	-	37,455
Additions	5,479	12,272	281	14,365	32,397
Reallocations	3,860	5,036	3	(8,899)	-
Disposals	(653)	(3,157)	(201)	(212)	(4,223)
Net transfers from investment property	4,321	-	-	-	4,321
Exchange differences	(24,383)	(4,462)	(28)	(391)	(29,264)
Balance at 31 December 2018	1,451,117	303,222	2,887	60,209	1,817,435
Balance at 1 January 2019	1,451,117	303,222	2,887	60,209	1,817,435
Adjustment for change in accounting policy (see Note 4)	(1,303)	-	(26)	-	(1,329)
Restated balance at 1 January 2019	1,449,814	303,222	2,861	60,209	1,816,106
Revaluation	7,000	-	-	-	7,000
Additions	2,475	6,315	144	11,277	20,211
Reallocations	1,985	6,082	23	(8,090)	-
Disposals	(85)	(4,354)	(63)	(738)	(5,240)
Deconsolidation of a subsidiary (Note 36)	(57,039)	(6,715)	(81)	(1,070)	(64,905)
Exchange differences	41,234	7,931	32	1,528	50,725
Balance at 31 December 2019	1,445,384	312,481	2,916	63,116	1,823,897
Depreciation and impairment charges					
Balance at 1 January 2018	311,455	223,843	2,627	-	537,925
Depreciation for the year	18,262	19,240	109	-	37,611
Impairment charges	-	126	-	-	126
Disposals	(140)	(1,779)	(191)	-	(2,110)
Reallocations	(90)	74	16	-	-
Exchange differences	(4,963)	(3,827)	(20)	-	(8,810)
Balance at 31 December 2018	324,524	237,677	2,541	-	564,742
Balance at 1 January 2019	324,524	237,677	2,541	-	564,742
Adjustment for change in accounting policy (see Note 4)	-	-	(20)	-	(20)
Restated balance at 1 January 2019	324,524	237,677	2,521	-	564,722
Depreciation for the year	18,371	20,240	78	-	38,689
Impairment charges	-	1,320	-	-	1,320
Disposals	(85)	(3,794)	(18)	-	(3,897)
Deconsolidation of a subsidiary (Note 36)	(21,591)	(6,438)	(81)	-	(28,110)
Exchange differences	4,994	6,450	23	-	11,467
Balance at 31 December 2019	326,213	255,455	2,523	-	584,191
Carrying amounts					
At 1 January 2018	1,113,583	69,690	205	55,346	1,238,824
At 31 December 2018	1,126,593	65,545	346	60,209	1,252,693
At 31 December 2019	1,119,171	57,026	393	63,116	1,239,706

15. Property, plant and equipment - continued

Changes in fair value during 2019 in respect of the Group's properties, amounting to €7.00 million (2018: €37.68 million) have been recognised within other comprehensive income. During 2018, an impairment of €0.20 million had been recognised in profit or loss.

	The Company			Total €'000
	Land and buildings €'000	Plant and Equipment €'000	Motor vehicles €'000	
Cost/Valuation				
Balance at 1 January 2018	968	8,182	1,343	10,493
Additions	-	5	-	5
Balance at 31 December 2018	968	8,187	1,343	10,498
Balance at 1 January 2019	968	8,187	1,343	10,498
Additions	-	12	-	12
Balance at 31 December 2019	968	8,199	1,343	10,510
Depreciation and impairment charges				
Balance at 1 January 2018	841	8,166	1,304	10,311
Depreciation for the year	1	5	33	39
Balance at 31 December 2018	842	8,171	1,337	10,350
Balance at 1 January 2019	842	8,171	1,337	10,350
Depreciation for the year	1	5	5	11
Balance at 31 December 2019	843	8,176	1,342	10,361
Carrying amounts				
At 1 January 2018	127	16	39	182
At 31 December 2018	126	16	6	148
At 31 December 2019	125	23	1	149

Impairment losses of property, plant and equipment is disclosed within 'Impairment losses attributable to properties' and 'Other losses arising on property, plant and equipment' in the Group's income statement.

15.1 Fair valuation of property

The disclosure below, including the sensitivities to shifts in unobservable fair value inputs, reflects the events and circumstances existent as at 31 December 2019, and do not take into account the events that occurred after the end of the reporting period. Refer to Note 3.1 for information on how management believes that the fair values of hotel and other properties may be impacted as a result of the COVID-19 pandemic after the year end.

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Designated officers within the Group have reviewed the carrying amounts as at 31 December 2019 of the Group's hotel properties categorised as property, plant and equipment, also generally based on assessments by independent property valuers, to determine whether adjustments were deemed necessary as at that date taking cognisance of developments that occurred during the current financial year, comprising shifts in fair value. As at 31 December 2019, the designated officers have carried out an assessment for those properties measured at fair value in accordance with the revaluation model under IAS 16, to determine whether a material shift in fair value had occurred. On the basis of this assessment, the designated officers determined which hotel properties had likely experienced a material shift in fair value by 31 December 2019, and accordingly in respect of which properties an independent valuation was deemed necessary at the end of the year.

The revaluations in 2019 and 2018 were made by the directors, assisted, where applicable, by independent professionally qualified property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Where a valuation resulted in an amount that was significantly different than the carrying amount of the respective property, the book value of the property was adjusted as at the respective year end date, as the directors had reviewed the carrying amount of the properties on the basis of assessments by the property valuers.

The Group's investment properties are measured at fair value under the IAS 40 fair value model and are fair valued annually (refer to Note 14).

The book value of the Group's properties has been adjusted as at 31 December 2019 on the basis of the valuations by the property valuers. The resultant shift in value, net of applicable deferred taxes, has been reflected within the revaluation reserve in shareholders' equity (Note 25) or in profit or loss in accordance with the Group's accounting policy. Adjustments to the carrying amounts of the property have been disclosed within this note.

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

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

The Group's land and buildings, within property, plant and equipment, consists principally of hotel properties that are owned and managed by companies forming part of the Group. The Group's investment property comprises property that is held for long-term rental yields or for capital appreciation or both. The main properties are the Commercial Centre in St Petersburg, the Commercial Centre in Tripoli, a site forming part of the grounds of the Corinthia Hotel in Tripoli, an apartment block in Lisbon and a high-end apartment in London (Note 14). All the recurring property fair value measurements as at 31 December 2019 and 2018 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

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

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial years, is reflected in the table above and in Note 14 for investment property.

Valuation processes

The valuations of the properties are performed regularly for property, plant and equipment and annually for investment property on the basis of valuation reports prepared by third party qualified valuers. These reports are based on both:

- information provided by the Group which is derived from the respective subsidiary's financial systems and is subject to the subsidiary'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 Group. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report is appropriate, the valuation report is recommended to the Audit Committee and Board of Directors. The Committee and Board then consider the valuation report as part of their overall responsibilities.

At the end of every reporting period, the designated officers within the Group assess whether any significant changes on the developments have been experienced since the last annual valuation of property, plant and equipment. This is usually supported by an assessment performed by an independent firm of property valuers. The designated officers report to the Audit Committee on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property as at 31 December 2019 and 2018, have been performed using a multi-criteria approach, with every property being valued utilising the valuation technique considered by the external valuer to be the most appropriate for the respective property.

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

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

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Valuation techniques – continued

Earnings before interest, taxes, depreciation and amortisation (EBITDA) based on projected income streams less operating expenditure necessary to operate the property, but prior to depreciation and financing charges;

Growth rate based on management's estimated average growth of EBITDA levels, mainly determined by projected growth in income streams;

Discount rate reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

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

The table below include information about fair value measurements of hotel properties (classified within property, plant and equipment) and investment properties using significant unobservable inputs (Level 3). For hotel properties, where, following management's assessment or an independent valuation, the fair value of the respective property did not differ materially from its carrying amount as at year-end, the fair value inputs disclosed for that respective property are those that were used in the last valuation that gave rise to a revaluation.

15. Property, plant and equipment - continued

15.1 Fair valuation of property – continued

Valuation techniques - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2019 and 2018 in respect of the key properties:

Description by class based on highest and best use	Fair value at		Evolution of EBITDA over initial projected five-year period		Significant unobservable inputs		Pre-tax rate (WACC)		Growth rate		Capitalisation rate	
	31 Dec 2019	31 Dec 2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	€'000	€'000			%	%	%	%	%	%	%	%
Current use as hotel properties (classified as property, plant and equipment):												
Corinthia Hotel & SPA Lisbon (a)	116,943	114,736	FY19-FY23 €8.20m - €10.70m	FY19-FY23 €8.20m - €10.70m	7.66	7.66	7.66	7.66	2.00	2.00	5.66	5.66
Corinthia Hotel Prague	93,552	88,300	FY20-FY24 €5.50m - €6.80m	FY19-FY23 €5.50m - €6.80m	7.34	7.74	7.74	7.74	2.00	2.00	5.34	5.74
Marina Hotel, St. George's Bay, Malta (c)	29,918	30,500	FY17-FY21 €2.90m - €3.10m	FY17-FY21 €2.90m - €3.10m	9.91	9.91	9.91	9.91	1.80	1.80	5.23	5.23
Corinthia Hotel, St. George's Bay, Malta (c)	38,498	39,070	FY17-FY21 €4.10m - €4.50m	FY17-FY21 €4.10m - €4.50m	10.56	10.56	10.56	10.56	1.80	1.80	5.66	5.66
Corinthia Hotel St Petersburg (a)	88,690	79,022	FY19-FY23 RUB562.00m - RUB630.00m	FY19-FY23 RUB562.00m - RUB630.00m	12.25	12.25	12.25	12.25	4.00	4.00	8.25	8.25
Corinthia Hotel Tripoli (b)	74,106	76,367	FY18-FY22 (€2.70m) - €9.70m	FY18-FY22 (€2.70m) - €9.70m	11.82	11.82	11.82	11.82	2.00	2.00	9.82	9.82
Radisson Blu Resort, Malta (c)	36,580	37,513	FY17-FY21 €3.90m - €4.30m	FY17-FY21 €3.90m - €4.30m	10.42	10.42	10.42	10.42	1.80	1.80	5.57	5.57
Corinthia Hotel London (b)	485,509	472,622	FY18-FY22 £19.20m - £25.70m	FY18-FY22 £19.20m - £25.70m	7.20	7.20	7.20	7.20	2.70	2.70	4.50	4.50

15. Property, plant and equipment - continued

15.1 Fair valuation of property – continued

Valuation techniques - continued	Fair value at		Description by class based on highest and best use	Current use as hotel properties (classified as property, plant and equipment):	Evolution of EBITDA over initial projected five-year period	Significant unobservable inputs						
	31 Dec 2019	31 Dec 2018				Valuation technique - Income capitalisation approach (DCF)		Pre-tax		Capitalisation rate		
	€'000	€'000			2019	2018	2019	2018	2019	2018		
Corinthia Palace Hotel and Spa, Malta (b)	30,925	28,915			FY18-FY22 €1.20m - €3.30m	FY18-FY22 €1.20m - €3.30m	11.72	11.72	1.8	1.8	1.92	1.92
Aquincum Hotel Budapest	29,477	31,720			FY20-FY24 €2.40m - €2.60m	FY19-FY23 €2.16m - €2.78m	6.24	8.95	2.00	2.00	4.40	6.95
Ramada Plaza Tunis	15,787	14,541			FY20-FY24 €2.00m - €2.10m	FY19-FY23 €1.57m - €1.87m	11.07	10.79	2.00	5.00	9.07	5.79
Panorama Hotel Prague	-	36,711			-	FY18-FY22 €3.70m - €4.40m	-	10.00	-	2.00	-	8.00
Current use as hotel properties (classified as property, plant and equipment):												
Corinthia Hotel Budapest (c)	122,744	121,874			2019 €1,769	2018 €1,769						
Valuation technique – Adjusted sales-comparison approach					Sales price per room							
					2018							

15. Property, plant and equipment - continued

15.1 Fair valuation of property – continued

Valuation techniques - continued

Description by class based on highest and best use	Fair value at		Significant unobservable inputs						Capitalisation rate				
	31 Dec 2019	31 Dec 2018	Valuation technique - Income capitalisation approach (DCF)		Pre-tax rate (WACC)		Growth rate						
Current property for commercial use (classified as investment property):	€'000	€'000	Evolution of EBITDA over initial projected five-year period		rate (WACC)		%		2018	2019	2018	2019	
			2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Commercial Centre in St Petersburg	64,829	55,687	FY20-FY24 RUB353,00m - RUB448,00m	FY19-FY23 RUB352,00m - RUB463,00m	11.80	12.70	3.00	3.00	3.00	3.00	8.80	9.70	9.70
Commercial Centre in Tripoli	73,743	73,743	FY20-FY24 €6.70m - €8.30m	FY19-FY23 €6.80m - €7.20m	12.00	11.20	3.00	3.00	3.00	3.00	9.00	8.20	8.20
Current property for commercial use (classified as investment property):			2019	2018	Sales price per room		Valuation technique – Adjusted sales-comparison approach						
Apartment block in Lisbon	3,160	2,800	€6,492	€5,572									
Site in Marsa	9,633	9,633	€700	€700									
Site in Tripoli	29,500	29,500	€2,300	€2,300									
Site in Czech Republic	7,453	7,350	€91	€90									
London Apartment	42,942	41,809	£29,642	£28,860									

15. Property, plant and equipment - continued

15.1 Fair valuation of property – continued

In relation to the DCF approach, an increase in the projected level of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value. With respect to the adjusted sales comparison approach, the higher the sales price per square metre, the higher the resultant fair valuation.

The fair value inputs for those properties for which a revaluation was not recognised as at 31 December 2019 reflect the inputs used in the valuations as at:

- (a) 31 December 2018;
- (b) 31 December 2017; and
- (c) 31 December 2016.

The Group experienced a significant movement in the carrying amount of the Corinthia Hotel St. Petersburg and Corinthia Hotel London during 2019. The shift in the carrying amount of these properties is the result of translating these properties, which are denominated in RUB and GBP respectively (functional currency of the subsidiaries holding these properties), into the Group's presentation currency (EUR) at year end.

As evidenced in the tables above, the highest and best use of the Group properties is equivalent to their current use as at 31 December 2019.

As explained in Note 6 to the financial statements, the future performance of the Group's hotel and the Commercial Centre situated in Tripoli and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside. In accordance with the fair valuations as at 31 December 2019 no further impairment charges were deemed necessary in these financial statements.

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

	Shift in discount rate (+/-0.50%)		Shift in cash flows (EBITDA) (+/-50%)	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Corinthia Hotel & Spa Lisbon	+/- 10,050	+/- 10,050	+/- 7,772	+/- 7,772
Corinthia Hotel Prague	+/- 8,168	+/- 7,105	+/- 4,729	+/- 4,395
Marina Hotel, St George's Bay, Malta	+/- 200	+/- 200	+/- 1,600	+/- 1,600
Corinthia Hotel, St George's Bay, Malta	+/- 250	+/- 250	+/- 2,000	+/- 2,000
Corinthia Hotel, St Petersburg	+/- 4,658	+/- 4,658	+/- 4,506	+/- 4,506
Corinthia Hotel Tripoli	+/- 3,625	+/- 3,000	+/- 3,863	+/- 4,000
Commercial Centre in St Petersburg	+/- 1,755	+/- 2,921	+/- 3,406	+/- 2,929
Commercial Centre in Tripoli	+/- 4,236	+/- 4,236	+/- 3,722	+/- 3,722
Radisson Blu Resort, Malta	+/- 250	+/- 250	+/- 2,000	+/- 2,000
Corinthia Hotel London	+/- 20,000	+/- 20,000	+/- 24,000	+/- 24,000
Corinthia Palace Hotel & Spa, Malta	+/- 1,974	+/- 1,974	+/- 1,544	+/- 1,544
Aquincum Hotel Budapest	+/- 5,463	+/- 1,200	+/- 2,726	+/- 2,000
Ramada Plaza Tunis Hotel	+/- 1,469	+/- 650	+/- 1,079	+/- 1,150

15. Property, plant and equipment - continued

15.1 Fair valuation of property – continued

15.2 Historic cost basis of properties

If the cost model had been used, the carrying amounts of the revalued properties would be €1,059.30 million (2018: €1,043.10 million). The revalued amounts include a revaluation surplus of €93.10 million after tax (2018: €117.80 million), which is not available for distribution to the shareholders of CPHCL.

15.3 Use as collateral

All tangible fixed assets owned by the Group, except for the BCM plant and underlying land in Benghazi, Libya, the land in Misurata, Libya, and the Konopiste property in the Czech Republic, are hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 27.

16. Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see Note 14.

i. Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	The Group		The Company	
	31 December 2019 €'000	1 January 2019* €'000	31 December 2019 €'000	1 January 2019* €'000
Right-of-use assets				
Land and buildings	13,267	15,118	189	362
Plant and equipment	2,087	1,163	-	-
Motor vehicles	632	680	49	75
	15,986	16,961	238	437
Lease liabilities				
Current	3,149	3,192	208	198
Non-current	13,193	12,975	38	239
	16,342	16,167	246	437

* In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019 please refer to Note 4.

Additions to the Group's and the Company's right-of-use assets during the 2019 financial year were €1.55 million and €0.01 million respectively.

16. **Leases – continued**

ii. Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	The Group		The Company	
	31 December 2019 €'000	31 December 2018 €'000	31 December 2019 €'000	31 December 2018 €'000
Depreciation charge of right-of-use assets				
Land and buildings	2,010	-	172	-
Plant and equipment	290	-	-	-
Motor vehicles	205	-	37	-
	2,505	-	209	-
Interest expense (included in finance cost)	855	-	18	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	2,160	-	-	-
Expenses relating to short-term leases and low-value assets (included in net operating expenses)	274	-	30	-

The total cash outflow for leases in 2019 was €3.19 million for the Group and €0.22 million for the Company.

iii. The Group's leasing activities and how these are accounted for

The Group leases various offices, land, retail outlets, plant and equipment and motor vehicles. Emphyteutical grants from the government pertaining to land on which the Group's Malta hotel properties are built are typically made for fixed periods of up to 99 years. Other contracts are made for periods up to 12 years and may include extension options as described further below. The Company's leases pertain to offices used for administration purposes and motor vehicles, and are typically made for periods of up to 9 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees, and
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

16. Leases – continued

iii. The Group's leasing activities and how these are accounted for - continued

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and for other items specific to the leased asset.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use assets attributable to land and buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

iv. Variable lease payments

Variable payment terms are used for a variety of reasons including minimising the fixed costs base for newly established stores.

Some property leases contain variable payment terms that are linked to sales generated from retail stores, and which range from 7.00% to 23.50% of sales. An increase of €1.00 million in sales per store in the Group with such variable lease contracts would increase variable lease payments by approximately €0.20 million (17.00%).

Other property leases contain variable payment terms that are linked to sales generated from catering establishments. Variable payment on such leases range from 10.00% to 23.10% of sales. An increase of €1.00 million in sales per catering establishment in the Group with such variable lease contracts would increase total lease payments by approximately €0.20 million (15.00%).

The variable lease payments element amounts to €2.20 million for the year ended 31 December 2019. Variable lease payments that depend on sales are excluded from the measurement of the lease liability and are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

16. **Leases – continued**

v. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

Judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of retail outlets, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and motor vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

17. **Investments in subsidiaries**

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

	2019	2018
	€'000	€'000
Equity in subsidiary companies (Note 17.2)	367,754	372,533
Loans to subsidiary companies (Note 17.2)	22,624	23,590
Credit loss allowances (Notes 17.4)	(12,451)	(9,632)
	377,927	386,491

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries

The Group had the following subsidiaries as at 31 December:

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non- controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Quoted								
International Hotel Investments p.l.c. (IHI p.l.c.)	22, Europa Centre, Floriana, Malta	Investment Company	58	58	58	58	42	42
Unquoted								
Afina Ag	CH-4336 Kaisten Switzerland	Eigematt 15 Investment Company	100	100	-	-	-	-
Alfa Investimentos Turisticos Lda	Avenida Columbana Pinheiro Lisboa 1099-031, Portugal	Bordalo Hotel owner and operator	58	58	-	-	42	42
Amber Hotels s.r.o.	Milevska 7, Prague 4 Czech Republic	Hotel owner and operator	100	100	100	100	-	-
Bay Point Hotel Limited	22, Europa Centre, Floriana, Malta.	Hotel owner and operator	58	58	-	-	42	42
Bay Point Collection Limited	First Name House, Residence, Douglas, Isle of Man	Victoria Vacation ownership company	58	58	-	-	42	42

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Bay Point Properties Limited	22, Europa Centre, Floriana, Malta.	Non-operating	58	58	-	-	42	42
Benghasir Concrete Manufacturing Joint Stock Company	Airport Highway Tripoli, Libya	Concrete manufacturer	100	100	10	10	-	-
Benghasir for Construction Company	Souk Al Thulatha Al Gadim Tripoli, Libya	Project Management services	90	90	-	-	10	10
Catering Contractors Limited	22, Europa Centre, Floriana, Malta	Restaurant and catering services	100	100	100	100	-	-

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Catering Holding Limited (merged with Corinthia Caterers Limited during 2019)	22, Europa Centre, Floriana, Malta	Retail catering and holding company	58	58	-	-	42	42
Catering Operations Limited (merged with Corinthia Caterers Limited during 2019)	22, Europa Centre, Floriana, Malta	Contract catering company	58	58	-	-	42	42
CaterMax Limited	22, Europa Centre, Floriana, Malta	Event catering	58	100	-	-	42	-
Comox Enterprises Limited	Agiou Nicolau, 41-49, Nimeli Court, Egkomi PC2408, Nicosia, Cyprus	Investment company	100	100	100	100	-	-

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Corinthia Caterers Limited	22, Europa Centre, Floriana, Malta	Event catering	58	100	-	100	42	-
Corinthia Company Limited	22, Europa Centre, Floriana, Malta	Investment company	58	58	-	-	42	42
Corinthia Construction (Overseas) Limited	22, Europa Centre, Floriana, Malta	Construction company	100	100	100	100	-	-
Corinthia Developments International Limited	22, Europa Centre, Floriana, Malta	Project management	58	58	-	-	42	42
Corinthia Finance p.l.c.	22, Europa Centre, Floriana, Malta	Investment company	100	100	100	100	-	-
Corinthia Holdings Overseas Limited	22, Europa Centre, Floriana, Malta	Investment company	100	100	100	100	-	-

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Corinthia Hotels Limited	1, Europa Centre, Floriana, Malta	Hotel management company	58	58	-	-	42	42
Corinthia Hotels (UK) Limited	Corinthia Hotel London, Whitehall Place, London, SW1A 28D	Management consultancy services	58	-	-	-	42	-
Corinthia Investments Limited	1, Brentham House 43c High Street Hampton Wick, Kingston-Upon-Thames, Surrey, UK	Investment company	100	100	100	100	-	-
Corinthia (Malta) Services Limited	Staff 22, Europa Centre, Floriana, Malta.	Holding and management company	58	58	-	-	42	42
Corinthia Palace Holdings Limited	22, Europa Centre, Floriana, Malta	Investment company	100	100	100	100	-	-
Corinthia Panorama s.r.o.	Milevska 7, Prague 4, Czech Republic	Hotel operator	100	100	100	100	-	-

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries – continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Corinthia Services Limited	34, Place de 7 November 1987 Tunis, Tunisia	Non-trading company	100	100	100	100	-	-
Corinthia Towers Tripoli Limited	22, Europa Centre, Floriana, Malta	Hotel owner	58	58	-	-	42	42
Corinthia Tunisie sarl	Les Cotes de Carthage, Ghammarth, Tunisia	Non-trading company	100	100	100	100	-	-
Corinthia Turizm Yatirimlari ve Ticaret a.s.	Tayyareci Ehem Sokak No.24 Kat4 Daire 13, 80090 Gumussuyu Istanbul, Turkey	Hotel owner	100	100	-	-	-	-
CPHCL Investments Limited	22, Europa Centre Floriana, Malta	Investment company	100	100	100	100	-	-
Danish Bakery Limited	22, Europa Centre, Floriana, Malta	Bakery	65	65	65	65	35	35

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries – continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
D.X. Design Consultancy Ltd	22, Europa Centre, Floriana, Malta	Project management services	58	58	-	-	42	42
Five Star Hotels Limited	22, Europa Centre, Floriana, Malta	Hotel owner	58	58	-	-	42	42
HNS Consultancy Services Limited	22, Europa Centre, Floriana, Malta	Consultancy services	100	100	100	100	-	-
Hotel Astoria SA	Rue Royal 103 1000 Brussels Belgium	Owner of site being developed into the Corinthia Brussels	29	29	-	-	71	71
House of Catering for Catering Services Co. Limited	Souk Al Thulatha Al Gadim Tripoli, Libya	Catering services	100	100	10	10	-	-
IHI Benelux B.V.	Kingsfordweg 151, 1043 GR, Amsterdam, The Netherlands	Hotel owner and operator	58	58	-	-	42	42

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
IHI Brussels Limited	22, Europa Centre Floriana	Holding company of Hotel Astoria SA Malta	29	29	-	-	71	71
IHI Holdings Limited	34, Kosti Palama, 1096, Aspelia Court, 4 th Floor, Office D4, Nicosia, Cyprus	Investment company	58	58	-	-	42	42
IHI Hungary Zrt	Erzsebet Krt, 43-49, H-1073 Budapest, Hungary	Hotel owner	58	58	-	-	42	42
IHI Lisbon Limited	22, Europa Centre, Floriana, Malta	Investment company	58	58	-	-	42	42
IHI Malta Hotel Limited	22, Europa Centre, Floriana, Malta	Hotel owner	58	58	-	-	42	42
IHI St Petersburg LLC	57, Nevskij Prospect, St Petersburg 191025, Russian Federation	Investment company	58	58	-	-	42	42
IHI Towers s.r.o	Kongresova 1655/1 1406/69 Praha 5 Czech Republic	Hotel owner and operator	58	58	-	-	42	42

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries – continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
IHI Zagreb d.d.	Centar Kaptol, Nova Investment Kes 11, 10000 Zagreb, Croatia		58	58	-	-	42	42
Internasyonal Turizm ve Otelcilik a.s.	Osmanli Sokok No.24 Kat 4 Daire 13 80090 Gumussuyu Istanbul, Turkey	Hotel owner	100	100	-	-	-	-
International Operating and Managing Facilities Establishments Limited	Souk Al Thulatha Al Building and Gadim Tripoli, Libya facilities management services		100	100	10	10	-	-
Island Caterers Limited (merged with Corinthia Caterers Limited during 2019)	22, Europa Centre, Floriana, Malta.	Event catering company	58	58	-	-	42	42

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Island Resorts International Limited	First Name House, Victoria Residence, Douglas, Ise of Man	Investment company	58	58	-	-	42	42
Konopiste Property Holding s.r.o.	Milevska 1695/7 Prague 4 Czech Republic	Hotel owner	100	100	100	100	-	-
Libya Holding Development Investments J.S.C.	Benghazi, Libya	Hotel owner	32	32	-	-	68	68
Malta Fairs and Conventions Centre Limited (MFCC Limited)	Millenium Stand, Level 1, National Stadium, Ta' Qali, Attard	Trade conference and leisure conventions	100	100	-	-	-	-
Marina San Gorg Limited	22, Europa Centre, Floriana, Malta	Hotel owner and operator	58	58	-	-	42	42
Marsa Investments Limited	22, Europa Centre, Floriana, Malta	Investment property and hotel operator	100	100	100	100	-	-
Misurata Holdings Limited	22, Europa Centre, Floriana, Malta	Non-trading company	100	100	100	100	-	-

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non- controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
NLI Finance Limited	CTV House La Pouquelaye St Helier Jersey	Provision of finance to companies within the NLI Holdings Limited group structure.	29	29	-	-	71	71
NLI Holding Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a group that owns and operates the Corinthia Hotel London and 10 Whitehall Place in London, UK	29	29	-	-	71	71
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owens the Corinthia Hotel London, UK	29	29	-	-	71	71
NLI Operator Limited	Corinthia Hotel London, Whitehall Place, London, SW1A 28D	Operates Corinthia Hotel London, a five- star luxury hotel	29	29	-	-	71	71
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owens apartment 12, 10 Whitehall Place	29	29	-	-	71	71

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries -- continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Palm Waterfront Development Ltd	22, Europa Centre, Floriana, Malta	Non-trading company	100	100	100	100	-	-
Pankrac Property Holdings s.r.o.	Milevska 1695/7, Prague 4, Czech Republic	Investment property owner	-	100	-	100	-	-
QPM (UK) Limited	The Corinthia Hotel London, Whitehall Place London, England	Project management services	58	58	-	-	42	42
QPM Africa Limited	22, Europa Centre, Floriana, Malta	Non-trading company	58	58	-	-	42	42
QPM Belgium SPRL	Avenue de Tervueren 168/18, 1150 Woluwe-Saint Pierre, Brussels, Belgium	Project and cost management and other ancillary services	58	58	-	-	42	42
QPM Limited	22, Europa Centre Floriana, Malta	Project management services	58	58	-	-	42	42
Rignstructures Limited	22, Europa Centre Floriana, Malta	Staging and special structures products	100	100	-	-	-	-
Societe De Promotion Hoteliere Khansa	Les Cotes de Garthage Gammarth, Tunisia	Hotel owner and operator	100	100	63	63	-	-

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries – continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Swan Laundry and Dry Cleaning Company Limited	22, Europa Centre, Floriana, Malta	Laundry company	100	100	100	100	-	-
The Coffee Company Malta Limited	22, Europa Centre, Floriana, Malta	Franchise retail catering company	58	58	-	-	42	42
The Coffee Company Spain S.L.	COSTA Diagonal, Avinguda Diagonal, 566, Barcelona 08021	Franchise retail catering company	58	58	-	-	42	42
The Heavenly Collection Limited	22, Europa Centre, Floriana, Malta.	Owner of tract land in Golden Bay	58	58	-	-	42	42
Thermal Hotel Aquincum Rt	Arpad Fejedelem Utja 94, H-1036 Budapest Hungary	Hotel owner and operator	100	100	-	-	-	-
Top Spirit a.s.	Milevska 7, 14063 Prague P.O. Box 41 Czech Republic	Investment company	100	100	100	100	-	-

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries - continued

All subsidiary undertakings are included in the consolidation.

17.2 Exposure to subsidiary companies

	The Company €000
At 1 January and 31 December 2018	372,533
At 1 January 2019	372,533
Disposals	(4,052)
Other	(727)
At 31 December 2019	367,754

During the year under review, the Company disposed of its shareholding in Pankrac Property Holdings s.r.o. (PPH) for a consideration of €76.85 million. After deducting the investment cost of €3.53 million and transaction costs of €1.68 million, the company made a gain on disposal of €71.64 million. For cash flow purposes, out of the proceeds of €76.85 million, transaction costs of €1.68 million are deducted and the loan repayment by the Company to PPH amounting to €8.76 million is also netted off from the cash consideration.

In June 2019, the Company also disposed of its shareholding in Corinthia Caterers to its subsidiary company IHI p.l.c. for a consideration of €0.49 million. The Company made a loss of €1.36 million on this transaction after deducting the carrying amount of €0.52 million and forfeiting balances receivable of €1.33 million. The Company also sold the Catering Brand to its subsidiary company IHI p.l.c., at a consideration of €2.40 million. The value of the brand was never recognised in the records of CPHCL and hence a profit of €2.40 million was recorded as gain on sale of brand in the Company's income statement.

The Company has written off an amount of €0.56 million in relation to the conditional consideration it had recognised in its records in relation to the sale of QPM to its subsidiary company IHI p.l.c. on 30 June 2016.

In 2019, the Company also reduced the carrying amount of Amber Hotels s.r.o. by €0.73 million following a share capital reduction.

The Company effected additional advances to its subsidiaries which are considered to be a component of the long-term investment. The net advances amounted to €0.23 million (2018: €1.80 million) and principally relate to, €0.07 million to Corinthia Palace Holdings Limited, €0.06 million to Konopiste Property Holding s.r.o. and €0.10 million to HNS Consultancy Services Limited (2018: €1.60 million to Corinthia Palace Holdings Limited). In 2018, a set off of €5.50 million was effected and this impacted the balances due from Corinthia Construction (Overseas) Limited and Corinthia Holdings Overseas Limited.

All investments were purchased by the Company at the nominal value of shares received i.e. at par, except for Corinthia Construction (Overseas) Limited which was acquired for €3.40 million.

17. Investments in subsidiaries - continued

17.3 Subsidiaries with material non-controlling interests

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

Name of subsidiary	Proportion of ownership interest and voting rights held by NCI		Profit allocated to NCI		Accumulated NCI	
	2019	2018	2019	2018	2019	2018
	%	%	€'000	€'000	€'000	€'000
Danish Bakery Limited	35	35	236	228	1,198	1,181
IHI Group (incl. NLI Group)	42	42	1,179	4,789	489,133	481,440

Dividends paid to NCI of Danish Bakery Limited amounted to €0.21 million (2018: €0.21 million) whilst dividends paid to NCI of International Hotel Investments p.l.c. amounted to €12.25 million (2018: €5.19 million).

The total non-controlling interests as at 31 December 2019 is €490.33 million (2018: €482.60 million), of which €489.13 million (2018: €481.40 million) is attributable to the IHI Group and €1.20 million (2018: €1.18 million) is attributable to Danish Bakery Limited.

Summarised financial information for Danish Bakery Limited, the IHI Group (including the NLI Group), and separately, the NLI Group, before intragroup eliminations, is set out below:

	Danish Bakery Limited		IHI Group (including NLI Group)		NLI Group	
	2019 €000	2018 €000	2019 €000	2018 €000	2019 €000	2018 €000
Non-current assets	1,843	2,118	1,545,603	1,490,327	564,206	548,767
Current assets	3,104	2,611	141,595	127,526	45,259	40,865
Total assets	4,947	4,729	1,687,198	1,617,853	609,465	589,632
Non-current liabilities	(29)	(157)	(665,268)	(622,677)	(183,820)	(156,254)
Current liabilities	(1,432)	(1,158)	(124,783)	(117,556)	(34,570)	(46,082)
Total liabilities	(1,461)	(1,315)	(790,051)	(740,233)	(218,390)	(202,336)
Equity attributable to owners of CPHCL	2,266	2,219	518,730	507,440	113,412	112,316
Non-controlling interests	1,220	1,195	378,417	370,180	277,663	274,980

17. Investments in subsidiaries - continued

17.3 Subsidiaries with material non-controlling interests - continued

	Danish Bakery Limited		IHI Group (including NLI Group)		NLI Group	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Revenue	6,367	5,965	268,286	256,314	75,896	69,159
Profit/(loss) for the year attributable to owners of the parent	437	423	3,940	3,670	(983)	(1,677)
Profit/(loss) for the year attributable to NCI	236	228	1,179	4,789	(2,408)	(4,105)
Profit/(loss) for the year	673	651	5,119	8,459	(3,391)	(5,782)
Other comprehensive income attributable to owners of the parent	-	-	13,374	9,052	6,177	673
Other comprehensive income attributable to NCI	-	-	20,407	7,751	15,124	1,647
Other comprehensive income for the year	-	-	33,781	16,803	21,301	2,320
Total comprehensive income for the year attributable to owners of the parent	437	423	17,314	12,722	5,194	(1,004)
Total comprehensive income for the year attributable to NCI	236	228	21,586	12,540	12,716	(2,458)
Total comprehensive income for the year	673	651	38,900	25,262	17,910	(3,462)
	Danish Bakery Limited		IHI Group (including NLI Group)		NLI Group	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Net cash generated from operating activities	1,102	927	62,850	58,980	12,782	12,373
Net cash used in investing activities	(260)	(263)	(22,442)	(35,152)	(8,470)	(12,875)
Net cash used in financing activities	(600)	(600)	(21,587)	(20,839)	(6,276)	(4,032)
Net cash inflow/(outflow)	242	64	18,821	2,989	(1,964)	(4,534)

17. **Investments in subsidiaries - continued**

17.4 Impairment and credit loss allowances

The carrying amount of the investment and loan in/to Corinthia Tunisie Sarl, Catering Contractors Limited, Corinthia Holdings Overseas Limited, Corinthia Palace Holdings Limited and Societe de Promotion Hoteliere Khamsa had been impaired in prior years. Further credit loss allowances on the loan to Corinthia Palace Holdings Limited amounting to €2.77 million were accounted for during the year following an assessment carried out in line with the requirements of IFRS 9 – Financial Instruments (2018: €6.80 million was recognised in retained earnings upon adoption of IFRS 9 and a further €2.40 million in the income statement).

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

18. **Other investments**

18.1 Investments accounted for using the equity method - Group

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

	The Group	
	2019	2018
	€'000	€'000
Associates (Note 18.3)	100,171	93,520
Joint ventures (Note 18.4)	27,354	35,430
At 31 December	127,525	128,950

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

	The Group	
	2019	2018
	€'000	€'000
Associates (Note 18.3.1)	7,184	10,771
Joint ventures (Note 18.4.1)	(3,802)	(1,192)
At 31 December	3,382	9,579

The amounts recognised in the consolidated other comprehensive income are as follows:

	The Group	
	2019	2018
	€'000	€'000
Associates (Note 18.3.1)	302	2,318
Joint ventures (Note 18.4.1)	(4,516)	303
At 31 December	(4,214)	2,621

18. Other investments - continued

18.2 Investments in associates - Company

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

	The Company	
	2019	2018
	€'000	€'000
Associates - at 31 December (Note 18.3)	26,604	28,604

18.3 Investments in associates

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

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Equity in associate companies (Note 18.3.1)	93,397	85,863	24,002	24,002
Loans to associate companies	6,774	7,657	2,602	4,602
	100,171	93,520	26,604	28,604

The main movements in the Group's loans to associate companies during the year relate to loan repayments mainly from Mediterranean Investments Holding p.l.c. and Scalotel Escalabitana S.A. Similarly, during the prior year, movements principally comprised of repayments from Mediterranean Investments Holdings p.l.c. and Scalotel Escalabitana S.A..

The Company's movement for the year mainly comprises repayments of long-term advances effected to Mediterranean Investments Holding p.l.c..

18.3.1 Equity in associate companies

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
At 1 January	85,863	73,008	24,002	24,181
Additions	24	-	-	-
Impairment losses	-	(239)	-	(179)
Share of results	7,184	10,771	-	-
Share of other comprehensive income	302	2,318	-	-
Exchange differences	21	(13)	-	-
Other movements	3	18	-	-
At 31 December	93,397	85,863	24,002	24,002

Impairment losses

The carrying amount of the investment and loan to Café Jubilee were deemed to be impaired and an impairment charge of €0.20 million has been recognised in profit or loss in 2018.

18. Other investments – continued

18.3 Investments in associates – continued

18.3.1 Equity in associate companies - continued

Set out below are the associates of the Group as at 31 December 2019 and 31 December 2018. The associates listed below have share capital consisting solely of ordinary shares.

Company name	Registered Office	Nature of business	% of ownership interest held by			
			The Group		The Company	
			2019	2018	2019	2018
			%	%	%	%
Atkins Travel Limited	Towngate House, 2, Parkstone Road, Poole, Dorset BH15 2PJ United Kingdom	Tour operator	43	43	-	-
B.C.W. Limited	3, Princess Elizabeth Terrace, Ta' Xbiex, Malta	Non-trading	33	33	33	33
Café Jubilee Zrt	1055 Budapest, Szent Istvan krt. 13, Hungary	Non-trading	50	50	50	50
Crust Foods Limited	22, Europa Centre, Floriana Malta	Restaurant and café	26	26	-	-
Medina Tower J.S.C.	Suite 107, Tower 2, Level 10 Burj Al Fateh, Tripoli, Libya	Owns the Medina Tower Project	27	27	-	-
Mediterranean Investments Holding p.l.c.	22, Europa Centre, Floriana, Malta	Investment company	50	50	50	50
Palm City Limited	22, Europa Centre, Floriana, Malta	Property development and operator	50	50	-	-
Palm Waterfront Limited	22, Europa Centre, Floriana, Malta	Property development and operator	50	50	-	-
Scalotel-Sociedade Escalabitana Hoteleira s.a.	Avenida Madre Andaluz Freguesia de Marvila, Cancelho de Santarem, Portugal	Hotel owner	41	41	-	-

18. Other investments – continued

18.3 Investments in associates – continued

18.3.1 Equity in associate companies - continued

All associates except for Mediterranean Investments Holding p.l.c. are private companies. There is no quoted market price available for the shares of all associates.

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

18.3.2 Summarised financial information for material associates

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

	Medina Tower J.S.C	
	2019	2018
	€'000	€'000
Non-current assets	43,330	42,736
Current assets	8,053	8,417
Total assets	51,383	51,153
Current liabilities	223	113
Total liabilities	223	113
Loss for the year	(589)	(692)
Other comprehensive income	711	1,318
Total comprehensive income	122	626

Reconciliation of summarised financial information

Reconciliation of the summarised information presented to the carrying amount of its interest in the associate:

	Medina Tower J.S.C	
	2019	2018
	€'000	€'000
Opening net assets	51,038	50,412
Loss for the period	(589)	(692)
Other comprehensive income	711	1,318
Closing net assets	51,160	51,038
Interest in associate (37.50%)*	19,185	19,139
Carrying value	19,185	19,139

18. Other investments – continued

18.3 Investments in associates – continued

18.3.2 Summarised financial information for material associates - continued

*The Group's interest in Medina Tower J.S.C. as reflected in the Group's consolidated financial statements, is made up of a 25.00% shareholding held by IHI p.l.c. and another 25.00% shareholding held by Mediterranean Investment Holdings p.l.c. (MIH p.l.c.). Whereas the Group's interest in IHI p.l.c. amounts to 57.80%, its interest in MIH p.l.c. is 50.00% (accounted for using the equity method).

The Group's ultimate percentage ownership in Medina Tower J.S.C. is 27.00%.

	Mediterranean Investments	
	Holdings p.l.c.	Group
	2019	2018
	€'000	€'000
Non-current assets	294,845	293,996
Current assets	20,347	14,934
Total assets	315,192	308,930
Non-current liabilities	(100,759)	(140,037)
Current liabilities	(46,951)	(16,183)
Total liabilities	(147,710)	(156,220)
Revenue	27,261	18,860
Profit for the year	14,532	21,727
Other comprehensive income	240	456
Total comprehensive income	14,772	22,183

18. Other investments - continued

18.3 Investments in associates - continued

18.3.2 Summarised financial information for material associates - continued

Reconciliation of summarised financial information

Reconciliation of the summarised information presented to the carrying amount of its interest in the associate:

	Mediterranean Investments	
	Holdings p.l.c. Group	
	2019	2018
	€'000	€'000
Opening net assets	152,709	130,526
Profit for the period	14,532	21,727
Other comprehensive income	240	456
	167,481	152,709
Interest in associate (50.00%)	83,741	76,355
Carrying value	83,741	76,355

Included in the above financial information is 25.00% share of the financial information attributable to Medina Tower J.S.C.

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

	2019	2018
	€'000	€'000
Profit for the year	94	80
Other comprehensive income	7	1,761
Total comprehensive income	101	1,841

18.4 Investments in joint ventures

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

	The Group	
	2019	2018
	€000	€000
Equity in joint ventures (Note 18.4.1)	27,354	35,430
At 31 December	27,354	35,430

18. Other investments - continued

18.4.1 Equity in joint ventures

	The Group	
	2019 €'000	2018 €'000
At 1 January	35,430	36,822
Share of results	(3,802)	(1,192)
Share of other comprehensive income	(4,516)	303
Dividends	-	(504)
Other movements	242	1
At 31 December	27,354	35,430

Set out below are the significant joint ventures of the Group as at 31 December 2019 and 31 December 2018. The joint ventures listed below have share capital consisting solely of ordinary shares, which are held by the Group through IHI p.l.c..

Company name	Registered office	Nature of business	% of ownership interest held by the Group	
			2019	2018
Azure Resorts Limited (in liquidation)	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Vacation ownership selling agent	29	29
Azure Services Limited (in liquidation)	Level 1, LM Complex Brewery Street Mriehel, Malta	Marketing and promotional services	29	29
Azure Ultra Limited (in liquidation)	Level 1, LM Complex Brewery Street Mriehel, Malta	Luxury yacht leasing	29	29
Azure XP Limited (in liquidation)	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Financing of vacation ownership	29	29
Brookfield Overseas Limited (in liquidation)	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Marketing and promotional services	29	29

18. Other investments - continued

18.4 Investments in joint ventures - continued

18.4.1 Equity in joint ventures - continued

Company name	Registered office	Nature of business	% of ownership interest held by the Group	
			2019	2018
Golden Sands Resort Limited	The Radisson SAS Golden Sands Resort & Spa Golden Bay I/o Mellieha, Malta	A five-star luxury hotel	29	29
Heathfield Overseas Limited (in liquidation)	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Payment solutions	29	29
Medi International Limited (in liquidation)	3 Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Internal financing	29	29
Catering Management Limited (formerly MKIC Limited)	22, Europa Centre Floriana Malta	Non-trading	29	29
Quality Catering & Retail Services Ltd	Miller House Airport Way Tarxien Road, Luqa, Malta	Catering company	50	50

18. **Other investments - continued**

18.4 **Investments in joint ventures - continued**

18.4.1 **Equity in joint ventures – continued**

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

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

The directors consider Golden Sands Resort Limited to constitute a material joint venture of the Group.

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

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

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

Judgements and estimates on the investment in Azure Resorts Group

As disclosed in Note 40, subsequent to year-end, the Azure Resorts Group was placed into liquidation. The event was treated as a non-adjusting event from the Group's perspective since, in management's view, the events and conditions for liquidation were not yet present as at 31 December 2019. This is notwithstanding that, as at year-end, Azure's management had announced that it intends to downsize the scale of operations, in order to focus on servicing its existing members' base, rather than to sell its developer stock. The COVID-19 pandemic occurring after year-end was, in the directors' opinion, the event that provided circumstances for Azure to enter liquidation. Accordingly, the carrying amount of the investment in the joint venture was measured using the equity method as at 31 December 2019 without adjusting for the possible impacts of the liquidation on both classification and measurement of the investment.

The directors believe that both the announcements made by 31 December and the losses incurred during past periods provided indicators of impairment that warranted an impairment test of the carrying amount of the investment in accordance with IAS 36's requirements. The test involved an estimate of the recoverable amount of Azure Resorts as at 31 December 2019 based on a 'fair value less costs of disposal' approach. The most significant estimate included in the impairment test is the realisable value less costs to sell of unsold developer stock. Following the impairment test, the directors concluded that the recoverable amount as at 31 December 2019 exceeds its carrying amount, and on this basis, no impairment was recognised within these financial statements.

18. Other investments - continued

18.4 Investments in joint ventures - continued

18.4.2 Summarised financial information for material joint ventures

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

	Golden Sands Resort Group	
	2019	2018
	€'000	€'000
Non-current assets	63,761	81,577
Cash and cash equivalents	128	169
Other current assets	2,205	3,216
Total assets	66,094	84,962
Current financial liabilities (excluding trade and other payables and provisions)	18,366	6,028
Current liabilities	22,061	10,308
Non-current financial liabilities (excluding trade and other payables and provisions)	4,091	18,148
Non-current liabilities	15,747	25,713
Total liabilities	37,808	36,021
	Golden Sands Resort Group	
	2019	2018
	€'000	€'000
Revenue	17,828	18,715
EBITDA	2,619	4,919
Depreciation and amortisation	(3,439)	(3,273)
Interest income	66	48
Interest expense	(740)	(825)
Income tax income/(expense)	533	(332)
(Loss)/profit for the year	(961)	537
Other comprehensive income	(9,100)	-
Total comprehensive income	(10,061)	537

18. Other investments – continued

18.4 Investments in joint ventures - continued

18.4.2 Summarised financial information for material joint ventures - continued

Reconciliation of the summarised information presented to the carrying amount of its interest in the joint venture:

	Golden Sands Resort	
	2019	2018
	€000	€000
Opening net asset	39,478	38,941
(Loss)/profit for the period	(961)	537
Other comprehensive income	(9,100)	-
Closing net assets	29,417	39,478
Interest in joint venture (50.00%)	14,708	19,739
Goodwill	6,456	6,456
Carrying value	21,164	26,195

The summarised financial information for Azure Resorts Group has been excluded from the above table as the directors believe that, relative to the Group's total asset base, its carrying amount is not significant to warrant the disclosures detailing the composition of assets, liabilities and profit or loss, that would have otherwise been required by IFRS 12. The information required for individually immaterial associates is disclosed in its stead:

	Azure Resorts	
	2019	2018
	€000	€000
Loss for the year	(6,700)	(2,920)
Other comprehensive income	64	604
Total comprehensive income	(6,636)	(2,316)

19. Inventories

	The Group	
	2019	2018
	€'000	€'000
Food and beverages	3,394	2,747
Consumables and other	10,756	10,194
Goods held for resale	379	298
Loose tools	806	883
	15,335	14,122

20. Trade and other receivables

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Non-current				
Other receivables	267	1,406	-	1,030
Total receivables – non-current	267	1,406	-	1,030
Current				
Trade receivables	30,755	28,278	-	-
Credit loss allowances	(7,037)	(6,564)	-	-
	23,718	21,714	-	-
Amounts owed by:				
- Subsidiary companies	-	-	7,663	6,626
- Associate companies	5,532	4,448	1,007	870
Other receivables	7,704	10,840	405	614
Contract assets/accrued income	1,825	2,822	25	-
Financial assets	38,779	39,824	9,100	8,110
Prepayments	5,094	8,490	8	163
Total receivables – current	43,873	48,314	9,108	8,273
Total receivables	44,140	49,720	9,108	9,303

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

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

Information about the credit losses attributable to trade receivables and the Group's and the Company's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 38.

The Group's contract assets primarily comprise balances from services in relation to project management for which the Group would not yet have an unconditional right to receive payment.

21. Financial assets at fair value through profit or loss

Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVTPL):

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI. As at 31 December 2019 and 2018, these include investments in funds and mutual funds whose instruments fail to meet the definition of equity from the issuer's perspective.
- Equity investments for which the Group has not elected to recognise fair value gains and losses through OCI.

21. Financial assets at fair value through profit or loss - continued

Classification of financial assets at fair value through profit or loss - continued

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Non-current assets				
Unlisted equity securities	8,401	-	-	-
Current assets				
<i>Listed securities:</i>				
Bond securities	1,164	-	1,160	-
Equity securities	4,641	1,821	-	-
Mutual funds	4,268	6,664	-	-
Total	10,073	8,485	1,160	-

In 2019, the Group acquired 10.00% of Global Hotel Alliance, and a 10.00% shareholding in a hotel and residential development in Moscow. During the year, the Group recognised a fair value gain of €2.20 million (2018: €0.13 million) in profit or loss on financial assets.

22. Cash and cash equivalents

Cash and cash equivalents include the following components:

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Cash and bank balances:				
Current	125,749	61,179	46,590	2,809
Cash and cash equivalents in the statement of financial position	125,749	61,179	46,590	2,809
Bank overdrafts	(7,244)	(6,289)	-	(43)
Cash and cash equivalents	118,505	54,890	46,590	2,766

The Group's bank balances include amounts of €11.87 million (2018: €10.32 million) set aside by six subsidiary companies for debt servicing requirements and €2.20 million (2018: €3.80 million) set aside for capital expenditure purposes.

23. Assets classified as held for sale

	The Group	
	2019	2018
	€'000	€'000
Investment property	1,283	1,267
Total assets held for sale	1,283	1,267

23. Assets classified as held for sale - continued

The Group's assets held for sale, are two 3-star hotel properties located in Bodrum, Turkey with a stock of 288 and 72 beds respectively, each operating in the hospitality sector. Both properties are not operated by the Group but leased out with an opt-out clause permitting their disposal before the expiry of the lease. Since these properties do not have the level of luxury of the other hotels operated by the Group they have been put on the market and it is expected that they will be sold within the next twelve months.

24. Share capital

	The Group and the Company	
	2019	2018
	€'000	€'000
Authorised, issued and fully paid		
20,000,000 ordinary shares at €1 each	20,000	20,000

24.1 Shareholder rights

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

25. Other reserves

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

The Group	Translation reserves €'000	Revaluation reserve €'000	Other equity components €'000	Total €'000
1 January 2019	34,152	117,771	12,844	164,767
Recognised in other comprehensive income:				
Net revaluation of properties	-	3,148	-	3,148
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	11,973	-	-	11,973
Share of other comprehensive income of associates and joint ventures:				
- Exchange difference arising from translating foreign operations	242	-	-	242
- Revaluation of properties	-	(2,630)	-	(2,630)
Other	-	263	2	265
Recognised directly in equity:				
Reclassifications to retained earnings	-	(25,422)	-	(25,422)
At 31 December 2019	46,367	93,130	12,846	152,343

25. Other reserves - continued

The Group	Translation reserves €'000	Revaluation reserve €'000	Other equity components €'000	Total €'000
At 1 January 2018	42,709	103,216	12,877	158,802
Recognised in other comprehensive income:				
Net revaluation of properties	-	15,493	-	15,493
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	(9,150)	-	-	(9,150)
Share of other comprehensive income of associates and joint ventures:				
- Exchange difference arising from translating foreign operations	593	-	-	593
- Revaluation of properties	-	1,795	-	1,795
Other	-	(497)	(33)	(530)
Recognised directly in equity:				
Reclassifications to retained earnings	-	(2,236)	-	(2,236)
At 31 December 2018	34,152	117,771	12,844	164,767
The Company	Translation reserves €'000	Revaluation reserve €'000		Total €'000
At 1 January 2018	2,950	16,270		19,220
Other movements	-	2,397		2,397
At 31 December 2018	2,950	18,667		21,617
At 1 January and 31 December 2019	2,950	18,667		21,617

26. Retained earnings

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

27. Bank borrowings

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Bank overdrafts	7,244	6,289	-	43
Bank loans	383,861	394,517	4,596	5,787
	391,105	400,806	4,596	5,830
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 - 5 years	266,058	138,812	3,306	4,032
Bank loans due later than 5 years	74,648	216,074	-	-
	340,706	354,886	3,306	4,032
Current bank borrowings				
Bank overdrafts	7,244	6,289	-	43
Bank loans due within 1 year	43,155	39,631	1,290	1,755
	50,399	45,920	1,290	1,798

Bank borrowings are subject to variable interest rates based on Euribor or other such bank base rates plus margins with a total weighted average interest rate of 2.93% per annum at 31 December 2019 (2018: 3.03% per annum).

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

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

28. Bonds

28.1 Bonds in issue

	The Group	
	2019	2018
	€'000	€'000
<i>Redeemable bonds</i>		
Bond 10	19,880	19,824
Bond 11	-	7,460
Bond 12	9,937	9,924
Bond 13	44,400	44,308
Bond 15	34,677	34,603
Bond 16	39,497	39,416
Bond 17	54,440	54,367
Bond 18	59,250	39,481
	262,081	249,383
Non-current	262,081	249,383
Current	-	-
	262,081	249,383

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

	Issuing company	Year of issue	Nominal amounts €'000	Rate of interest %	Maturity date
<i>Redeemable bonds</i>					
Bond 10	IHI p.l.c.	2012	20,000	5.80	21 December 2021
Bond 12	IHI p.l.c.	2013	10,000	5.80	14 November 2023
Bond 13	IHI p.l.c.	2015	45,000	5.75	13 May 2025
Bond 15	IHI p.l.c.	2014	35,000	6.00	15 May 2024
	Corinthia Finance				
Bond 16	p.l.c.	2016	40,000	4.25	12 April 2026
Bond 17	IHI p.l.c.	2016	55,000	4.00	29 July 2026
Bond 18	IHI p.l.c.	2016	60,000	4.00	20 December 2026

28. Bonds – continued

28.1 Bonds in issue – continued

In the case of Bond 11, the Group exercised its early redemption rights. During the year ended 31 December 2019, the Group settled the amount due in respect of Bond 11.

During the current financial year, IHI p.l.c. issued a fungible bond of €20.00 million with the same repayment terms as Bond 18 and on the first interest payment date, it was merged with Bond 18 accordingly.

(ii) Interest

Interest is payable annually in arrears on the due date.

(iii) Security

The bonds constitute the general, direct, unconditional, unsecured and unsubordinated obligations of the issuing companies and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations of the issuing companies. The only exception is Bond 17 for €55.00 million which is secured by the Hotel property owned by IHI Hungary.

(iv) Sinking funds

The prospectus for Bond 10 provides for the setting up of a sinking fund administered by a trustee or a custodian to cover 50.00% of the repayment of the bonds on maturity. By 31 December 2019, the amount set aside for this purpose totalled €3.80 million. The corresponding figure for 2018 amounted to €5.40 million and included the sinking fund for Bond 11, which was redeemed during the current financial year.

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

	€'000
At 1 January 2018	249,656
Redemptions	-
Issue costs	(717)
Amortisation of issue costs	444
	249,383
At 31 December 2018	249,383
Redemptions	(7,500)
Proceeds from issue	20,000
Issue costs	(313)
Amortisation of issue costs	511
	262,081
At 31 December 2019	262,081

28. Bonds - continued

28.1 Bonds in issue - continued

The market price of bonds in issue is as follows:

	2019 €	2018 €
Bond 10	101.50	107.00
Bond 11	-	103.50
Bond 12	108.50	107.00
Bond 13	106.50	109.50
Bond 15	106.30	109.20
Bond 16	103.04	103.99
Bond 17	103.00	103.00
Bond 18	101.00	102.00

28.2 Investments held by trustees

Investments held by trustees comprise the following:

The Group	2019 €'000	2018 €'000
Cash at bank:		
- Interest-bearing bank accounts	3,820	5,351
	3,820	5,351

29. Other borrowings

	The Group		The Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Shareholders' loans	32,054	20,558	32,054	20,558
Loans from subsidiaries	-	-	85,795	114,584
Related companies	-	4,612	-	-
	32,054	25,170	117,849	135,142
Non-current	32,054	20,617	116,902	134,195
Current	-	4,553	947	947
	32,054	25,170	117,849	135,142

The movements in the shareholders' loans represent the dividends distributed during the year, amounting to €23.00 million, the interest incurred thereon, and repayments of €12.07 million.

The loans from subsidiaries decreased by €28.79 million. This movement represents repayment of €5.91 million to Corinthia Finance p.l.c. and two set-offs of €14.84 million and €8.72 million with Top Spirit a.s. and Pankrac Property Holdings s.r.o. respectively.

29. Other borrowings – continued

As at 31 December 2019

€'000	Interest Rate	Repayable
The Group		
32,054	4.00%	After more than 1 year
<hr/>		
32,054		
<hr/>		
The Company		
275	5.00%	Within 1 year
672	5.00%	Within 1 year
40,000	4.45%	12 April 2026
15,665	0.05% over 3-month Euribor	After more than 1 year
10,101	1.95% over 3-month Euribor	After more than 1 year
249	4.60%	After more than 1 year
18,833	2.55% over 3-month Euribor	After more than 1 year
32,054	4.00%	After more than 1 year
<hr/>		
117,849		
<hr/>		

As at 31 December 2018

€'000	Interest Rate	Repayable
The Group		
20,558	4.00%	After more than 1 year
4,500	3.70%	By 15 February 2019
112	-	Lease obligation
<hr/>		
25,170		
<hr/>		
The Company		
275	5.00%	Within 1 year
672	5.00%	September 2019
5,960	7.20%	14 March 2022
40,000	4.45%	12 April 2026
30,190	0.05% over 3-month Euribor	After more than 1 year
10,101	1.25% over 3-month Euribor	After more than 1 year
8,720	1.25% over 3-month Euribor	After more than 1 year
248	4.60%	After more than 1 year
18,418	2.75% over 3-month Euribor	After more than 1 year
20,558	4.00%	After more than 1 year
<hr/>		
135,142		
<hr/>		

None of the loans are secured. The carrying amount of these borrowings is considered a reasonable approximation of fair value on the basis of discounted cash flows.

30. Indemnification liabilities

	The Company	
	2019	2018
	€'000	€'000
At 1 January	23,606	23,816
Change in fair value	(210)	(210)
At 31 December	23,396	23,606

In view of group tax relief provisions applicable in Malta any tax due by CPHCL on the transfer of the shares in IHI Towers s.r.o (IHIT) and Corinthia Towers Tripoli Limited (CTTL) to International Hotel Investments p.l.c. (IHI p.l.c.) effected in 2007 was deferred. This tax will only become due in the eventuality that IHI p.l.c. sells the shares in IHIT and/or CTTL and/or their underlying properties outside the Group. In accordance with the indemnity agreement prepared at the time of the acquisition, CPHCL has indemnified IHI p.l.c. for future tax the latter may incur should IHI p.l.c. sell the shares or the underlying properties outside the Group. This indemnity will be equivalent to the tax that will be due by IHI p.l.c. on the gain that was untaxed in the hands of CPHCL. The indemnity has no time limit and has a maximum value of €45.00 million.

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

On the sale of its shares in Marina San Gorg Limited (MSG) to IHI p.l.c. in 2013, CPHCL provided a tax indemnity to IHI p.l.c.. The sales contract was exempt from taxation on the basis that share capital of MSG was transferred rather than the hotel property. Should IHI p.l.c. 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 p.l.c. may incur or sustain up to a maximum of €4.80 million. The indemnity has expired on 13 February 2019.

On the sale of its shares in QPM Limited effected during the year ended 31 December 2016, CPHCL provided a tax indemnity to IHI p.l.c.. The sales contract was exempt from taxation on the basis that CPHCL and IHI p.l.c. form part of the same ultimate group for tax purposes. Should IHI p.l.c. dispose of the shares outside of the Group, it may become liable to tax that it would not have become liable to pay had CPHCL not been a related party. The indemnity was estimated to amount to €2.00 million and has been recognised as an indemnification liability representing the tax that will be due by IHI p.l.c. on the gain that was untaxed in the hands of CPHCL.

31. Deferred tax assets and liabilities

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

31. Deferred tax assets and liabilities - continued

The balance at 31 December represents temporary differences attributable to:

The Group	Assets		Liabilities		Net	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Difference between tax base and carrying amount of tangible and intangible fixed assets	6,918	6,918	(28,765)	(28,918)	(21,847)	(22,000)
Revaluation of land & buildings and investment property	-	-	(98,272)	(99,260)	(98,272)	(99,260)
Investments in associates	101	101	-	-	101	101
Unrelieved tax losses and unabsorbed capital allowances	36,615	35,626	-	-	36,615	35,626
Credit loss allowances	1,915	1,841	-	-	1,915	1,841
Others	496	290	(238)	-	258	290
Tax assets/(liabilities) – before offsetting	46,045	44,776	(127,275)	(128,178)	(81,230)	(83,402)
Offset in the statement of financial position	(25,326)	(23,074)	25,326	23,074	-	-
Tax assets/(liabilities) – as presented in statement of financial position	20,719	21,702	(101,949)	(105,104)	(81,230)	(83,402)

31. **Deferred tax assets and liabilities – continued**

The Company	Assets		Liabilities		Net	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Unrelieved tax losses and unabsorbed capital allowances	3,555	2,751	-	-	3,555	2,751
Tax assets/(liabilities) - before offsetting	3,555	2,751	-	-	3,555	2,751
Tax assets/(liabilities) - as presented in statement of financial position	3,555	2,751	-	-	3,555	2,751

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

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

The Group

	Balance	Recognised	Recognised	Disposal of	Balance
	1.1.2019 €'000	in profit or loss €'000	in other comprehensive income €'000	Group Interests (Note 36) €'000	31.12.2019 €'000
Difference between tax base and carrying amount of tangible and intangible fixed assets	(22,000)	153	-	-	(21,847)
Revaluation of land & buildings and investment property	(99,260)	(498)	(5,803)	7,289	(98,272)
Investments in associates and joint ventures	101	-	-	-	101
Unrelieved tax losses and unabsorbed capital allowances	35,626	989	-	-	36,615
Credit loss allowances	1,841	74	-	-	1,915
Others	290	(76)	44	-	258
	(83,402)	642	(5,759)	7,289	(81,230)

31. Deferred tax assets and liabilities – continued

The Group	Balance as previously reported €'000	Adjustment on adoption of IFRS 9 on 1.1.2018 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Balance 31.12.2018 €'000
Difference between tax base and carrying amount of tangible and intangible fixed assets	(39,446)	-	17,446	-	(22,000)
Revaluation of land & buildings and investment property	(88,878)	-	(2,514)	(7,868)	(99,260)
Investments in associates	101	-	-	-	101
Unrelieved tax losses and unabsorbed capital allowances	36,291	-	(665)	-	35,626
Credit loss allowances	1,265	162	414	-	1,841
Others	423	-	(1,462)	1,329	290
	(90,244)	162	13,219	(6,539)	(83,402)

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

The Company

	Balance 1.1.2019 €'000	Recognised in profit or loss €'000	Other movements €'000	Balance 31.12.2019 €'000
Unrelieved tax losses and unabsorbed capital allowances	2,751	2,369	(1,565)	3,555
	2,751	2,369	(1,565)	3,555

31. Deferred tax assets and liabilities – continued

The Company

	Balance 1.1.2018 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Other movements €'000	Balance 31.12.2018 €'000
Unrelieved tax losses and unabsorbed capital allowances	2,976	(225)	-	-	2,751
Revaluation of land & buildings and investment property	(3,009)	-	2,397	612	-
	(33)	(225)	2,397	612	2,751

Unrecognised deferred tax assets

Deferred income taxes are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of €13.17 million (2018: €17.20 million) in respect of losses amounting to €52.67 million (2018: 68.80 million) that can be carried forward against future taxable income.

The Group did not recognise deferred income tax assets of €21.24 million (2018: €25.98 million) in respect of losses amounting to €80.34 million (2018: €97.90 million) that can be carried forward against future taxable income.

32. Trade and other payables

	The Group		The Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Non-current				
Other payables	3,993	3,553	-	-
Financial liabilities	3,993	3,553	-	-
Advance payments	483	354	-	-
Contract liabilities	2,475	2,854	-	-
Statutory liabilities	567	1,046	-	-
Total payables – non-current	7,518	7,807	-	-
Current				
Trade payables	21,810	22,682	139	270
Amounts owed to:				
Subsidiary companies	-	-	10,532	17,848
Associate companies	15	10	11	-
Joint ventures	250	401	-	-
Other related parties	7,620	1,505	-	-
Other payables	9,964	7,581	449	395
Other liabilities – contingent consideration (Note 38.5)	-	8,688	-	-
Accrued expenses	28,602	28,008	1,226	1,355
Financial liabilities	68,261	68,875	12,357	19,868
Contract liabilities	6,302	6,069	-	-
Advance payments	4,870	3,626	-	-
Statutory liabilities	5,492	7,147	45	7
Total payables – current	84,925	85,717	12,402	19,875

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

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

33. Cash flow information

33.1 Adjustments

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Amortisation of intangible assets	1,355	1,825	-	-
Depreciation of property, plant and equipment	38,689	37,611	11	39
Depreciation of right-of-use assets	2,506	-	209	-
(Gain)/loss on disposal of property, plant and equipment	(77)	1,244	-	-
Net impairment losses on property, plant and equipment	1,320	126	-	-
Impairment losses on intangible assets	1,693	2,339	-	-
Impairment losses on investments	-	-	2,765	2,388
Fair value movements on investment properties	137	(6,966)	-	-
Share of results of associates and joint ventures	(3,325)	(9,579)	-	-
Movement in indemnification liabilities	-	-	(210)	(210)
Gain on sale of investment in subsidiary	(46,487)	-	(70,213)	-
Gain on sale of intangible asset	-	-	(2,400)	-
Fair value movement on financial assets at FVTPL	(2,202)	-	(1)	-
Net change in fair value of contingent consideration	(4,445)	-	563	-
Change in credit loss allowances on receivables	473	1,628	-	-
Amortisation of transaction costs	1,504	938	120	93
Loss on impairment of investment in associate	-	239	-	239
Interest income	(1,053)	(799)	(214)	(314)
Interest expense	25,319	24,936	4,807	5,019
Dividend income	-	-	(24,036)	(11,269)
Net exchange differences	(5,336)	10,738	1	-
	10,071	64,280	(88,598)	(4,015)

Significant non-cash transactions

The Company's significant non-cash transactions for 2019 relate to an amount of €14.84 million representing dividends declared by a subsidiary company offset against other loans payable, and to an amount of €8.76 million representing the set-off of a loan payable by the Company to Pankrac Property Holdings s.r.o..

33. Cash flow information - continued

33.2 Reconciliation of financing assets and liabilities

The Group	Assets		Liabilities from financing activities			
	Assets placed under trust arrangement €'000	Bonds €'000	Bank loans €'000	Other borrowings €'000	Lease liabilities €'000	Total €'000
As at 1 January 2018						
- Principal	3,380	(249,656)	(380,430)	(26,759)	-	(653,465)
- Accrued interest	-	(5,627)	(1,090)	-	-	(6,717)
	3,380	(255,283)	(381,520)	(26,759)	-	(660,182)
Net Cash flow movements	1,971	12,388	(3,327)	2,386	-	13,418
Foreign exchange differences	-	-	(6,791)	-	-	(6,791)
Currency translation differences	-	-	11,331	-	-	11,331
Other movements including interest	-	(12,127)	(14,466)	(797)	-	(27,390)
As at 31 December 2018	5,351	(255,022)	(394,773)	(25,170)	-	(669,614)
Comprising:						
- Principal	5,351	(249,383)	(394,517)	(25,170)	-	(663,719)
- Accrued interest	-	(5,639)	(256)	-	-	(5,895)
As at 31 December 2018	5,351	(255,022)	(394,773)	(25,170)	-	(669,614)
As at 1 January 2019						
- Principal	5,351	(249,383)	(394,517)	(25,170)	-	(663,719)
- Accrued interest	-	(5,639)	(256)	-	-	(5,895)
	5,351	(255,022)	(394,773)	(25,170)	-	(669,614)
Initial application of IFRS 16	-	-	-	-	(16,962)	(16,962)
Net Cash flow movements	(1,534)	400	16,409	16,929	3,192	35,396
Deconsolidation of subsidiaries	-	-	17,706	-	-	17,706
Foreign exchange differences	3	-	(5,336)	-	-	(5,333)
Currency translation differences	-	-	(16,196)	-	-	(16,196)
Other movements including interest	-	(12,758)	(12,621)	(23,813)	(2,573)	(51,765)
As at 31 December 2019	3,820	(267,380)	(394,811)	(32,054)	(16,343)	(706,768)
Comprising:						
- Principal	3,820	(262,081)	(394,517)	(32,054)	(16,343)	(701,175)
- Accrued interest	-	(5,299)	(294)	-	-	(5,593)
As at 31 December 2019	3,820	(267,380)	(394,811)	(32,054)	(16,343)	(706,768)

33. Cash flow information - continued

33.2 Reconciliation of financing assets and liabilities

The Company	Liabilities from financing activities		
	Bank loans €'000	Other borrowings €'000	Total €'000
As at 1 January 2018			
- Principal	(3,375)	(148,392)	(151,767)
- Accrued interest	(18)	(1,675)	(1,693)
	(3,393)	(150,067)	(153,460)
Net cash flow movements	(2,189)	(2,975)	(5,164)
Set-offs	-	18,800	18,800
Other movements including interest	(254)	(2,588)	(2,842)
As At 31 December 2018	(5,836)	(136,830)	(142,666)
Comprising:			
- Principal	(5,787)	(135,142)	(140,929)
- Accrued interest	(49)	(1,688)	(1,737)
As At 31 December 2018	(5,836)	(136,830)	(142,666)
As at 1 January 2019			
- Principal	(5,787)	(135,142)	(140,929)
- Accrued interest	(49)	(1,688)	(1,737)
	(5,836)	(136,830)	(142,666)
Net cash flow movements	1,423	20,197	21,620
Set-offs	-	23,563	23,563
Other movements including interest	(222)	(26,357)	(26,579)
As at 31 December 2019	(4,635)	(119,427)	(124,062)
Comprising:			
- Principal	(4,596)	(118,094)	(122,690)
- Accrued interest	(39)	(1,333)	(1,372)
As at 31 December 2019	(4,635)	(119,427)	(124,062)

34. Commitments

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

	The Group		The Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Contracted for:				
Property, plant and equipment	3,538	3,500	-	-
Authorised but not yet contracted for:				
Property, plant and equipment	71,078	82,400	-	3,200
	74,616	85,900	-	3,200

34.1 Operating leases

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

	The Group		The Company	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Less than one year	-	2,936	-	198
Between one and five years	-	6,928	-	279
More than five years	-	20,866	-	-
	-	30,730	-	477

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

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

During the year ended 31 December 2018, €5.10 million and €0.10 million for the Group and Company respectively were recognised as an expense in the income statement in respect of operating leases.

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities for these leases as disclosed in Note 4 to these financial statements.

35. Contingencies

A claim in relation to brokerage fees on the sale of Lisbon Hotel to IHI p.l.c. in 2000 amounting to €1.70 million is being made by an individual against 8 defendants including IHI p.l.c.. No provision has been made in these financial statements as the Company and the Group believe that it has a strong defence in respect of these claims.

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

The Group	2019	2018
	€'000	€'000
Guarantees given to secure bank facilities of associate companies	4,363	6,655
Guarantees given to secure bonds of associate company (MIH p.l.c.)	58,408	60,000
	<u>62,771</u>	<u>66,655</u>
The Company	2019	2018
	€'000	€'000
Guarantees given to secure bonds	98,408	105,920
Guarantees given to secure bank facilities for related companies	18,968	42,793
	<u>117,376</u>	<u>148,713</u>

36. Disposals of Group interests

Disposal of Pankrac Property Holdings s.r.o.

During the year under review, the Group disposed of its shareholding in Pankrac Property Holdings s.r.o..

The table below analyses the gain of sale as presented in the Group's income statement:

	2019
	€'000
Consideration received:	
Consideration receivable – Gross	76,850
Transaction costs	(1,683)
	<u>75,167</u>
Total disposal consideration – Net of transaction costs	75,167
Carrying amount of net assets sold	(28,613)
	<u>46,554</u>
Gain on sale before reclassification of foreign currency translation reserve	46,554
Reclassification of foreign currency translation reserve	(67)
	<u>46,487</u>
Net gain on sale	46,487

For cash flow purposes, out of the proceeds of €76.85 million, transactions costs were deducted and the loan repayment by the Company to Pankrac Property Holdings s.r.o. amounting to €8.76 million was also netted off from the cash consideration.

36. Disposals of Group interests – continued

Disposal of Pankrac Property Holdings s.r.o. – continued

The carrying amounts of assets and liabilities as at the date of sale (22 August 2019) were:

	22 August 2019
	€'000
Property, plant and equipment	36,795
Investment property	5,666
Loan receivables	8,763
Trade and other receivables	250
Cash and bank balances	2,272
Total assets	53,746
Bank borrowings	(17,706)
Deferred tax liabilities	(7,288)
Current income tax	(139)
Total liabilities	(25,133)
Net assets	28,613

Disposal of Corinthia Caterers Limited and CarterMax Limited

In June 2019, the Company also disposed of its direct shareholding in Corinthia Caterers Limited and of its indirect shareholding in CaterMax Limited to its subsidiary company, IHI p.l.c.. Following this transaction, the effective interest held by the Group in these two subsidiaries decreased to 57.82%.

The Group recognised a decrease in non-controlling interests of €1.64 million and an increase in equity attributable to owners of the parent of €1.64 million. The transaction has been recorded directly in the statement of changes in equity as a transaction with non-controlling interests.

37. Related parties

All companies controlled, jointly controlled or significantly influenced by CPHCL are considered to be related parties. A list of these companies is included in Notes 17 and 18. Related parties also comprise the shareholders of CPHCL together with the Group companies' key management personnel.

Key management personnel include directors (executive and non-executive) and senior management members of both the Company and of all the group entities located in Malta and in various other countries. The compensation paid or payable to key management personnel for employee services is disclosed in Note 37.1.

None of the transactions with related parties incorporate special terms and conditions and, no guarantees were given or received. Transactions with related companies are generally effected on a cost-plus basis or on the basis of pre-agreed arrangements. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in Notes 17, 18, 20, 29 and 32.

37. Related parties – continued

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Revenue				
Services rendered to:				
Associates	583	613	828	619
Related companies	358	781	555	361
	941	1,394	1,383	980
Financing				
Interest income				
Associates	213	286	203	263
Interest expense				
Subsidiaries	-	-	(3,615)	(3,675)
Shareholders' loan	(813)	(886)	(813)	(886)
	(600)	(600)	(4,225)	(4,298)
Dividend income from				
Subsidiaries	-	-	24,036	11,269
Management fee	-	-	(1,100)	(1,100)

37.1 Transactions with key management personnel

In addition to the remuneration paid to the Directors included in Note 7.2, 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 2019, the total remuneration of the executive directors and the senior management members of both the Company and of all the group entities located in Malta and in various other countries amounted to €9.66 million (2018: €10.50 million).

38. 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.

38. Risk management objectives and policies - continued

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

The most significant financial risks to which the Group is exposed to are described below. See also Note 38.5 for a summary of the Group's financial assets and liabilities by category.

38.1 Credit risk

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

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Financial assets at amortised cost				
Trade and other receivables	46,083	47,794	9,100	9,140
Long term receivables from related parties	6,774	7,657	25,226	28,192
Cash at bank	125,749	61,179	46,590	2,809
Assets held by trustee placed under trust arrangement	3,820	5,351	-	-
Gross exposure	182,426	121,981	80,916	40,141
Credit loss allowances	(7,037)	(6,564)	(12,451)	(9,632)
Net exposure	175,389	115,417	68,465	30,509

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

Risk management and security

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.

38. Risk management objectives and policies - continued

38.1 Credit risk - continued

Risk management and security - continued

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 credit losses that represents its estimate of losses in respect of trade and other receivables.

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

Impairment of financial assets

The Group and 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 Group 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 Group 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 an appropriate period before 31 December 2019 and 31 December 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 movement in loss allowances identified as at 31 December 2019 and 31 December 2018 is deemed immaterial by management.

38. Risk management objectives and policies - continued

38.1 Credit risk - continued

Trade receivables and contract assets - continued

On this basis, the information pertaining to loss rates and loss allowances in the Group's provisioning matrix, which would have otherwise been required by IFRS 7, is not presented as at 31 December 2019 and 31 December 2018.

The closing loss allowances for trade receivables and contract assets as at 31 December 2019 reconcile to the opening loss allowance as follows:

	The Group	
	2019	2018
	€'000	€'000
At 1 January	6,564	5,398
Written-off balances	(147)	(196)
Credit losses recognised	622	1,338
Credit losses reversed	(18)	(39)
Exchange differences	16	63
At 31 December	7,037	6,564

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure to settlement after a number of attempts being made to collect past due debts; amounts deemed unrecoverable after a court ruling; and failure by the Group to provide original documentation in case of invoices contested by the customer.

Credit losses on trade receivables and contract assets are recognised with administrative expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

38. Risk management objectives and policies - continued

38.1 Credit risk – continued

Other financial assets at amortised cost

The Company's other financial assets at amortised cost which are subject to IFRS 9's general impairment model include amounts due from subsidiaries and amounts due from other related parties.

The closing loss allowance for amounts due from subsidiaries as at 31 December 2019 reconcile to the opening loss allowances as follows:

	The Company	
	2019	2018
	€'000	€'000
At 1 January 2018	9,632	8,491
Impairment losses recognised	2,765	1,141
Exchange differences	54	-
At 31 December	12,451	9,632

The Group and the Company monitor intra-group credit exposures at individual entity level on a regular basis and ensure timely performance of these assets in the context of its overall liquidity management. The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Company's management uses judgement in making these assumptions, based on the counterparty's past history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

As at year-end, based on the Directors' assessments of these factors, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management together with the support of shareholders in place, resulted in a further increase in provision of €2.77 million (2018: €2.40 million) for the Company.

Cash at bank

The Group's cash is placed with reputable 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. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

38. Risk management objectives and policies - continued

38.2 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 that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions. Liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

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

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

At 31 December 2019 and 2018 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Group	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2019	€'000	€'000	€'000
Bank borrowings	58,202	281,280	79,937
Bonds	12,707	111,767	214,643
Other borrowings	-	5,129	32,054
Lease liabilities	3,224	8,483	28,800
Trade and other payables	69,717	3,299	3,993
	143,850	409,958	359,427

38. Risk management objectives and policies - continued

38.2 Liquidity risk – continued

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

The Group

31 December 2018	Current	Non-current	
	Within 1 year €'000	1-5 years €'000	More than 5 years €'000
Bank borrowings	53,029	157,786	222,350
Bonds	12,253	83,855	236,596
Other borrowings	4,686	3,348	20,558
Trade and other payables	68,883	1,728	10,302
	138,851	246,717	489,806

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

At 31 December 2019, the Company has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Company

31 December 2019	Current	Non-current	
	Within 1 year €'000	1-5 years €'000	More than 5 years €'000
Bank borrowings	1,451	3,391	123
Other borrowings	3,794	35,241	100,356
Lease liabilities	216	39	-
Trade and other payables	12,357	-	-
	17,818	38,671	100,479

38. Risk management objectives and policies - continued

38.2 Liquidity risk – continued

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

The Company

31 December 2018	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
	€'000	€'000	€'000
Bank borrowings	1,979	4,330	-
Other borrowings	3,300	40,316	117,533
Trade and other payables	20,490	-	-
	25,769	44,646	117,533

38.3 Market risk

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

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily, from its operations in Russia (RUB), Hungary (HUF), Czech Republic (CZK), Tunisia (TND) and Libya (LYD). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency, which would be considered a foreign currency from the entity's perspective.

The Group's and the Company's main currency risk exposure reflecting the carrying amount of assets and liabilities denominated in foreign currencies at the end of the reporting period, analysed by the functional currency of the respective entity or entities, was as follows:

38. Risk management objectives and policies - continued

38.3 Market risk - continued

(i) Foreign currency risk – continued

Group	2019														
	EUR		Functional Currency												TL
	GBP €'000	HUF €'000	LYD €'000	CZK €'000	SDG €'000	RUB €'000	STG €'000	LYD €'000	CZK €'000	HUF €'000	TND €'000	USD €'000	SDG €'000	EUR €'000	
Financial assets:															
Loans	-	-	-	-	-	-	533	-	-	-	-	-	-	-	-
Trade receivables	-	1,774	1,595	1,047	-	-	-	-	300	100	435	1,458	-	-	-
Other receivables	-	596	9,336	681	-	-	-	-	18,829	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	1,530	-	-	-	-	315	-	-	-	-	-	50
Financial liabilities:															
Bank borrowings	-	-	-	-	-	(46,187)	-	-	(9,660)	-	-	-	-	-	-
Other borrowings	-	-	-	(15,665)	-	-	-	-	-	-	-	-	-	-	-
Trade payables	-	(770)	(1,137)	(1,340)	-	-	-	-	-	(100)	-	-	-	-	-
Other payables	(2,195)	(2,805)	(2,867)	(2,385)	-	-	(213)	(2,903)	(879)	(5,750)	-	(2,260)	-	-	-
Net exposure	(2,195)	(1,205)	6,927	(16,132)	-	(46,187)	(213)	(2,903)	8,905	(5,750)	435	(802)	-	50	50

38. Risk management objectives and policies -- continued

38.3 Market risk - continued

(i) Foreign currency risk - continued

Group	2018															
	Functional Currency										Surrency					
	GBP €'000	HUF €'000	EUR €'000	LYD €'000	CZK €'000	SDG €'000	RUB €'000	STG €'000	EUR €'000	LYD €'000	CZK €'000	HUF €'000	TND €'000	USD €'000	EUR €'000	TL €'000
Financial assets:																
Loans	-	-	-	-	-	-	-	1,505	-	-	-	-	-	-	-	-
Trade receivables	-	2,304	-	2,101	-	-	-	-	-	-	300	-	100	352	1,255	-
Other receivables	-	932	-	9,258	-	-	-	-	-	-	18,418	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	788	-	-	-	-	969	-	-	-	-	50
Financial liabilities:																
Bank borrowings	-	-	-	-	-	-	(48,775)	-	-	-	(10,763)	-	-	-	-	-
Other borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables	-	(805)	-	(746)	-	-	-	-	-	(136)	-	-	(100)	-	-	-
Other payables	(1,973)	(3,065)	-	(2,847)	-	-	-	(766)	(165)	(2,596)	(668)	(6,108)	-	(1,789)	-	-
Net exposure	(1,973)	(634)	-	7,766	(31,033)	-	(48,775)	739	(165)	(2,732)	8,256	(6,108)	352	(534)	-	50

38. Risk management objectives and policies - continued

38.3 Market risk - continued

(i) Foreign currency risk - continued

Although the Group operates internationally most of the Group's entities have the euro as their functional currency. The main exceptions are IHI Benelux BV through its hotel in St Petersburg (Russian Rouble), NLI through its hotel in London (GBP), Thermal Hotel Aquincum through its hotel in Budapest (HUF), SPH Khamsa through its hotel in Tunis (TND), and Marsa Investments through its operation in Sudan (SDG).

The subsidiary that is most exposed to foreign currency risk is IHI Benelux which has the Russian Rouble as its functional currency. This risk results from the fact that its bank borrowings are denominated in euro while a portion of its revenues and costs are also denominated in euro. As at 31 December 2019, if the EUR had weakened/strengthened by 10.00% (2018: 10.00%) against the Rouble with all other variables remaining constant, the Group's post tax profit for the year would have been €5.10 million lower/€5.10 million higher (2018: €5.40 million lower/€5.40 million higher) as a result of foreign exchange losses/gains on translation of the euro denominated borrowings.

Additionally, IHI Benelux is also exposed to other financial liabilities and other payables due to Group companies which are eliminated on consolidation. These balances amounting to €54.10 million (2018: €54.10 million) and €13.8 million (2018: €16.8 million) respectively, are considered to be part of the Group's net investment in the foreign operation. Accordingly, any foreign exchange differences with respect to these balances, which at IHI Benelux standalone level are recognised in profit or loss, were reclassified to other comprehensive income on consolidation.

At 31 December 2019, if the euro had weakened/strengthened by 10.00% (2018: 10.00%) against the Rouble with all other variables held constant, the Group's equity would have been €7.80 million lower/€7.80 million higher (2018: €8.40 million lower/€8.40 million higher) as a result of foreign exchange losses/gains recognised in other comprehensive income on the translation of the euro denominated payables.

The Group has also two significant amounts in intra-group balances between the Parent Company and two of its subsidiaries in Hungary and in the Czech Republic that give rise to currency exposure risk on the movements of the HUF and the CZK. Although the above balances are eliminated on consolidation, the effect of movements in exchange rates are still recognised in the individual companies' and in the consolidated income statement. However, management does not deem a sensitivity analysis is required on these balances in view of the fact that the rates of these two currencies against the euro are relatively stable, while their settlement is at the discretion of the Company.

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

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

38. Risk management objectives and policies - continued

38.3 Market risk - continued

(i) Foreign currency risk - continued

Wherever possible, borrowings to fund certain operations are denominated in currencies that match the cash flows generated by the respective operations of the Group so as to provide an economic hedge.

(ii) Interest rate risk

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

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Fixed rate instruments				
Financial assets:				
Assets placed under trust arrangement	3,820	5,351	1,160	-
Financial liabilities:				
Bonds	(262,081)	(249,383)	-	-
Other borrowings	(32,054)	(25,058)	(73,250)	(67,713)
	(290,315)	(269,090)	(72,090)	(67,713)
Variable rate instruments				
Financial liabilities:				
Bank borrowings	(391,105)	(400,806)	(4,596)	(5,830)
Other borrowings	-	-	(44,599)	(67,429)
	(391,105)	(400,806)	(49,195)	(73,259)

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

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

At 31 December 2019, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year for the Group would have been €3.86 million (2018: €3.40 million) lower/higher as a result of higher/lower net interest expense.

38. Risk management objectives and policies - continued

38.3 Market risk – continued

(iii) Price risk

The Group's exposure to equity securities price risk arises from its investments in equities, funds and mutual funds, which are classified in the statement of financial position as 'Financial assets at fair value through profit or loss'. The carrying amount of these investments as at 31 December 2019, amounted to €10.07 million (2018: €8.50 million). All of these investments are publicly traded.

Management does not consider that a reasonable shift in indices will have a significant impact on the Group's equity and post-tax profit. Accordingly, a sensitivity analysis disclosing how profit or loss and equity would have been affected by changes in indices that were reasonably possible at the end of the reporting period is not deemed necessary.

38.4 Capital management policies and procedures

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

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

38. Risk management objectives and policies - continued

38.4 Capital management policies and procedures - continued

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

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Bank loans (Note 27)	383,861	394,517	4,596	5,787
Bonds (Note 28)	262,081	249,383	-	-
Assets held under trust (Note 28.2)	(3,820)	(5,351)	-	-
Other borrowings (Note 29)	32,054	25,170	117,849	135,142
Lease liabilities (Note 16)	16,342	-	246	-
Less: cash and cash equivalents (Note 22)	(118,505)	(54,890)	(46,590)	(2,766)
Net debt	572,013	608,829	76,101	138,163
Total equity	960,153	908,883	310,232	247,568
Total capital	1,532,166	1,517,712	386,333	385,731
Net debt ratio	37.33%	40.11%	19.70%	35.82%

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

38. Risk management objectives and policies – continued

38.5 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at balance sheet date of the reporting periods under review may also be categorised as follows. See Note 3.12 for explanations about how the category of financial instruments affects their subsequent measurement.

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Non-current assets				
Financial assets at FVTPL				
Unlisted equity securities	8,401	-	-	-
Financial assets at amortised cost				
Amounts due from related companies	6,774	7,657	12,775	18,560
Trade receivables and other receivables	267	1,406	-	1,030
Cash and cash equivalents				
- presented within assets placed under trust arrangement	3,698	5,229	-	-
Current assets				
Financial assets at FVTPL				
Bond securities	1,164	-	1,160	-
Equity securities	4,641	1,821	-	-
Mutual funds	4,268	6,664	-	-
Financial assets at amortised cost				
Trade receivables and other receivables	38,779	39,824	9,100	8,110
Cash and cash equivalents	125,749	61,179	46,590	2,809
Total financial assets	193,741	123,780	69,625	30,509

38. Risk management objectives and policies – continued

38.5 Summary of financial assets and liabilities by category – continued

	The Group		The Company	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Non-current liabilities				
Other financial liabilities measured at amortised cost				
Bank borrowings	340,706	354,886	3,306	4,032
Bonds	262,081	249,383	-	-
Other borrowings	32,054	20,617	116,902	134,195
Lease liabilities	13,193	-	38	-
Trade payables and other payables	3,993	3,553	-	-
Current liabilities				
Other financial liabilities measured at amortised cost				
Bank borrowings	50,399	45,920	1,290	1,798
Other borrowings	-	4,553	947	947
Lease liabilities	3,149	-	208	-
Trade payables and other payables	68,261	60,187	12,357	19,868
Other financial liabilities at FVTPL				
Contingent consideration	-	8,688	-	-
Total liabilities	773,836	747,787	135,048	160,840

38.6 Financial instruments measured at fair value

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

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

38. Risk management objectives and policies – continued

38.6 Financial instruments measured at fair value – continued

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

The key financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	2019 €'000	The Group 2018 €'000	2019 €'000	2018 €'000
	Level 1		Level 3	
Assets				
Financial assets at fair value through profit or loss				
Equity securities (Note 21)	4,641	1,821	8,401	-
Mutual funds	4,268	6,664	-	-
Bond securities	1,164	-	-	-
Total	10,073	8,485	8,401	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Contingent consideration	-	-	-	8,688
Total	-	-	-	8,688

Measurement of fair value

The fair value of the financial assets at fair value through profit and loss which are quoted and accordingly categorised as Level 1 instruments was based on quoted market prices.

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

Investments in unlisted equity securities, categorised as Level 3 instruments in view of their unlisted nature comprise the acquisition during 2019 of minority stakes in Global Hotel Alliance and Moscow Project. In the opinion of the Directors, as at year-end, the fair value of these investments is best represented by the Group's acquisition price given these were recent transactions undertaken between unrelated parties.

During 2019, the Group settled a liability relating to previously acquired assets emanating from agreements which were subject to a consideration that was dependent on the performance of underlying assets or business. The fair value of the liability from 1 January to settlement date decreased by €4.40 million, thereby resulting in a gain recognised in profit or loss.

There have been no transfers of financial assets between the different level of the fair value hierarchy.

38. Risk management objectives and policies – continued

38.7 Financial instruments not measured at fair value

Disclosures in respect of the fair value of financial instruments not carried at fair value are presented within Notes 20, 28, 29 and 32. The Directors generally consider the carrying amounts to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods.

39. Ultimate controlling party

The Company is the ultimate parent of the Corinthia Group.

In view of its shareholding structure, the Group and the Company have no ultimate controlling party.

40. Events after the reporting period

Outbreak of COVID-19

In early January 2020, Asia experienced an outbreak of a novel coronavirus (COVID-19). This was declared a global pandemic by the World Health Organisation in March 2020. The Group's operations were significantly impacted as a result of the pandemic. Further information on the impact of COVID-19 on the Group is disclosed in Note 3.1.

Liquidation of joint venture

As disclosed in Note 18.4, the Azure Resorts Group was placed into liquidation. As at the date of signing these financial statements, the Group's directors are still assessing the impact of the liquidation on the classification of the investment following the appointment of a liquidator, and the measurement of the investment in the Group's financial statements subsequent to year end. As at 31 December 2019, the Group's interest in Azure Resorts was carried at €6.20 million. An additional amount of €2.80 million is recognised within the Group's translation reserves as a loss of translation. Upon liquidation, the amount recognised in the translation reserve will be reclassified to profit or loss.