

International Hotel Investments p.l.c.

Report & Financial Statements

31 December 2020

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GROUP STRUCTURE

From concept to acquisition, design and development through to successful operation, the IHI Group is uniquely positioned in the industry. The Group is determined to build on the success of its iconic Corinthia Hotels brand, pursue related real estate projects, and explore opportunities with like-minded third parties in key locations around the world.

THE GROUP COMPRISES A NUMBER OF KEY SUBSIDIARY ENTITIES:



CORINTHIA HOTELS LIMITED

is a hotel, resort and catering management company which manages hotels under the Corinthia brand, worldwide.



CORINTHIA DEVELOPMENTS INTERNATIONAL LIMITED (CDI)

is a development company which originates, plans, structures, transacts and manages the Group's ongoing developments.



QP LIMITED

is a project management company which supports the Group and third parties with architectural, engineering, management and technical construction services.

OUR PORTFOLIO

OUR VISION IS TO BUILD CORINTHIA WORLDWIDE, NOT ONLY
 WITHIN EUROPE AND THE MIDDLE EAST, BUT EQUALLY
 IN THE WORLD'S MAIN GATEWAY CITIES AND RESORTS.

– HOTELS OWNED & MANAGED –

BRUSSELS*
 Corinthia Hotel (opening 2023
 former Grand Hotel Astoria)
 126 Rooms / 50% Holding

BUDAPEST
 Corinthia Hotel
 (former Grand Hotel Royal)
 439 Rooms / 100% Holding

LISBON
 Corinthia Hotel
 518 Rooms / 100% Holding

LONDON*
 Corinthia Hotel & Residences
 283 Rooms / 50% Holding
 *Partly owned

MALTA
 Corinthia Palace Hotel – Attard
 150 Rooms / 100% Holding
 Corinthia Hotel – St George's Bay
 250 Rooms / 100% Holding

Radisson Blu Resort & Spa
 – Golden Sands
 329 Rooms / 100% Holding

Marina Hotel – St George's Bay
 200 Rooms / 100% Holding

Radisson Blu Resort – St Julian's
 252 Rooms / 100% Holding

MOSCOW*
 Corinthia Hotel & Residences
 (opening 2023)
 56 Rooms / 10% Holding

PRAGUE
 Corinthia Hotel
 551 Rooms / 100% Holding

ST PETERSBURG
 Corinthia Hotel
 385 Rooms / 100% Holding

TRIPOLI
 Corinthia Hotel
 300 Rooms / 100% Holding

– HOTELS MANAGED –

BUCHAREST
 Corinthia Hotel (opening 2022
 former Grand Hotel Du Boulevard)
 35 Rooms

BUDAPEST
 Acquincum Hotel
 310 Rooms

DOHA
 Corinthia Hotel, Residences,
 Golf & Yacht Club
 (opening 2022/3)
 110 Rooms

DUBAI
 Corinthia Meydan Beach Hotel
 (opening 2022)
 300 Rooms
 60 Residences

KHARTOUM
 Corinthia Hotel
 230 Rooms

PRAGUE
 Panorama Hotel
 440 Rooms

ROME
 Corinthia Hotel
 (opening 2023)
 60 Rooms

TUNIS
 Ramada Plaza
 309 Rooms

– LAND & COMMERCIAL PROPERTIES –

BUDAPEST
 Royal Residences

LONDON
 10, Whitehall Place Residences

MALTA
 Golden Sands
 (Detailed design underway)

MOSCOW
 Corinthia Residences
 (Under Development)

ST PETERSBURG
 Nevskij Plaza Shopping & Office Centre

TRIPOLI
 Corinthia Commercial Centre

Board of Directors

ALFRED PISANI

Chairman of IHI. He founded the Corinthia Group in 1962 and has guided the Group and IHI ever since, spearheading investment and growth across three continents over five decades.

SALEM M.O. HNESH

Appointed General Manager of Libyan Foreign Investment Company (LAFICO) in August 2018. He is a former Chairman and CEO of Asteris in Greece and Chairman and CEO of Libyan Greek Investment Company. Mr Hnesh is a graduate in agricultural engineering from the University of Tripoli.

JOSEPH FENECH (*Appointed 20 April 2021*)

Joseph Fenech is a Fellow of the Association of Chartered Certified Accountants of the United Kingdom and a Fellow of the Malta Institute of Accountants. Mr Fenech joined the Corinthia Group in 1980. Mr Fenech enjoys an acknowledged reputation in the hotel business and corporate financing, having been intimately involved in the Corinthia Group for the past 41 years.

ABUAGILA ALMAHDI (*Resigned 9 July 2020*)

Vice Chairman of Corinthia Palace Hotel Company Limited, nominated by LAFICO. He is a graduate in accounting from the University of Tripoli and holds a Masters in Finance, Accounting and Management from Bradford University.

HAMAD BUAMIM

President and CEO of the Dubai Chamber of Commerce and Industry and serves as the Deputy Chairman of the World Chambers Federation – ICC – in Paris. He is a member of the Board of Directors of the UAE Central Bank, Chairman of National General Insurance and Board Member of Union Properties.

DAVID CURMI (*Appointed 17 February 2020*)

Mr Curmi is a financial services professional and corporate executive. He is currently the Executive Chairman of Air Malta p.l.c., the flag carrier airline of the Maltese Islands. Mr Curmi is an Associate of the Chartered Insurance Institute of the United Kingdom and a Chartered Insurer. He is also a Director of Midi p.l.c., Deputy Chairman of Plaza Centres p.l.c., Director of QP Management, Member of the Board of the Doctoral School (University of Malta), Chairman of L.B. Factors Ltd (a Lasselsberger Group Company) and Member of the Board of the Insurance Protection and Compensation Fund.

ABDULNASER AHMIDA

Head of the Risk Management Department at LAFICO. He is a director of ASRY, Arab Shipbuilding and Repair Yard in Bahrain. He is a graduate in computer engineering from Naser University and holds a Masters in Finance, Accounting and Management from Bradford University.

JOSEPH PISANI

Founder director and member of the main board of Corinthia Palace Hotel Company Limited (CPHCL) as from 1962, and has served on a number of boards of subsidiary companies. From 2000 to 2014 he has served as Chairman of the Monitoring Committee of IHI.

Board of Directors - continued

JOSEPH J. VELLA *(Resigned 20 April 2021)*

Chairman of a leading law firm with his main areas of practice being company law and corporate matters. He is regularly mentioned in leading specialized publications as being one of the leading practitioners in Malta. Dr Vella also holds the position of Director on the boards of a number of major companies.

FRANK XERRI DE CARO

Joined the Board of IHI in 2005, having previously been the General Manager of Bank of Valletta p.l.c., besides serving on the boards of several major financial, banking and insurance institutions. He is also Senior Independent Director and Chairman of the IHI Audit Committee.

DOURAIID ZAGHOUBANI

Chief Operating Officer of the Investment Corporation of Dubai (ICD). Previously, he was with Xerox for over 25 years, holding a number of senior management, sales and marketing posts in Europe and North America. Was Board Chairman of several Xerox companies; his last appointment was Corporate Officer and President, Channel Partner Operations for Xerox in New York.

WINSTON V. ZAHRA *(Resigned 17 February 2021)*

Founded Island Hotels Group Holdings p.l.c. now owned by IHI. He was Managing Director of the IHG Group until 2009 and prior to 1987, he was the co-founder of one of the leading tourism-oriented companies in Malta. Mr Zahra has served on various boards and committees related to the tourism industry.

JEAN-PIERRE SCHEMBRI

Company Secretary, joined IHI in 2018. Mr Schembri occupied senior positions within the EU Institutions and Maltese public service. He served at the Permanent Representation of Malta to the EU. He joined the European Union Civil Service in 2012 where he occupied the senior management positions within the European Asylum Support Office. While at EASO, he also headed the board secretariat of the agency.

Chairman's Statement

Dear fellow shareholders,

At the beginning of 2020 we looked forward with high hopes to another successful and even more prosperous year for Corinthia, following a record performance in 2019. Little did anyone imagine that the whole world would soon be hit by the drastic effects of COVID-19.

In March 2020, Malta, together with the rest of Europe and the world, faced lockdowns which brought the hotel industry to a sudden halt. June 2020 saw a glimmer of hope which was eventually totally reversed in the fourth quarter when a second wave of COVID-19 cases hit Europe and most other countries. The absence of business this caused has unfortunately continued into the first and second quarters of 2021. Looking forward, there is strong concern that the rollout of the vaccine throughout Europe and elsewhere is logistically proving to be slower and more challenging than anticipated, which delay will surely have a negative impact on the return of travel to some form of normality during the rest of the year.

LOOKING BACK AT 2020

When the alarm bells rang and restrictions were introduced, we focused all our attention on addressing the calamity with determination and speed, implementing all possible corrective measures to contain the damage. Action had to be taken to curtail payroll by terminating all probationary, part-time and fixed-term contracts, while also removing all outside labour service providers. Employees also had to bear drastic cuts in their take-home pay.

We also undertook other cost containment measures, including the shutting down of most of our hotels from March, whilst naturally maintaining essential security and maintenance procedures. We suspended all capital expenditure other than that required to finish works that were nearing completion. Every cost item in our hotels and elsewhere was evaluated and served as the basis for renegotiating rates or entering into agreements for payment deferrals. We negotiated with our banks both in Malta and internationally to defer repayment of capital and, in some cases also interest, and furthermore organized separate and fresh lines of credit from various banks and related parties. Finally, absolute priority was given to health risks and we followed all directives issued by the health authorities in the various jurisdictions where we operate and updated all internal guidelines on operations and staff welfare as required.

I must add that in most of the countries where we operate, the respective governments introduced a package of measures to support the hospitality industry, which included salary subsidies, and waiver or deferral of payroll taxes and social security contributions. The United Kingdom also introduced a waiver of property taxes for 2020, while the Czech Government provided an outright grant pegged to the number of days in which the country was officially in a state of emergency. All these schemes have proved to be of significant assistance to the Company.

Nevertheless, despite all these measures, our hotel operations and other activities ended 2020 with an operating loss of €3.8 million and the Company incurred a further €21.3 million to cover interest on bank loans and bonds. As expected, our financial results mirror the negative scenario in the tourism industry both in Malta and in the countries we operate.

As already indicated, we have seen little or no business during the first two quarters of 2021 and the rest of the year will be dependent on the roll out of the vaccine, which if speeded up would hopefully give us a ray of light on the path of a slow recovery from July onwards.

Chairman's Statement - continued

This is all very painful but beyond our control. However, what is within our control is the discipline that we shall maintain to ensure that all our hotel operations and other activities control payroll costs whilst concurrently reducing all other operating costs. We expect that this discipline in maintaining maximum efficiency will, in future years, translate into additional profits, which will cover the losses incurred last year and over the immediate term.

During this difficult period, the Company has always kept the interest of the shareholders at heart. Despite the unprecedented challenges, and in an effort to protect its interests, the Company had to negotiate and acquire the other 50% of Golden Sands Resort, since our partner had gone into liquidation as it fell victim to the COVID-19 pandemic. This move protected the interests of the Company, its shareholders and its employees. Moreover, the price paid for this acquisition was a fraction of the price asked by our partners, a couple of years back.

OUR DEVELOPMENT PROJECTS

Despite the turbulent period we are going through, Corinthia's unique functions as developers, investors, hotel operators and project managers have helped us to continue to operate in certain areas. The multi-function strategy proves its merits especially in circumstances which affect some functions of our industry whilst leaving the others to operate more or less freely, as can be seen in the following ongoing development ventures:

Hal Ferh land: I believe it is pertinent for me to remind everyone that this land belongs wholly to IHI and has done so since 2015. In 2020, a new Development Brief for the area was approved which allows 9,000sqm of our total 25,000sqm permitted floor area for development to be shifted to residential use. For this change to take place, as foreseen in the 2009 contract of purchase, the Company will have to pay an enhancement value to Government, which value is currently under discussion.

Concurrently, discussions on the development plans with our architects, together with our subsidiary QP, are at an advanced stage and we have recently submitted an application to the Planning Authority. This project includes the following key components:

- A development within an enclosed compound of 85,000sqm
- A hotel with 162 rooms together with a spa and other facilities
- 25 villas for sale
- A large part of the site, some 67,000sqm out of the 85,000sqm, being allocated to landscaping with pools, pathways and gardens.

Corinthia Brussels (partly owned and under management): The contract for phase one of the hotel, which covers the demolition, foundations and construction to watertight finish has been signed and works on site have commenced.

Once completed, in 2023, the property will comprise 126 bedrooms/suites and also banqueting/dining and spa facilities. This landmark property which had been vacant for over a decade will be restored to its former glory.

Corinthia Moscow (partly owned and under management): Work is in progress on this hotel in central Moscow, a short walking distance from Red Square. It will incorporate a luxury 54-suite boutique Corinthia Hotel and 100 upmarket residential serviced apartments.

Chairman's Statement - continued

Corinthia Hotel Bucharest (Under management): One of the oldest hotels in the city, this grand four-storey building in the heart of Bucharest is undergoing extensive refurbishment works. Apart from providing technical services on behalf of its owners, Corinthia will also be operating it under a management agreement.

Corinthia Beach Hotel, Dubai (Under management): Corinthia provides technical and management services for this luxury beachfront resort, incorporating a hotel and residences, complete with extensive indoor and outdoor leisure facilities together with dining and banqueting, as also a luxury spa and nightclub. When it opens, it will be the first Corinthia branded hotel in the Gulf.

Corinthia Rome (project developer and under lease): This development, which sits on the former seat of the Bank of Italy on Parliament Square in the centre of Rome was acquired by Reuben Brothers in 2019. Corinthia entered into contractual arrangements to develop, lease and operate this 7,500m² property which will be turned into a luxury 60-room hotel.

Currently, works are underway and the Hotel is planning to open its doors in 2023.

Corinthia Doha (under management): On 3 March 2020 Corinthia Hotels Limited (CHL) signed an agreement with United Development Company (UDC), the Qatari master developer of The Pearl in Doha, to manage and operate a 110 room luxury Corinthia Hotel to be built in UDC's newest flagship real estate development, Gewan Island. UDC is a leading Qatari public shareholding company with a mission to identify and invest in long-term projects contributing to Qatar's growth and providing good shareholder value. Work on this hotel is well underway.

UDC have since also appointed Corinthia to assist in the development and management of the Doha Yacht Club.

Turning to developments in Libya, the appointment of an interim Government of National Unity is a positive turn of events and there is now a momentum in the process for a lasting political settlement leading to elections, which are due in December 2021. We are following these positive developments with interest as Libya is very close to our heart and as Corinthia we have a strong affinity with Libya and Lafico which goes back almost 50 years. Political stability will certainly usher in a period of unprecedented activity and prosperity for this country, and Corinthia is ready and eager to contribute its full share. IHI is the owner of Corinthia Hotel Tripoli and its Commercial Centre, as well a shareholder in companies owning prime property in Tripoli and Benghazi. With the improved prospects in Libya, I am pleased to state that Corinthia is in an unrivalled position to mobilise its development projects which have been kept on hold for the last ten years.

OUR FAMILY, OUR BELIEFS AND OUR VALUES

It has always been my character to remain positive when facing adversity. I have always maintained that difficult situations can often be converted into positive outcomes. My innate optimism and determination looks beyond the immediate threats.

We will have to adapt to new realities, use our capabilities to the maximum and re-structure our efforts to be more efficient and productive. Nonetheless, I am not in any way implying lowering of standards and Corinthia must still remain a leading force in elegance, excellence in service, good taste, and foresight. But we have to achieve, retain, or improve by resorting also to novel avenues and disciplines. It will not be easy, but this Company has grown despite adversities and sometimes developed against all odds. In our long experience we have come across many arduous challenges which we overcame in good time.

Chairman's Statement - continued

We will need to re-visit practices and systems, re-assess past decisions, re-evaluate long-standing assumptions and if need be, go back to the drawing board. We view all this with enthusiasm and vigor, with the same spirit with which we overcame equally challenging threats in the past. I have confidence in Corinthia's strength, its team, its management and its determination.

Our colleagues the employees remain our jewels, our family. I have always insisted that our beautiful and elegant hotels form our body, but our colleagues constitute our soul, and without them we cannot live and grow.

Unfortunately, this pandemic called on all to make sacrifices while sailing this Corinthia ship forward. For the joint efforts of all, and the sacrifices made, I express my heartfelt gratitude.

The Corinthia family bond remains strong. It has been a revealing factor for me to find out that in these trying times, many of our colleagues have forgotten their woes and reached out to help others. Part of this Annual Report contains some examples of reaching out from our staff, from Malta to London, from Lisbon to St Petersburg and to Prague. These are living examples of the Corinthia family values in action.

OUR FUTURE

As has been our hallmark throughout the history of our Company, constantly looking for ways to expand and grow and in the process take a more prominent and visible position on the world tourism market, we have to continue growing the Company with the conviction and knowledge that we have arrived where we stand today through hard work, notwithstanding that we started from very humble beginnings.

These strong foundations give us the courage to look forward with conviction that our knowhow, our assets and our brand will continue to gain momentum and expand on all fronts. Primarily, we have over the years looked for locations to develop hotels and other properties, which ability and knowhow we have over time encapsulated into a separate Company, that is Corinthia Developments International (CDI). This activity, wholly owned by IHI, has the expertise to provide this service both for our own needs and that of third parties. There is every possibility that CDI will be more recognised and ultimately sought after by third party investors.

In the same manner, as we have always taken responsibility to manage the construction of our properties, we have over the years set up QP, which provides the comprehensive services of architecture, interior design, structural engineering, quantity surveying and other related services. Today QP is a separate company with the mission to develop internationally and become less dependent on work provided by IHI, an objective which has become a reality.

Finally, as we built our own hotels and established our own standards and ethos which make the Corinthia Brand, we have likewise set up a separate company for the management of hotels through CHL, under the Corinthia brand. This service of hotel management was initially necessary for our own properties, belonging to IHI, and over the last 15 years we offered this service to third party hotel owners. Today our brand is well recognised and appreciated by international developers who are in turn approaching us to manage their properties. I assume we all agree that it is unique for a company to have developed four independent activities, all feeding and supporting each other.

Chairman's Statement - continued

Namely:

- Property ownership through IHI;
- Developers through CDI;
- Project Management through QP;
- Hotel Management through CHL

Each of these companies has tremendous possibility to grow exponentially and reach this platform of strength and exposure, and all under the umbrella of our public company, IHI. For the Company to grow, we must find ways of raising capital, which obviously leads us to consider a second listing. It is the opportune time to explore this and other possible ways of raising capital.

Besides raising capital, having a second listing on an international stock exchange would have a number of other advantages. It will allow a much larger free float than today and it would give shareholders the ability to buy or sell shares in considerable amounts. Furthermore, at the opportune time, a listing on a primary international market, should give us the possibility to identify the true value of our Company.

In 2008, following 18 months of discussions for a Second Listing in the UK, we agreed that additional shares were to be offered on the market at a value of €1.25 for every Euro share. The discussions supported by Goldman Sachs came to a sudden stop when in the process of going through the launch we were faced with the international financial meltdown of October 2008. We are, for sure, a stronger Company today to where we stood in 2008 as we have achieved a much wider visibility, giving us the belief that opening discussions today with an international broker, should attract a higher valuation.

This is not something that can happen overnight, and some 18 months of preparation are needed. In this context, I have instructed management to look afresh, at the opportune time, into the possibility of a second listing. We will also look at other ways of raising capital with the ultimate aim of enabling our Company to grow and maximise shareholders' value.

In conclusion, I would like to express my thanks to all our employees for the determination and sacrifices and for not faltering in their efforts to see this Company survive these dramatic times. In my eyes, they are all heroes. Management has proved a constant guiding light to the rest of their colleagues, and the CEOs, together with the Senior Executive team, have kept their hands firmly on the helm to direct the Corinthia ship through this turbulence. The members of the Board have remained constantly vigilant and attentive to every development and have been most effective in deciding on difficult issues for the betterment of the Company. To all of them, my heartfelt gratitude.

Last, but certainly not least, dear fellow Shareholders, I thank you all for your faith and confidence in us, which is certainly comforting and encouraging. I assure you we are doing our utmost to deserve your trust and reiterate that your support strengthens us further to meet all challenges with even more verve and determination.



Alfred Pisani
Executive Chairman

CEO's Report

Dear Shareholders,

I write to report on the performance of the IHI Group in 2020.

This report has for many years been presented jointly with my colleague Joseph Fenech, who ably served the Company as Joint CEO and who has since been appointed to the main Board, a position from which he will continue to provide his invaluable support and expertise. For the year under review, that is 2020, this report therefore carries both of our input.

This report will be focusing on last year's performance and yet, from the start, I wish to cast our eyes on the years ahead with solid optimism and fortitude. Clearly, our industry has been ravaged by the impact of the pandemic on global travel. Never in modern history have we witnessed such an abrupt and steep decline in demand for hotel services.

The wounds inflicted have been very painful, but they are not fatal, or indeed incurable.

Our strengths coming into the crises have stood us well.

Our balance sheet and financial prudence is such that our pre-pandemic momentum will see us through these uncertain days. Governments across the countries where we operate have stepped in with their support too. Banks have understood that sustaining their clients' businesses was now a priority.

Above all, and specific to Corinthia, our deep-rooted family spirit across all corners of the business has inspired countless acts of self-sacrifice, creativity and sheer hard work as we manned the decks and fought off some of the saddest and treacherous waters we have ever had to navigate.

The beginnings of a recovery are already there to see for those of us in the industry. Firstly, our focus is now on the re-opening of our operations, keeping an eye on our costs whilst reaching out to seize whatever demand that is beginning to simmer. Our 2019 numbers will not be repeated for a couple of years, but profitability will return sooner if we are careful enough to deliver our services on the back of tighter cost structures. We managed to control our cost base very effectively during 2020 and we are resolute on retaining these leaner structures in the years ahead.

Across the Group, in operations we own or operate on behalf of others, we have reduced our staff complement from our pre-pandemic 4,500 full-time equivalents in February 2019 by some 2,000 colleagues. We have done this mostly by reducing casual labour, but sadly, also by select redundancy programs in some of our operations across Europe.

Over and above, remaining colleagues and their unions, agreed to share in the substantial burden of ongoing monthly payrolls by supporting various schemes of salary cuts, wage deferrals, shorter working weeks and reorganized labour agreements, many of which remain ongoing. For this, I cannot but profoundly thank each and every colleague in our Group for their immense personal sacrifices. Our Chairman and Board have promised that such sacrifices will not be forgotten, indeed, where and when possible, as communicated internally, we will make good for the cuts imposed when cashflow permits.

CEO's Report - continued

Governments too stepped in to varying degrees in the countries where we operate to provide wage assistance subsidies. Some schemes were more impactful than others, but everything helped, and continues to help alleviate the pressures on our cashflows. Countries such as the United Kingdom and Czechia went beyond wage subsidies to support our industry with property tax cancellations or outright cash grants.

FINANCIAL HIGHLIGHTS

The impact of all of the above has been that our 2019 payroll cost of €93.4 million was brought down to €47.3 million net cost to the Company in 2020. We intend to retain as much savings as possible in the years ahead although we acknowledge that we will have to increase manning levels from where they stand today, in view of growing occupancies.

Other areas of cost were equally curtailed. This has not been an easy task as whilst there is little demand for our accommodation services, our hotels continued to require supervision, maintenance and security throughout 2020 and, in instances in certain cities where some business was available, to provide services to the relatively lower numbers of paying guests. These costs, which are not payroll related, above the GOP line in our hotels were €82.2 million in 2019 and were reduced to €36.2 million in 2020.

Notwithstanding this drastic restructuring of our payroll and operating costs, the demands of remaining payrolls and operating costs, as well as finance costs, in an environment of little to no cash generation were significant. To support our cash availability, the Company early on in the pandemic engaged with its banks across Europe. Bank of China, HSBC, Bank of Valletta, APS, Sberbank and others were forthright in their support by way of capital repayment deferral schemes and the restatement of banking covenants to match current realities. In Czechia Republic, we also successfully paid off a maturing loan, by replacing an €18.1 bullet payment with a new loan from a new banking relationship on favourable terms. In Malta, we took full advantage of the EU-sponsored state scheme whereby companies could tap into soft loans, in our case up to €24.5m. This added indebtedness represents an increase of less than 1% of our total Group debt, a marginal increase that will be comfortably absorbed as our business gradually rebuilds our revenue.

All of the above translated into the following financial performance for 2020.

	Audit 2019 €'000	Audit 2020 €'000
Owned Hotels Revenue	219,404	63,197
Rental Income	13,694	12,520
Catering Income	25,081	8,468
Fee Income from third parties	10,107	7,724
TURNOVER	268,286	91,909
EBITDA	69,790	(3,750)
	26.25%	-4.08%
Adjusted EBITDA*	60,290	(3,115)
NET PROFIT / LOSS BEFORE TAX	13,912	(90,362)
Tax	(8,793)	14,713
NET PROFIT / LOSS AFTER TAX	5,119	(75,649)

*Adjusted EBITDA includes consolidated EBITDA plus our share of associates and joint ventures less non-controlling interest in NLI.

CEO's Report - continued

Year on year revenue decreased by more than €176.4 million, from €268.3 million in 2019 to €91.9 million in 2020.

Notwithstanding, significant savings in payroll and operating costs were achieved, resulting in a reduction in gross profit which was not as pronounced in % terms. In fact, gross profit reduced by some €103 million, from €140.5 million in 2019 to €37.9 million in 2020. In consequence of all the above movements, we reported an EBITDA loss for 2020 of €3.8 million.

Below the EBITDA line in the income statement, our detailed accounts published in this report will show a depreciation charge at €35.8 million and interest expense at €23.6 million. Another non-cash item below the EBITDA line is 'net exchange differences on borrowing', which in 2020 is reporting a loss of €12.3 million. The corresponding figure the year before was a profit of €4.7 million. This represents a difference on exchange on the Sberbank loan in St Petersburg between the two balance sheet dates. As the reporting currency in St Petersburg is Rouble, the impact on the Euro denominated loan is reported under this line item. It should be noted that the Rouble value against the Euro slid by 32% from 69.34 at the end of 2019 to 91.47 at the end of 2020.

Total assets, in view of the loss incurred in 2020, reduced to €1.5 billion against a corresponding figure at the end of 2019 of €1.69 billion. We would again argue that total assets as stated in our financial statements reflect a conservative approach to valuation, as indeed has been reported over the years. This situation has been more pronounced in the production of this set of financial statements on the expectation of a slow recovery to normality and higher execution risks. To cite one example, our asset in Prague is shown here at a valuation of €92.6 million, marginally below what it was in 2019, versus a value of €158.0 million which was agreed to with a private investor early in 2020, who unfortunately had to withdraw from an agreed sale of the hotel by IHI once the pandemic struck.

Total equity attributable to owners reduced to €603 million in 2020 from a corresponding figure the year before of €701.0 million. In consequence, the Net Asset Value per share reduced to €0.98 per share against a value of €1.14 per share in 2019.

Finally, it is encouraging to note that current assets at the end of 2020 included €46.1 million in cash and cash equivalents.

REOPENING OUR HOTELS

We started this report by emphasising our optimism for the years ahead. The recovery anticipated in 2021 may be delayed, as Europe remains beset by the challenges of a mass roll-out of vaccines. But already we see proverbial green shoots of recovery.

In St Petersburg, our hotel has continued with its activity which was anyway always largely dependent on the local Russian market. Our commercial rental income here will take longer to recover as a more competitive market for offices and retail comes to the fore, albeit many of our tenants are long-standing.

In London, a definite timetable for the re-opening of our hotel has been set by mid-May. This hotel alone represented 30% of our income in 2019, and the earlier the recovery in the UK, the better for the IHI Group overall.

In Malta, which equally represents 30% of our business in terms of revenue, vaccinations have been hitting record levels when compared to other countries, meaning we are confident that the summer season will see a gradual return of tourism from some specific feeder markets.

CEO's Report - continued

In Tripoli, where we operate a luxury hotel and commercial centre, notwithstanding the pandemic's challenges, developments on the political front augur well for increased demand in the years ahead. Indeed, our remaining office areas for lease in our property have recently been rented out bringing our rent income to its maximum potential of over €7.7 million per annum.

In Budapest, Prague and Lisbon, where our hotels are dependent to some degree on conference business, we are hopeful too for some return to normality this year, but more so as we head into the winter season ahead.

PROJECTS AHEAD

As with all adversity, there comes opportunity. Our Company is known across the industry for our nimble approach to seeking out acquisitions and developments. The months and years ahead will see more such prospects. And whilst our development pipeline is impressive by any measure, we will not shy away from capitalising on situations that can allow us to ever expand our Corinthia brand worldwide, be it as investors, developers or operators. For this, we require significant capital and discussions have resumed with potential partners in financing specific new projects and acquisitions worldwide, or indeed even joining as investors in our Group as has been directed by the Chairman and board.

In conclusion, I invite you to read through the summary of the hotel and residential projects currently in progress. These projects, once opened in the next couple of years, will further elevate Corinthia onto a global footprint, with a recognised brand and bespoke style of operation that will consolidate our place as a significant player in the global hotel industry. Indeed, this is very much a transformative phase for Corinthia, ever building on our solid 60-year history and foundations.

In Brussels, a main contractor has been selected and work has started on transforming the landmark Grand Hotel Astoria into a 126-key luxury Corinthia hotel. IHI owns 50% of this hotel, and all of our companies CDI, QP and Corinthia Hotels are engaged by this joint venture as developers, project managers and operators. The project is self-financed as joint venture.

In Rome, we are the project developers and lessees of the 60-key Corinthia Hotel being built by way of a transformation of the former Bank of Italy's headquarters. Works have started here too. The Rome investment is being made by the Reuben Brothers, who are globally recognized property investors.

In Doha, a strategic relationship has been formed with UDC, master developers of the Pearl, a luxury offshore extension to the city built on reclaimed land. Corinthia Hotels has entered into contractual arrangements to provide technical services and manage a luxury 110-key hotel, 18 residential serviced villas, a beach club and an iconic yacht club on one island forming part of the Pearl. Design work is completed, and construction has commenced.

In Dubai, works were stalled in 2020 on the 360-unit hotel and residential 55-storey development being pursued by local investors but are expected to restart in 2021. Corinthia Hotels has been supporting the owners in design and project development and will manage the hotel and residences under the Corinthia flag when this luxury property opens its doors in 2022/2023.

IHI had also acquired a 10% share in a development in Moscow in 2018, alongside HNW Russian investors. The site is on the city's main boulevard, a stone's throw from the Kremlin. Now that design work and permits are in hand, works have started on this project, which features a 56-key luxury Corinthia Hotel and 100 residences for sale.

CEO's Report - continued

In Bucharest, we are operators of a luxury 35-key hotel being refurbished at the former Grand Hotel du Boulevard, a landmark in the city centre. An investment company from Romania acquired the site some years ago and entered into an agreement with Corinthia to manage the hotel.

Closer to home, at a site owned by the Company known as Hal Ferh on the spectacular northern shores of the Island, we have completed the rezoning of the area to permit 25 low-rise luxury villas alongside a 162-key resort. Architectural designs are largely completed in keeping with our aim to create a luxury resort that is sensitive to Malta's materials and rural landscape. This soft-touch development will be heavily landscaped and not higher than two floors. Permits will be applied for imminently.

CONCLUSION

In conclusion, I wish to restate our confidence in the IHI Group.

As always, our Chairman and Board have been immensely decisive and supportive in providing a clear direction during the turbulent year just passed. I must thank them for their hard work, and especially our Chairman, who as the founder of the business, brings an emotional engagement and inspiration within the Company that is invaluable to our success.

I must also thank our colleagues in the senior leadership of the Company, be it at our corporate offices in Malta and London, or in our hotel operations and other businesses. As our shareholders, you must be made aware of the tremendous hard work, for lesser income, that all of our colleagues have put into the Group. Many will tell you this was merely a sense of duty, but the fact of having stuck around, as one family, gives us the courage not only to shrug off the pandemic's hits, but look forward with determination and enthusiasm for the exciting years ahead.

Thank you.


Simon Naudi
CEO

CEO's Report - continued

DEVELOPMENTS

ROME



OUR ROLE: Development Manager Operating Lessee

INVESTOR: The Reuben Brothers

STATUS: Construction commenced, opening 2023

LOCATION: Parliament Square – AAA

AMENITIES: 60 Keys, Restaurant, Lounge, Garden, Spa

The Rome project remains on track. Design work is progressing as planned, and early strip-out and site preparation works are underway. Corinthia Developments International Limited is contracted to deliver the project, whilst Corinthia Hotels Limited is the operator and lessee.

Former Headquarters of Bank of Italy. Built in the late 19th century.

CEO's Report - continued

MOSCOW



OUR ROLE: Co-investor, Operator, Residential Branding

INVESTOR: Corinthia, HNW Moscow Investors

STATUS: Construction commenced, opening 2023

LOCATION: Tverskaya Boulevard – AAA

AMENITIES: 54 Keys, 100 Residences, Restaurants, Lounge, Garden, Spa

The Group has a 10 per cent stake in a major project on Moscow's main boulevard, a stone's throw from the Kremlin. The site is being redeveloped behind a retained historic façade and will feature a Corinthia Hotel, high street retail areas, and 100 branded residences. Works on foundations and excavations are underway and in their early stages.

Former Grand Hotel Luxe. Built in the late 19th century.

CEO's Report - continued

BRUSSELS



OUR ROLE: Investor, Development Manager, Operator

STATUS: Construction commenced, opening 2023

LOCATION: Rue Royale – AAA

AMENITIES: 126 Keys, Restaurant, Lounge, Garden, Spa

Project delays in 2019 were mainly attributable to intensive re-design and negotiations with various contractors with the objective to achieve a project price in line with the Group's targets. A main contractor has since been selected and work has started on transforming the landmark Grand Hotel Astoria into a 126-key luxury Corinthia hotel. Corinthia Developments International Limited is contracted to deliver the project, QP as the project manager whilst Corinthia Hotels Limited is the operator.

Formerly the Grand Hotel Astoria. Built in the late 1909.

CEO's Report - continued

DUBAI



OUR ROLE: Operator, Residential Branding

INVESTOR: Meydan

STATUS: Construction commenced, opening 2022

LOCATION: Jumeirah Beach

AMENITIES: 300 Keys, 60 Residences, Restaurants, Lounge, Garden, Spa

Corinthia Hotels Limited, as the future operator and provider of hotel technical services, has stayed closely involved in the construction of the 55-storey flagship project on Jumeirah Beach. Works are now targeted for completion by 2022.

The Corinthia Hotel

CEO's Report - continued

DOHA



OUR ROLE: Operator, Residential Branding

INVESTOR: UDC of Qatar

STATUS: Construction commenced, opening 2022/2023

LOCATION: Gewan Island, The Pearl - AAA

AMENITIES: 110 Keys, Yacht Club, Restaurants, Golf, Spa, Beach Club, Residential Villas

Corinthia Hotels Limited has entered into contractual arrangements to provide technical services and manage a luxury hotel, residential serviced villas, a beach club and a yacht club on the iconic Gewan Island, part of the Pearl development in Doha. Design work is well underway, and construction has commenced.

The Corinthia Hotel, Yacht Club & Villas in Doha.

CEO's Report - continued

BUCHAREST



OUR ROLE: Operator

STATUS: Construction commenced, opening 2022

LOCATION: Bulevard Elisabet - AAA

AMENITIES: 35 Keys, Restaurant, Lounge, Spa

Work will be picking up again on the redevelopment of the landmark Grand Hotel du Boulevard in Bucharest, where a luxury Corinthia all-suite Hotel is to be created. QP Limited has been entrusted with project management, whilst Corinthia Hotels will be the operator of the property once completed.

Former Grand Hotel Du Boulevard. Built in 1867.

Directors' Report
Year ended 31 December 2020

The Directors present their report on International Hotel Investments p.l.c. (the 'Company') and the Group of which it is the parent for the year ended 31 December 2020.

Principal activities

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

Review of business development and financial position

The financial performance for 2020 was materially impacted by COVID-19 and the restrictions and limitations it imposed on our businesses and everyday lives. Total revenue for the year under review amounted to €91.9 million, a reduction of €176.4 million from the revenue generated the year before on account of lockdowns and other restrictions imposed in all countries where we operate.

Notwithstanding the significant reduction in revenue generation, the loss at EBITDA level for 2020, excluding the consolidation of the results of jointly controlled companies, was limited to €3.8 million. The corresponding EBITDA in 2019 was €69.8 million. The minimal loss at EBITDA level in 2020 was achieved in consequence of proactive cost-cutting decisions taken at Group and operating subsidiary levels, including reducing staff complements at all levels as well as various programmes on salary cuts and deferrals. The company also tapped into subsidies and funds available from various Governments, and successfully renegotiated terms with most of the group's funding banks.

In 2020, in the Income Statement, the Group is reporting an exchange loss of €12.3 million, compared to a profit on exchange of €4.7 million the year before. This movement in exchange differences is mainly related to the St Petersburg property, on account of a weaker Rouble compared to last year. Year-on-year the Rouble devalued by 32% against the Euro.

The Group's share of the associates and joint ventures, reflecting the Golden Sands hotel and four months of timeshare operations in 2020, although resulting in a €2.4 million loss at EBITDA level represents an improvement of €1.6 million compared to the corresponding loss registered in 2019 of €4.0 million from this activity. The timeshare sales operation has been discontinued in 2020.

The effects of COVID-19 on current performance and the tempo of the expected recovery impacted the property values of the Group. In 2020, the Group registered net property impairments of €15.5 million before tax. This impairment is attributable to the London hotel and apartment and to the Budapest property. The net property uplift before tax for 2019 amounted to €6.9 million.

On account of a weaker Sterling and Rouble relative to the reporting currency of the Group which is Euro, the Group recorded a combined currency translation loss of €44.1 million in 2020, relative to a profit of €34.5 million registered in 2019.

The Group registered a loss on total comprehensive income of €123.9 million in 2020 against a profit of €38.9 million registered in 2019. The share of loss of total comprehensive income attributable to the shareholders of IHI amounted to €97.8 million for the year under review. The corresponding figure for 2019 was a profit of €29.9 million.

Directors' Report - continued
Year ended 31 December 2020

At 31 December 2020, the Group is reporting a working capital deficiency of €9.5 million relative to a positive working capital of €16.8 million reported in 2019, a deterioration of €26.3million which has to be viewed in the light of the devastating effects of COVID-19 on the cash generation of the Group.

Future developments

The consequences of the COVID-19 pandemic early in 2020 had far reaching effects, 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, many of which are still in place, 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 the Group to curtail its cost and the support provided by various governments where we operate, the Group experienced a severe curtailment of its business since mid-March 2020. The Group continues to enforce the significant measures to minimise 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. The directors and senior management objective is 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 following an aggressive vaccination process. 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 will, with the gradual opening of its hotel operations, be lower than that generated in the corresponding period in 2019.

Works on the redevelopment of the Corinthia Hotel Brussels are ongoing. A main contractor has been appointed who has mobilised resources and commenced construction works on site.

Works on a mixed-used residential and hotel property in Moscow, in which IHI has a 10% shareholding, is also progressing well. On completion the Group will operate the hotel.

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

Directors' Report - continued
Year ended 31 December 2020

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, in accordance with Listing Rule 5.62, that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Principal risks and uncertainties

The Group started trading in 2000, undertaking a strategy of rapid expansion. 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 5.

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 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 42 of the financial statements.

Subsequent events

In February 2021, the Group acquired the remaining 50% of Golden Sands Resort Limited as per Note 41.

Reserves

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

Board of directors

Mr Alfred Pisani (Chairman)
Mr Frank Xerri de Caro (Senior Independent Director)
Mr Salem M.O. Hnesh
Mr Abdulnaser Ahmida
Mr Abuagila Almahdi (Resigned: 9 July 2020)
Mr Hamad Buamim
Mr Douraid Zaghoulani
Mr Joseph Pisani
Dr Joseph J. Vella (Resigned: 20 April 2021)
Mr Winston V. Zahra (Resigned: 17 February 2021)
Mr David Curmi (Appointed: 17 February 2021)
Mr Joseph Fenech (Appointed: 20 April 2021)

Directors' Report - continued
Year ended 31 December 2020

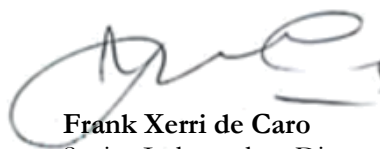
Auditors

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 on and signed on 30 April 2021 on its behalf by:



Alfred Pisani
Chairman



Frank Xerri de Caro
Senior Independent Director

Registered Office
22 Europa Centre,
Floriana FRN 1400,
Malta

STATEMENT BY THE DIRECTORS

On the Financial Statements and other information included in the Annual Report

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

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION

INTRODUCTION

This report details the various actions taken by International Hotel Investments p.l.c. (the ‘Company’) as the parent company, and its subsidiaries (the ‘Group’) to enhance sustainability in terms of its operations and its activities related to corporate responsibility.

As described in more detail in the annual report, the Group is a hotel and real estate developer and operator.

The Group strives for sustainability in what it considers the three pillars of Corporate Social Responsibility (CSR):

- Environmental sustainability;
- Personal sustainability; and
- Community sustainability.

The Group aims and strives to achieve the highest standards in the best sustainable way possible. It ensures that the resulting benefits are shared by its shareholders, clients and the community at large.

The Group envisages it will further integrate and generate awareness on sustainability practices throughout its operations in the countries where it operates. It aims at engraining the concept of sustainability in each of its employees, and in so doing becoming an integral part of its business. This philosophy provides a framework to manage and monitor the Group’s performance and mitigate as much as possible, the environmental or social risks that it faces.

This report will delve into the ways the Group implements policies related to environmental protection, social responsibility, treatment of employees, respect for human rights, anti- corruption and bribery.

GOVERNANCE

The Group believes that strong sustainable governance processes ensure that delivery on performance with sustainability topics are integrated into and not separate from the business.

The Board plays an essential role in determining strategic priorities and considers sustainability issues as an integral part of the business oversight. The Audit Committee assists the Board in providing more focused oversight for the Group’s policies, programmes and related risks that concern key public policy and sustainability matters.

RISK MANAGEMENT

The Group has a Risk Management Committee, which is responsible for:

- Building a risk aware culture;
- Developing and recommending a risk management framework to the Board;
- Coordinating and reviewing the risk assessment, evaluation and response processes; and
- Monitoring and reporting on risk performance.

The Group has a Risk Management Policy to provide an effective structure for the management of risk across the Group and to formalise and communicate the approach towards risk management.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

The Group has adopted a standard methodology which is based on the guiding principles of the International Risk Management Standard ISO 31000:2009, and the COSO (Committee of Sponsoring Organisations of the Treadway Commission) standard for Enterprise Risk Management.

The Group proactively identifies, mitigates and manages principal business risks through an effective risk management framework, which includes key Group policies. It is working to incorporate sustainability risks in the Group Risk register, which is an assessment of the principal strategic and operational risks affecting the Group.

ETHICAL CONDUCT

ANTI-FRAUD AND WHISTLEBLOWER POLICY

The Group's set of values underpins its high standards of ethical conduct. It respects human rights, embraces diversity and stands firm against corruption. In September 2014, the Group introduced The Anti-Fraud and Whistleblower Policy. This was drawn up by the Audit Committee with the purpose of minimising the risk of fraud and maintaining integrity in the Group's business dealings. The Anti-Fraud and Whistleblower policy is implemented in all the jurisdictions where the Group operates.

The primary objective of the policy is to:

- Provide a clear and unambiguous statement of the Group's position on theft, fraud and corruption;
- Minimise the risk of fraud;
- Enhance the Group's governance and related internal controls;
- Standardise business activities;
- Maintain integrity in the Group's business dealings; and
- Establish procedures and protections that allow employees of the Group and members of the public to act on suspected fraud or corruption with potentially adverse ramifications and to achieve the legitimate business objectives of the Group for the benefit of its shareholders.

The Policy also outlines the systems that facilitate reporting of misconduct and the procedures to investigation and resolve malpractices. As a Group which values good governance, it remains committed to ensuring that its staff act within the utmost integrity through training and well-defined guidelines and procedures.

The Policy has been widely distributed and is currently available on the Group's website www.corinthiagroup.com. There have been no cases reported under this policy in 2020.

EMPLOYEE HANDBOOK

To provide its employees with guidance on adhering to the Group's values of Authenticity, Passion, Precision and Understanding in all we do, the Group's Employee Handbook was revised during 2017 to include such issues as anti-fraud, anti-corruption, anti-bribery, whistleblowing, fair competition, equal opportunity, customer and employee data privacy and anti-slavery policies. All employees undergo training on codes of conduct so that they are familiar with the Group's expectations on ethical and professional conduct as well as its approach to equal opportunity and anti-fraud, data protection amongst others.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

The Group encourages and enables employees, staff and external parties, such as agents, advisors and representatives, to raise serious concerns within the Group.

The Handbook will be reviewed regularly by a Designated Executive to ensure that its provisions continue to meet legal obligations and reflect best practice.

All executives have a specific responsibility to operate in accordance with the provisions set out in the Handbook, to ensure that all colleagues understand what standards of behaviour are expected of them and when to take action should behaviour fall below those requirements. Executives are given appropriate training in order that they may do so.

Those working at a management level have a specific responsibility to set an appropriate standard of behaviour, to lead by example, ensure that those they manage adhere to the policies and procedures and promote the Group's aims and objectives.

SOCIAL AND EMPLOYEE MATTERS:

EMPLOYEES

In 2020, the Group employed 1,714 (2019 – 2,594) full-time staff, of whom 57.8 per cent were male and 42.2 per cent were female. This amounted to an overall year-to-year decrease of 33.9 per cent mainly as a result of a reduction in activity due to the COVID-19 pandemic. Agency staff amounted to 173 (2019 - 318). Employees in the various locations are represented by in-house union representatives who liaise with sectoral unions covering the various industry trades.

Information on employees and other workers Contract type By region, by gender	2019						2020					
	Permanent			Temporary			Permanent			Temporary		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Russia	87	113	200	7	5	12	51	77	128	1	3	4
Malta	570	353	923	86	47	133	457	270	727	43	24	67
Portugal	57	53	110	60	56	116	57	53	110	44	40	84
UK	413	346	759	27	23	50	174	149	323	7	8	15
Libya	111	14	125	-	-	-	109	19	128	-	-	-
Czech Republic	67	102	169	4	3	7	53	73	126	2	1	3
Hungary	112	88	200	-	-	-	89	81	170	-	-	-
Belgium	2	1	3	-	-	-	1	1	2	-	-	-
Spain	45	60	105	-	-	-	-	-	-	-	-	-
Total	1,464	1,130	2,594	184	134	318	991	723	1,714	97	76	173

* Figures for 2019 have been restated to include updated figures.

COVID-19

The Group was severely impacted by the COVID-19 pandemic in all the locations where it operated. In an effort to safeguard resources, the Group immediately took steps to freeze all new employment, all non-critical capital expenditure and reduced executive compensation. The situation is being closely monitored.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

SOCIAL AND EMPLOYEE MATTERS

EMPLOYEES

The Group strives to remain an exemplary and leading employer. It provides its employees with the right development opportunities to cultivate their abilities and enable them to grow within the Group.

Employees can gain experience by means of cross-cultural programmes and job rotations in different aspects of the Group's business and are provided with training programmes that help refine and build on their expertise.

These programmes aim to enhance the operational know-how and long-term professional development of the Group's employees. Despite challenging economic circumstances in some of the markets, the Group remains committed to the growth of its people and does not compromise on training and development initiatives.

DIVERSITY:

The Group is committed to providing an inclusive and harmonious workplace to its employees regardless of gender, age, nationality, religion, sexual orientation, disability, or other aspects of diversity.

In total circa 42.2 per cent of the Group's workforce is female, with the highest participation rate experienced in the Czech Republic (60.3 per cent) followed by Russia (56.5 per cent).

The Group supports parents by facilitating parenting through family-friendly measures, including parental leave to both males and females.

HEALTH AND SAFETY

The Group ensures the health and safety of clients and employees at all its entities and on all its premises.

The year under review was marked by the onset of the COVID-19 pandemic. The Group took all the necessary measures recommended by the relevant health authorities to ensure the safety and well-being of its clients and staff.

The Group continues to upgrade the physical security systems in all its properties. In fact, it has invested significantly in enhanced security systems and practices in those jurisdictions which are considered of high risk.

To standardise procedures for handling security concerns in the various jurisdictions where the Group operates, operational emergency action plans have been developed to comply with local and international health and safety standards. These standards are rolled out across its operations and updated on a regular basis.

The Emergency Action Plan is split into three sections namely:

- Preparing for emergencies/crises;
- A security assessment toolkit; and
- Dealing with emergencies.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

During 2020, system upgrades have remained a major priority and mainly focused on:

- CCTV systems;
- Guest rooms' door lock systems;
- Scanning machines;
- Undertaking of security risk assessments; and
- Introducing sanitising equipment to mitigate COVID-19.

Throughout its operations, the Group encourages its employees, through constant communication and rigorous training to report any risks promptly so that they can be addressed as they arise.

FOOD SAFETY

During 2020 the Group has continued with its drive to increase food safety awareness which is considered to be a major operational risk in the hospitality sector. It continues to sponsor robust systems to ensure compliance to its high standards.

Where appropriate, the Group has sought to base its food safety management systems on Hazard Analysis and Critical Control Points (HACCP) which is a tool to assess hazards in the food chain and establish control systems that focus on preventing these hazards thereby ensuring the safety of food.

Food service employees are trained in food hygiene, allergen management and HACCP related to their responsibilities. Employees are trained and made responsible for ensuring strict adherence to Group food safety standards.

Management assumes the role of supervision of all food service employees for compliance and conformance with the Group food safety policies and standards.

Compliance with these standards is regularly monitored by third party auditors to ensure that clients are served and provided with safe and wholesome food.

PROCUREMENT PRACTICES

The purchasing departments in the individual entities forming the IHI Group are responsible for the procurement of all food, beverage, printing, consumables, cleaning equipment and supplies for the respective entities, in sufficient quantities, at the desired quality standards, at the most competitive price, and within the required time frame.

The primary role of the Central Purchasing Department is to source quality products at competitive prices, continuously liaising with the heads of department concerned, and to consistently maintain price quotations from several suppliers.

The Group has a process in place to screen suppliers. Suppliers are typically assessed against specific requirements and criteria, following which formal approval is required by the Central Purchasing Department. They may be approved in terms of product quality, brand, adherence to health and safety requirements, HACCP requirements, reliability and reputation.

ENVIRONMENT

When it comes to environmental issues and practices, the hospitality industry is continuously evolving, resulting in the creation of brands that prove to be eco-friendly.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

Over the years, the Group has developed policies and procedures for energy and water conservation and waste management to help it mentor employees and standardise approaches on the effective management and conservation of these resources. All operations report on their energy and water performance on a regular basis, with these being constantly reviewed throughout the year.

As part of the Group's effort to move forward in the area of sustainability, a team has been set up, including a Sustainability Manager and external consultant. The team developed a Group Sustainability Policy which will be introduced to all entities within the Group once the COVID-19 emergency is over. The team is currently developing a Group strategy which will lead to action plans being drawn up for each entity. A set of key performance indicators and measuring methods will be part of the strategy which will be updated on a yearly basis. The target is to have everything in place by end 2022.

Furthermore, within the Group, specific initiatives have been taken to promote sustainability, plastic use reduction, energy efficiency and CSR activities.

It is envisaged, as a minimum, that the actions will encompass the following activities:

- Designing waste management strategies to reduce waste. This will involve also the setting-up of a monitoring and reporting system, separation of waste, strategies to eliminate plastic waste and control of food waste. A number of these initiatives are already implemented in some properties.
- Using the in-house energy and resource consumption monitoring system to control usage. The hotels in Malta will continue using the best system for accurate monitoring.
- Undertaking initiatives to increase energy efficiency. To this effect the Company is undertaking a number of contracts with third parties offering services which are intended to optimize energy use.
- Investigating the opportunities for implementing specific renewable energy projects in individual properties.

Sustainable activity will also produce positive effects on economic activity and areas such as energy efficiency and waste management have indeed a direct positive impact on profit. Non-tangible positive factors result from these activities, particularly staff well-being and the instilling of disciplined processes, the effects of which spill over to other activities in the day-to-day operation.

CLIMATE CHANGE AND ENERGY

The Group is committed to reducing its carbon emissions and making its business more sustainable. Within this context, the Group is aware that its ability to deliver its services and products without increasing substantially utility costs will be challenging, with fluctuations in cost, posing possible disruptions to its business operations. Many of its operations are already responding to these risks in their efforts to be more efficient in their use of natural resources.

Direct (Scope 1) GHG emissions	2019	2020
Operation	IHI	IHI
CO ₂ emissions - Diesel (tonnes)	894	984
CO ₂ emissions - Petrol (tonnes)	22	7
CO ₂ emissions - LPG (tonnes)	530	265
CO ₂ emissions - NG (tonnes)	8,247	5,546
CO ₂ emissions - HGO/TFO50 (Tonnes)	1,297	383
Total CO₂ emissions (Scope 1) (tonnes)	10,990	7,185

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

In the year under review, CO₂ emissions decreased by 34.6%, as a result of a scaling down of operations due to COVID-19. Going forward, the Group will continue to set internal key performance indicators, as well as to implement strategies to further reduce its overall environmental footprint in line with industry benchmarks.

Operation	2019 IHI	2020 IHI
Total CO ₂ emissions (Scope 2) (tonnes)	28,697	15,017

GHG emissions intensity	2019	2020
Operation	IHI	IHI
Unit of measurement	Tonnes	Tonnes
CO ₂ emissions intensity (Tonnes CO ₂ / organisational metric)	1.3	1.2

The Group has developed policies and procedures for energy conservation and waste management to help it instruct employees and standardise approaches on the effective management and conservation of these resources. All operations report on their energy and water performance on a regular basis, with these being constantly reviewed throughout the year.

The Group aims to reduce its energy usage through its continued implementation of appropriate technology and engineering solutions. Data from across its operations helps it to better identify and manage any inefficiencies in consumption. Further reductions will require a concerted effort, one that is supported by newer technology and continued behavioural change.

Reducing the energy that the Group uses, helps it to be more efficient as a business, lowering both operational costs and carbon footprint. It continues to be more efficient in its operations, increasing efficiency through continuous reviews and investment in energy efficient equipment and practices.

ENERGY CONSUMPTION AND EMISSIONS

In 2020, the total energy consumption within the organisation was 246,449,897 mega joules (2019 – 429,039,631). The foregoing energy saving initiatives yielded a substantial reduction of energy consumption of 42.56 per cent from 2019.

Fuel consumption	2019	2020
Operation	IHI	IHI
Unit of measurement	MJ	MJ
Fuel consumed - Diesel	13,016,767	13,327,285
Fuel consumed - Petrol	317,760	101,230
Fuel consumed - LPG	8,367,280	27,588,524
Fuel consumed - NG	161,306,556	73,629,766
Fuel consumed - HGO/TFO50	17,979,085	5,107,667
Total fuel consumed	200,987,448	19,754,472

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

Electricity / heating / cooling / steam sold	2019	2020
Operation	IHI	IHI
Unit of measurement	MJ	MJ
Electrical energy purchased		
Electrical energy from PV systems		
Total sold	–	–
Total energy consumption with the organisation	<u>429,039,631</u>	<u>246,449,897</u>

The Group continues to explore ways to achieve reductions, such as sharing best practices with the engineering teams Group-wide, encouraging achievement of energy saving goals, introducing more Combined Heat and Power units in the properties, replacing old equipment to more efficient ones and introduction of Room Energy Management Systems.

USING WATER EFFICIENTLY

Water is an essential commodity that has applications throughout the business, and the Group takes care to use this resource efficiently. As periods of drought are common in countries where it operates, such as Sudan, Libya, and Tunisia, it is essential to be committed to reducing water usage whilst trying to influence and inspire its partners on better water management. In 2020, the Group has consumed 358,698m³ (2019 – 731,258m³) of water, resulting in 50.95 per cent less than the amount used in 2019. This reduction in water consumption is a direct result of:

- A scaling down of operations due to COVID-19;
- The constant monitoring and metering of consumption;
- The increase in the collection and consumption of second class water;
- The installation of twin-flush cisterns within toilets and reducing the water used in toilet flushing by either adjusting the vacuum flush mechanism or installing toilet tank displacement devices;
- The installation of water tap pressure reducer;
- The introduction of frequent pipework inspection and immediate fixing of water leaks;
- The reduction of laundry load tonnage by using bath towel change cards; and
- The encouragement of water efficient behaviours during technical and operational visits.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

Water withdrawal by source	2019	2020
Operation	IHI	IHI
Unit of measurement	m ³	m ³
Total	731,258	358,698

Even though there is a substantial decrease in water consumption, the Group is looking into ways to increase the percentage of recycled water since only 1.15 per cent was recycled in 2020 (2019 - 1.93 per cent). This can be achieved by looking into the possibility of introducing sewage treatment plants, rain water catchment and/ or grey water system to produce and use second-class water for irrigation and toilet water flushing.

Water recycled and reused	2019	2020
Operation	IHI	IHI
Unit of measurement	m ³	m ³
Total water withdrawn	731,258	358,698
Total water reused	14,087	4,131
Total	1.93	1.15

MANAGING WASTE

The Group proactively manages increasing regulations imposed by local governments in response to waste management. Given the lack of suitable products or service alternatives, the nature of the operations produces waste that needs to be effectively managed. The Group reduces and manages the waste that it produces, encouraging both concepts of recycling and up-cycling throughout the individual operations.

Water discharge by quality and destination	2019	2020
Operation	IHI	IHI
Unit of measurement	m ³	m ³
Planned		
Volume of discharged water	658,132	322,828

	2019	2020
Hazardous waste		
Unit	IHI	IHI
Total	21,413	14,987

	2019	2020
Non-hazardous waste		
Unit	IHI	IHI
Total	4,651,962	1,833,598

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

Best practice recommendations have been developed which take into account the various operational aspects, as well as possible costs and benefits for each recommendation.

The Group is making its waste monitoring methodologies more consistent to ensure that data is robust and comparable across the Company. It is committed to improving its efforts, however, these are sometimes constrained due to a lack of public awareness and lack of infrastructure to reduce waste and increase recycling. The Company will continue to look into this issue and understand how it can implement effective solutions moving forward.

The Group has introduced energy saving as a key result area target in the Balanced Score Card of each entity to ensure that the overall environmental impact is being given its merited and due importance.

Furthermore, the Company will continue upgrading the Building Management Systems in its entities and will be implementing a Computer Aided Management software which amongst other important functions is able to monitor and record all preventive and breakdown maintenance works, as well as improve scheduling and resource planning. Regular and planned maintenance keeps the equipment and systems operating at their optimal efficiency, ensuring that energy conservation remains one of the ultimate ongoing operational targets.

CURRENT INITIATIVES

As part of the Group's Green Programme and sustainability efforts it has entered into a corporate agreement with a private company offering some innovative programs to deliver water and energy cost-saving across the diverse operational functions including:

FOOD & BEVERAGE

- 'Dive-Easy' cold-water soaking for effective and safe cleaning of highly carbonised kitchen items. Dive-Easy will reduce cost for heating water and provide a much safer and efficient solution.
- 'IntelliDish' online monitoring for large dishwashing machines. IntelliDish will reduce cost for water, energy and chemicals and help increase efficiency of machine utilization.

HOUSEKEEPING AND LAUNDRY

'Efficient Housekeeping Programme' based on innovative microfibre technology and ergonomic cleaning tools will reduce chemical consumption and deliver better cleaning performance at less time and with more ergonomic working conditions for the room attendants.

TASKI floor cleaning machines deliver innovative technology to enhance ease-of-use with such cleaning machines using an innovative 'whisper-technology' which delivers carpet vacuuming at lowest noise with TASKI aero.

These machines also offer innovative encapsulated carpet shampooing with TASKI pro carpet machines which will reduce turnaround time of carpets to reduce labour cost and time.

In the laundry areas, innovative solutions such as CLAX Advance low temperature technology will deliver lower water and energy cost. The fabric spotter kits of CLAX Magic will enhance ease-of-use for the laundry teams. State-of-the-art dispensing and dosing system are provided for laundry operations which helps operations to monitor online the energy and water consumptions in reaching the optimum efficiency levels.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

SOCIAL AND COMMUNITY ACTIVITIES

In spite of the difficult and challenging times caused by the COVID-19 pandemic, the Company organized charitable activities to help improve the lives of others, kept alive its sense of family, keeping in touch throughout 2020 with those in need. These are a few examples:

The Company continued its sponsorship of Just a Drop (JAD), an international water-aid charity which aims to contribute positively to the reduction of child mortality caused by poor sanitation and unsafe water by actively reducing the numbers of people without access to clean water. Working with local partners at a grassroots level, JAD provides a local, clean water supply through appropriate engineering solutions to some of the poorest communities in the world.

This year the Company contributed towards a project in Cambodia. In the past years, it has supported JAD projects in Tanzania, Zambia, Uganda and Kenya. These projects have brought life-changing clean water to over 45,000 children and families over the past four years.

St Patrick's in Sliema, Malta, is an educational complex run by the Salesians of Don Bosco, made up of a boys' secondary school and a residential home for minors. The Company presented the children in the Home with food and sweet hampers to enjoy during the Christmas festive season.

During the first months of the COVID-19 pandemic, together with another company, Corinthia presented the Active Ageing Parliamentary Secretary with 22,000 high-quality N95 masks to be used in residences for the elderly and for persons with disability.

Staff from Radisson Blu St Julian's family noticed that the Selmun Family Park in Mellicha, Malta, needed some tender loving care. The Selmun Family Park is a haven for members of the family to engage themselves in play, sports or even just meet in the fresh air and enjoy each other's company at sure and safe distance.

Radisson Blu St Julian's gathered a team of staff members to smoothen and paint or varnish the fencing, benches, tables and other wooden items in the park, giving a facelift to the place and enticing more persons to safely visit and relax there.

Radisson Blu & Spa, Golden Sands team organised online activities to show care towards its staff, ranging from virtual coffees, virtual pre-dinner drinks, distributed Christmas hampers to all employees as well as organized a breast cancer awareness raffle and several activities for this same cause.

The Marina Hotel Corinthia family concentrated on another good cause and offered donations to the Ursuline Sisters to help them run one of their residential homes, Angela House in Pietà, Malta. These nuns run another three other residential homes in Malta. These accommodate children in a healthy environment where they can grow holistically in a safe and professionally sustained ambience.

Staff at Corinthia St George's Bay have donated money to St Patrick's Salesians in Sliema, amongst other things to fund a new Youth Centre. But money was not enough; a number of staff members helped clear this new Youth Centre.

With the assistance of Heritage Malta and Malta Tourism Authority, staff also organised cultural tours for all employees to visit museums and other cultural places in Malta. This served in no small way to emphasise bonding.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

They also organised guided rambles for guests and employees to tour the Pembroke area close to the hotel, including the 17th century fortification and rugged coastline.

Following the lockdown in May 2020, Malta's Corinthia Palace teamed up with the Food Bank Foundation and for four months donated 10 per cent of revenue generated from all home delivery orders made by Rickshaw, Corinthia Palace's Asian food restaurant.

A further two food drop-offs at the Food Bank were carried out, providing dry goods from the main store (cereals, grains, tinned goods & paste).

To assist Maltese potato farmers who made a plea to use local potato crop following a sharp drop in export sales, Corinthia Palace decided to only serve hand-cut local fries to support this request.

QP Management staff also saw to several avenues of assistance. An initiative named 'Charity begins at home' collected €2,500 which were distributed to colleagues who suffered the most during the year 2020.

Over €400 worth of food donations were made to the Food Bank Lifeline Foundation. This foundation helps those who find themselves in a crisis, arising from situations like benefit delays, low income, homelessness, sickness or housing issues.

This foundation believes no one should ever experience hunger, so they do their uttermost to ensure that those people living through a crisis have enough food in the short-term, until a more long-term solution is found.

QP also donated food, toys, books and clothes to the St Jeanne Antide Foundation at Christmas time. QP also extended the St Jeanne Antide Foundation services to staff, providing guidance on related matters and how they may be assisted if such services are needed. This was done in support of the employees' well-being from an employer's perspective. QP also assisted the Foundation with the pre-construction phase of the project.

This foundation is the social care services arm of the Sisters of Charity of St Jeanne Antide. Its overarching aim is to provide professional support services to very vulnerable individuals and families who are suffering due to very difficult life circumstances and those who are sliding into poverty and are socially excluded. They offer family support work, support for mental breakthroughs, help in cases of domestic violence, and provide education.

QP also delivered a series of webinars called 'Leading through challenging times. Lessons learnt from a partial lockdown and how to implement a sustainable future'. It also collaborated with HSBC Foundation's Water Programme and delivered presentations as part of a series hosted by HSBC for its employees and major clients. This programme, collaborated by the Energy and Water Agency, gave an insight on the wider sustainability strategies easily considered in a person's daily activities and business operations.

QP is also actively supporting Richmond Foundation in the programme 'Kids in Development' (K.I.Ds) which works with children who have been severely affected by early trauma resulting in fragmented functioning. The objective is to enable each child to deal with past traumas in a safe, nurturing and stimulating environment, and at the same time ensuring that as far as possible they maximise present and past positive experiences. QP is also actively supporting Richmond Foundation with the development of a facility to accommodate these children and run these programmes. It has developed the design and the procurement of the works. Physical work on site is expected to commence in the second half of 2021.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

In London the Corinthia team launched two charitable campaigns: 'Everyday Heroes' and 'NHS Nurse Heroes'. Both competitions were communicated across their social media channels. Followers could nominate anyone they felt was an unsung hero. These heroes were nominated via email with details of why they were so deserving. Corinthia offered them an afternoon tea voucher for the hero and their guests of choice.

The nurse initiative, launched on 12 May, International Nurses' Day, was similar; the nurses nominated were offered a spa treatment plus spa access for them and a friend.

The Corinthia team in London raised funds prior to COVID lockdown for the Sepsis Trust following the loss of one of their colleagues due to septicemia.

At Prague, the Corinthia team have helped out a local Senior Citizens' Home at the start of the COVID-19 crisis. The caring staff in that home had all volunteered to stay with their seniors during this troubling time to be on hand and provide care immediately. Corinthia Prague generously supplied the beds and bedding so the caring staff could have a comfortable stay during this time. All Corinthia staff rallied and went to the hotel to prepare the beds and have them transported to the Home.

In a time of uncertainty and anxiety, Corinthia Prague has contributed to and supported the local community. When asked by a member of the staff if they could help out in a senior citizenhouse, caring for the aged with Alzheimer's disease, Corinthia Prague staff were only too proud to help.

In Budapest, Corinthia's family hosted and part-sponsored the Robert Burns International Foundation for their Burns Night. The proceeds for this event go to sick and underprivileged children in Hungary through the purchase of equipment in medical facilities. In collaboration with the Red Cross, staff also organised a used-clothes collection for people in need. They also collected financial contributions from guests of the hotel for Csodalampa Foundation, helping terminally ill children to fulfil their dreams. Corinthia Budapest has also donated several vouchers to be raffled in CSR events.

Joining this generous outpour, in St Petersburg, the team donated Christmas gifts to children at SOS Children's Villages, a charity organisation which they have been supporting for many years. This international organisation helps children who cannot live with their families of origin, to grow up in a loving home.

Almost across the globe, they offer alternative care, or strengthen the families. SOS Children's Villages is committed to safeguard children, and reports child safety concerns. It also speaks out for children's rights and teaches and trains these children, opening new doors for their future. In cases of emergency this organisation is also present with much needed assistance.

In previous years, each December, Corinthia St Petersburg hosted a charity event for these children with a creative master- class, sweet treats, and music. Owing to COVID-19 restrictions, it was impossible to organise events for children in Christmas 2020, so the many gifts were delivered to children at the SOS Children's Village in Pushkin City directly. Food and many goodies were delivered to each and every house with kids and families in the Village.

Corinthia St Petersburg also joined several city charity organisations, donating several items such as homeware, decoration, garlands and New Year adornments.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

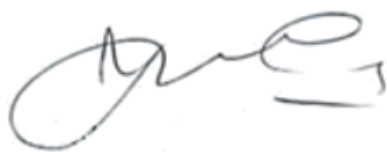
And that is not all: Corinthia St Petersburg staff donated various items to religious congregations, including the Sisters of Mother Teresa religious care service, and the Parish of Lady of Lourdes. They also donated several items to the Dobrodel Charity organisation, which distributed them to people in need, large families and vulnerable persons, and also sent several sets of tableware to the House of War Veterans on Vyazovaya Street.

The company believes that every gift, smile, and effort can make a significant difference.

Signed on behalf of the board of directors on 30 April 2021 by:



Alfred Pisani
Chairman



Frank Xerri de Caro
Senior Independent Director

STATEMENT BY THE DIRECTORS

ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

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

COMPLIANCE WITH THE CODE

Principles 1 and 4: The board

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

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

Further to the relevant section in Appendix 5.1 to the Listing Rules the board of directors acknowledge that they are stewards of the Company's assets and their behaviour is focused on working with management to enhance value to the shareholders.

The board is composed of persons who are fit and proper to direct the business of the Company with the shareholders as the owners of the Company.

All directors are required to:

- Exercise prudent and effective controls which enable risk to be assessed and managed in order to achieve continued prosperity to the Company;
- Be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
- Determine the Company's strategic aims and the organisational structure;
- Regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the Company;

STATEMENT BY THE DIRECTORS

ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

- Acquire a broad knowledge of the business of the Company;
- Be aware of and be conversant with the statutory and regulatory requirements connected to the business of the Company;
- Allocate sufficient time to perform their responsibilities; and
- Regularly attend meetings of the board.

The board strives to achieve a balance of ethnicity, age, culture and educational backgrounds in order to reflect the multicultural environment of its ownership and the environment in which it operates.

The board comprises a number of individuals, all of whom have extensive knowledge of hotel operations and real estate development, in particular across the various jurisdictions in which IHI operates. Members of the board are selected on the basis of their core competencies and professional background in the industry so as to ensure the continued success of IHI.

There is no formal diversity policy in place however, the board will be considering the need of issuing guidelines for the Group in this respect.

In terms of Listing Rules 5.117 – 5.134 the board has established an Audit committee to monitor the Company's present and future operations, threats and risks in the external environment and current and future strengths and weaknesses. The Audit committee ensures that the Company has the appropriate policies and procedures in place to ensure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards. The Audit committee has a direct link to the board and is represented by the Chairman of the Audit committee in all board meetings.

Principle 2: Chairman and Chief Executive

Mr Alfred Pisani occupies the position of Chairman. The role of CEO has been jointly held by Mr Joseph Fenech in charge of Corporate Affairs and Mr Simon Naudi in charge of Development. The Chairman is responsible to:

- Lead the board and set its agenda;
 - Ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company;
 - Ensure effective communication with shareholders; and
 - Encourage active engagement by all members of the board for discussion of complex or contentious issues.
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STATEMENT BY THE DIRECTORS

ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Principle 3: Composition of the board

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

The non-executive directors constitute a majority on the board and their main functions are to monitor the operations of the executive director and CEOs and their performance as well as to analyse any investment opportunities that are proposed by the executive director. In addition, the non-executive directors have the role of acting as an important check on the possible conflicts of interest of the executive director, which may exist as a result of his dual role as executive director of the Company and his role as officer of IHI's parent company, Corinthia Palace Hotel Company Limited ("CPHCL") and its other subsidiaries.

For the purpose of Listing Rules 5.118 and 5.119, the non- executive directors are deemed independent. The board believes that the independence of its directors is not compromised because of long service or the provision of any other service to the Corinthia Group. Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the Company.

Each director declares that he undertakes to:

- a. maintain in all circumstances his independence of analysis, decision and action;
- b. not to seek or accept any unreasonable advantages that could be considered as compromising his independence;
and
- c. clearly express his opposition in the event that he finds that a decision of the board may harm the Company.

The board is made up as follows:

Executive director	Date of first appointment
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Mr Alfred Pisani, Chairman	29 March 2000
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Non-executive directors

Mr Salem M.O. Hnesh	15 November 2018
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Mr Hamad Buamim	31 December 2013
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Mr Abdulnaser Ahmida	21 January 2014
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Mr Abuagila Almahdi	16 October 2014 (until 9 July 2020)
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STATEMENT BY THE DIRECTORS

ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Mr Douraid Zaghouni	3 November 2014
Mr Joseph Pisani	22 December 2014
Dr Joseph J. Vella	29 March 2000 (until 20 April 2021)
Mr Frank Xerri de Caro	2 July 2004
Mr Winston V. Zahra	9 June 2016 (until 17 February 2021)
Mr David Curmi	17 February 2021
Mr Joseph Fenech	20 April 2021

Mr Jean-Pierre Schembri acts as Secretary to the board of directors.

Principle 5: Board meetings

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

Mr Alfred Pisani	7
Mr Salem M. O. Hnesh.....	5
Mr Hamad Buamim.....	6
Mr Abdalnaser Ahmida.....	6
Mr Douraid Zaghouni.....	7
Mr Joseph Pisani.....	7
Dr Joseph J. Vella.....	7
Mr Frank Xerri de Caro.....	7
Mr Winston V. Zahra.....	7

Principle 6: Information and Professional Development

The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions. The Company is committed to provide adequate and detailed induction training to directors who are newly appointed to the board. The Company pledges to make available to the directors all training and advice as required.

STATEMENT BY THE DIRECTORS

ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Principle 8: Committees

Audit committee

The primary objective of the Audit committee is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee, set up in 2002, is made up of non- executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audit and acts to facilitate communication between the board, management, the internal audit team and the external auditors.

During the year under review, the committee met 15 times. The internal and external auditors were invited to attend these meetings.

Mr Frank Xerri de Caro acts as Chairman, Mr Abdalnaser Ahmida and Dr Joseph, J. Vella act as members, The Company Secretary, Mr Jean-Pierre Schembri acts as Secretary to the committee.

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

The Audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk- based reviews and appraisals of the operations of the Company (as well as of the subsidiaries and associates of the Group) for the purpose of advising management and the board, through the Audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation. During 2020, the internal audit function continued to advise the Audit committee on aspects of the regulatory framework which affect the day-to-day operations of the hotels.

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

In the year under review the Audit committee is ensuring compliance in terms of the General Data Protection Regulation which came into effect in 2018.

The Audit Committee oversaw the introduction of risk management and the development of this function within the Company.

Pursuant to Articles 16 and 17 of Title III of the provisions of the Statutory Audit Regulations the Audit committee has been entrusted with overseeing the process of appointment of the statutory auditors or audit firms.

STATEMENT BY THE DIRECTORS

ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE -
continued

Nomination and Remuneration committee

The function of this committee is to propose the appointment and the remuneration package of directors and senior executives of IHI and its subsidiaries. The members of the committee are Dr Joseph J. Vella acting as Chairman and non-executive directors Mr Abuagila Almahdi (until 9 July 2020), and Mr Frank Xerri de Caro as members. Upon his resignation, Mr Abuagila Almahdi was replaced by Mr Abdunaser Ahmida. Mr Jean-Pierre Schembri acts as Secretary to the committee.

The Nomination and Remuneration committee met seven times in the course of 2020.

Principle 9: Relations with shareholders and with the market

The Company is highly committed to having an open and communicative relationship with its shareholders and investors. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of interim and annual financial statements, two Interim directors' statements and respective Company announcements, the Company seeks to address the diverse information needs of its broad spectrum of shareholders in various ways.

As a consequence of the unprecedented circumstances caused by the COVID-19 pandemic and in line with Legal Notice 288 of 2020 the Company held the 2020 Annual General Meeting on a remote basis on 31 July 2020. A full report of the Meeting was uploaded on the Company's website within 48 hours from the Meeting. The report can be found on www.corinthiagroup.com/investors/annual-general-meeting.

Moreover, all representations by shareholders at the Annual General Meeting were satisfactorily addressed on the Company's website.

The Company has invested considerable time and effort in setting up and maintaining its website and making it user-friendly, with a new section dedicated specifically to investors.

In the course of 2020, 21 company announcements were issued through the Malta Stock Exchange.

Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout the year, and are given the opportunity to ask questions at the Annual General Meeting or to submit written questions in advance.

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

STATEMENT BY THE DIRECTORS

ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

During 2020 the Company continued issuing the IHI Insider newsletter which is available on the IHI website (<https://insider.ihiplc.com>). The purpose of this newsletter is to keep stakeholders fully informed of developments in the Company.

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

Principle 10: Institutional shareholders

The Company ensures that it is constantly in close touch with its principal institutional shareholders and bondholders (institutional investors). The Company is aware that institutional investors have the knowledge and expertise to analyse market information and make their independent and objective conclusions of the information available.

Institutional investors are expected to give due weight to relevant factors drawn to their attention when evaluating the Company's governance arrangements in particular those relating to board structure and composition and departure from the Code of Corporate Governance.

Principle 11: Conflicts of interest

The directors are fully aware of their obligations regarding dealings in securities of the Company as required by the Listing Rules in force during the year. Moreover, they are notified of blackout periods prior to the issue of the Company's interim and annual financial information during which they may not trade in the Company's shares and bonds. Mr Alfred Pisani, and Mr Joseph Pisani have common directorships with the ultimate parent of the Corinthia Group. Commercial relationships between International Hotel Investments p.l.c. and Corinthia Palace Hotel Company Limited are entered into in the ordinary course of business.

As at year end, Mr Alfred Pisani had a beneficial interest of 5,061,879 shares, Mr Winston V. Zahra had an indirect beneficial interest through a family company of 3,943,762 shares. Mr Frank Xerri de Caro had a beneficial interest of 10,927 shares, and Dr Joseph J. Vella had a beneficial interest of 67,742 shares. None of the other Directors of the Company have any interest in the shares of the Company or the Company's subsidiaries or investees or any disclosable interest in any contracts or arrangements either subsisting at the end of the last financial year or entered into during this financial year.

STATEMENT BY THE DIRECTORS

ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE -
continued

Principle 12: Corporate social responsibility

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

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

NON-COMPLIANCE WITH THE CODE

Principle 7: Evaluation of the board's performance

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

Principle 9: Conflicts between Shareholders

Currently there is no established mechanism disclosed in the Company's memorandum and articles of association to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. In any such cases should a conflict arise, the matter is dealt with in the board meetings and through the open channel of communication between the Company and the minority shareholders via the Office of the Company Secretary.

Approved by the board of directors on 30 April 2021 and signed on its behalf by:



Frank Xerri de Caro
Senior Independent Director and Chairman of the Audit Committee



Joseph Fenech
Director

OTHER DISCLOSURES IN TERMS OF LISTING RULES

Pursuant to Listing Rule 5.64.1

Share capital structure

The Company's issued share capital is six hundred and fifteen million and six hundred and eighty four thousand nine hundred and twenty (615,684,920) ordinary shares of €1 each. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank *pari passu* between themselves.

Pursuant to Listing Rule 5.64.3

Shareholders holding 5 per cent or more of the equity share capital as at 31 December 2020:

	SHARES	%
Corinthia Palace Hotel Company Limited	355,988,463	57.81
Istithmar Hotels FZE	133,561,548	21.69
Libyan Foreign Investment Company	66,780,771	10.85

There were no changes in shareholders holding 5 per cent or more of the equity share capital as at 30 April 2021.

Pursuant to Listing Rule 5.64.8

Appointment and replacement of directors

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

Amendments to the Memorandum and Articles of Association

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

Pursuant to Listing Rule 5.64.9

Powers of board members

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

Statement by the directors pursuant to Listing Rule 5.70.1

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

OTHER DISCLOSURES IN TERMS OF LISTING RULES - continued

Pursuant to Listing Rule 5.70.2

*Company Secretary and
registered office*
Jean-Pierre Schembri
22 Europa Centre,
Floriana FRN 1400, Malta
Telephone (+356) 2123 3141

Pursuant to Listing Rule 5.97.4

Internal Controls and Risk mitigation practices

Internal Control

The board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the board reviews the effectiveness of the Company's system of internal controls.

The key features of the Company's system of internal control are as follows:

Organisation

The Company operates through the CEOs with clear reporting lines and delegation of powers.

Control Environment

The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives. Lines of responsibility and delegation of authority are documented. The Company has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and reviews by management, internal audit and the external auditors.

Risk Identification

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. These risks are assessed on a continued basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

A risk management function has been set up and training on risk management is being extended to all the Company's subsidiaries.

OTHER DISCLOSURES IN TERMS OF LISTING RULES - continued

Information and communication

The Company participates in periodic strategic reviews including consideration of long-term financial projections and the evaluation of business alternatives.

Monitoring and corrective action

There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Audit committee met 16 times in 2020 and, within its terms of reference, reviews the effectiveness of the Company's system of internal financial controls. The Committee receives reports from management, internal audit and the external auditors.

Signed on behalf of the board of directors on 30 April 2021 by:



Alfred Pisani
Chairman



Frank Xerri de Caro
Senior Independent Director

REMUNERATION STATEMENT

IHI Remuneration Statement

In terms of Rule 8A.4 of the Code, the Company is to include a remuneration statement in its annual report which shall include details of the remuneration policy of the Company and the financial packages of Directors and the joint Chief Executive Officers (“CEOs”).

The resolution by the shareholders of the Company at the Annual General Meeting held on 13th June 2017, approved an aggregate figure for fees and remuneration due to the Chairman and non-Executive Directors of the Company, capped at €850,000 per annum. This figure relates only to:

- the salary of the Chairman; directors’ fees due to the Chairman and non-Executive Directors in their capacity as directors of the Company and of the Company’s subsidiaries; and
 - fees due to the Chairman and non-Executive Directors with respect to their membership on sub-committees of the board of directors of the Company.
-

Remuneration Committee report

The function of the Nomination and Remuneration Committee is to propose the appointment and the remuneration package of directors and senior executives of IHI and its subsidiaries. In 2020 the members of the committee were Dr Joseph J. Vella acting as Chairman, and non-executive directors Mr Abuagila Almahdi and Mr Frank Xerri de Caro as members. Mr Jean-Pierre Schembri acts as Secretary to the committee.

Remuneration Policy – Directors and senior executives

The Remuneration Policy was approved at the 20th Annual General meeting of 31 July 2020. The Remuneration sets out the main principles upon which the fixed and variable elements of the remuneration of Directors and CEOs are set. The remuneration policy also describes the different components of fixed and variable remuneration, including all bonuses and other benefits.

The Executive Chairman and the CEOs are each entitled to a combination of a fixed base salary together with a variable performance bonus. The fixed base salary of the Executive Chairman and CEOs is based on a predetermined amount, while their variable performance bonus is based on a predefined percentage of EBITDA. The fixed base salary of the Executive Chairman and CEOs is comparable to those of other international companies operating in the hospitality sector and is based on the skills, experience, technical knowledge and responsibilities which the position entails.

The bonus of other senior executives is based on a discretionary percentage of their base salary (up to a maximum of 50%) determined in line with the performance of the Company or the hotel they manage. These bonuses constitute the variable remuneration disclosed herein. The Non-Executive directors are entitled to a yearly remuneration fee and no variable performance bonus is applicable. The variable remuneration is also discussed and approved by the Nomination and Remuneration Committee.

REMUNERATION STATEMENT - continued

All senior executives are entitled to non-cash benefits in terms of a number of services offered by the Group. These are mainly discounts (which vary between 20%-40%) when using the Company's hotels and establishments and to health insurance. Furthermore, the Executive Chairman and the non-executive directors of the Company are entitled to complimentary use of the Company's hotels and establishments services. The Company does not award share-based remuneration. The Company does not offer any profit-sharing, share options or pension benefit schemes.

The compensation and employment conditions of the Board of Directors of the Company, including the Executive Chairman and CEOs and senior executives are considered to be in line with the pay and employment conditions applied by international companies operating in the same industry sector as the Company and are considered commensurate to the importance of the role performed by such persons in a company of such reputation and standing. One needs to keep in mind that IHI is an international company owning and operating hotels in a number of jurisdictions, both in Europe and North Africa and the nature of its business includes, amongst others, complex negotiations in respect of acquisitions, the negotiation of third-party management agreements and funding requirements for a complex international group of IHI's dimension. In attracting talent, the Company needs to compete with other international companies in its industry. Moreover, in determining its remuneration levels, and to ensure that it attracts the right talent, the Company is in regular contact with reputable international recruitment agencies who provide the Company with compensation and benefits related data, in order to ensure that it remains an attractive employer of choice. Only by attracting the right talent can the Company grow to achieve its objective of becoming a global leader in the world of hospitality.

It is pertinent to note that in view of the economic situation brought about by the COVID-19 pandemic, the Company has taken the decision not to issue any bonuses for 2020 for the Chairman, CEOs and all senior executives which are normally entitled to a performance based bonus and which represent the variable portion of the emoluments. Moreover, the Chairman, CEOs and all senior executives of the Company have taken significant pay cuts, of up to 60% of their salary, during 2020 in view of the economic situation brought about by the COVID-19 pandemic.

The remuneration earned by the Executive Chairman, the non-executive Directors of the Company, the CEOs and other senior executives during 2020 amounted to €1,671,455. Out of this amount €543,214 has been deferred and will only be paid once business recovers.

REMUNERATION STATEMENT - continued

The remuneration and emoluments earned and paid to the Directors and the CEOs for 2020, including fees paid in connection with their membership of board committees and other subsidiary boards are:

	Fixed remuneration earned (incl. fixed base salary and directors' fees)	Fixed remuneration paid (incl. fixed base salary and directors' fees) in view of salary cuts in 2020	Variable remuneration	Share options	Others
Mr Alfred Pisani, Executive Chairman	511,651	345,061	nil	N/A	-
Mr Frank Xerri de Caro, Senior Non-Executive Director	111,014	73,889	nil	N/A	-
Dr Joseph J Vella, Independent Non-Executive Director	92,500	61,282	nil	N/A	-
Mr Salem Hnesh, Non-Executive Director	25,000	16,563	nil	N/A	-
Mr Abdulnaser Ahmida, Non-Executive Director	42,500	28,156	nil	N/A	-
Mr Hamad Buamim, Non-Executive Director	15,000	9,938	nil	N/A	-
Mr Abuagila Almahdi, Non-Executive Director	15,000	10,500	nil	N/A	-
Mr Douraid Zaghouani, Non-Executive Director	15,000	9,938	nil	N/A	-
Mr Joseph Pisani, Non-Executive Director	15,000	9,938	nil	N/A	-
Mr Winston V. Zahra, Non-Executive Director	0	0	nil	N/A	-
Subtotal	842,665	565,265	nil	N/A	-
Mr Joseph Fenech, Joint CEO	410,792	277,927	nil	N/A	-
Mr Simon Naudi, Joint CEO	417,998	285,049	nil	N/A	-
Total (aggregate)	1,671,455¹	1,128,241	0	N/A	-

On the basis of legal advice received by the Company, the remuneration of the directors and CEOs discussed within this report is solely determined on the basis of remuneration payable by International Hotel Investments p.l.c. as the parent and its subsidiaries.

It is pertinent to note that the remuneration policy of the Company was approved by a binding vote of the shareholders at the 2020 Annual General Meeting. The result of the vote was as follows: 576,301,457 for and 66,627 against. This remuneration policy shall be reviewed regularly, and any material amendments thereto shall be submitted to a vote by the annual general meeting of the Company before adoption, and in any case at least every four years.

Signed on behalf of the board of directors on 30 April 2021 by:



Alfred Pisani
Chairman



Frank Xerri de Caro
Senior Independent Director

Registered Office
22 Europa Centre,
Floriana FRN 1400,
Malta

¹ A total of €450,000 was recovered from Corinthia Palace Hotel Company Limited for management services provided by Executive Chairman and Joint CEOs.

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The 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 of International Hotel Investments p.l.c. as at 31 December 2020, 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).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

International Hotel Investments p.l.c.’s financial statements, set out on pages FS48 to FS160, comprise:

- the Income statement for the Group for the year ended 31 December 2020;
- the Statement of comprehensive income for the Group for the year then ended;
- the Statement of financial position of the Group as at 31 December 2020;
- the Statement of changes in equity for the Group for the year then ended;
- the Statement of cash flows for the Group for the year then ended;
- the Statement of comprehensive income for the Company for the year then ended;
- the Statement of financial position of the Company as at 31 December 2020;
- the Statement of changes in equity for the Company for the year then ended;
- the Statement of cash flows for the Company for the year then ended; and
- the Notes to the financial statements, which include significant accounting policies and other explanatory information.

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 International Hotel Investments p.l.c.

Independence

We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the parent company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the parent company and its subsidiaries, in the period from 1 January 2020 to 31 December 2020, are disclosed in Note 7.1 to the financial statements.

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 impact of COVID-19 on the Group's financial results, cash flows and financial position, and the measures being taken by management in this regard, in view 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.

Our audit approach

Overview



- Overall group materiality: €1,700,000, which represents approximately 1% of average revenue.
- We conducted a full scope audit of the most significant components and performed specified audit procedures on certain account balances.
- The group engagement team performed oversight procedures on the work of component teams for all significant locations.
- Valuation and impairment of property, plant and equipment and investment properties
- Significant political and economic uncertainties prevailing in Libya
- Assessment of carrying amount of goodwill and intangible assets

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality		€1,700,000
How we determined it		approximately 1% of average revenue
Rationale for the materiality benchmark applied	We have applied revenue as a benchmark as we considered that this provides us with a consistent year-on-year basis for determining materiality, reflecting the group's fluctuating levels of profitability, and which we believe is also a key measure used by the shareholders as a body in assessing the group's performance. We selected 1% based on our professional judgement, noting that it is also within the range of commonly accepted revenue related thresholds.	

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €170,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. The following key matters were identified at both a Group level and Company level (given their direct impact on the fair value of the subsidiaries).

Key audit matter	How our audit addressed the Key audit matter
<p><i>Valuation and impairment of property, plant and equipment and investment properties</i></p> <p>Refer to Notes 14 and 15 of the Group's financial statements</p> <p>The Group's property comprises hotels, commercial centres and land for commercial use amounting to €1.3 billion. This represents the majority of the Group's assets as at 31 December 2020.</p> <p>A full revaluation assessment was carried out on all the properties. Valuation reports were obtained from third party qualified valuers for all of the Group's properties, classified as either property, plant and equipment or investment property.</p> <p>The valuation reports by the third party valuers are based on both:</p> <ul style="list-style-type: none"> - Information provided by the Group - Assumptions and valuation models used by the valuers, with assumptions being typically market related and based on professional judgement and market observation. The most significant judgements when adopting the income capitalisation approach relate to the projected cash flows, the discount rate, growth rates (including the capitalisation rate) and the projected date of recovery of the hospitality sector. The most significant judgement when adopting the adjusted sales-comparison approach relates to the sales price per square metre. 	<p>Our procedures in relation to the valuation of the properties included:</p> <ul style="list-style-type: none"> - Reviewing the methodologies used by the external valuers and by management to estimate the fair value for all properties. We confirmed that the valuation approach for each property was suitable for use in determining the carrying value of properties as at 31 December 2020. - Testing the mathematical accuracy of the calculations derived from each model. - Assessing the key inputs in the calculations such as revenue growth and discount rate, by reference to management's forecasts, rental agreements for investment property, data external to the Group and our own expertise. - Considering the appropriateness of the fair values estimated by the external valuers based on our knowledge of the industry. We engaged our own in-house valuation experts to challenge the work performed and assumptions used by the valuers. - Considering the potential impact of reasonably possible changes in the key assumptions underlying the valuations.

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

Key audit matter	How our audit addressed the Key audit matter
<p>The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future returns. This subjectivity was heightened at the end of the reporting period due to the uncertainties brought about by the COVID-19 pandemic. The third party valuers engaged by the directors have included a material uncertainty clause in their report in this respect.</p> <p>The existence of significant estimation uncertainty evidenced by the sensitivity of the property valuations to possible shifts in key assumptions as described in Note 15 could result in material misstatement, and therefore we have devoted specific audit focus and attention to this area.</p> <p>Fair value movements arising on these properties amounted to an impairment of €15.47 million, of which an impairment of €5.23 million is accounted for in the Income Statement. The shifts in fair value determined during the year ended 31 December 2020 are analysed in Notes 14 and 15.</p> <p>The judgements relating to the carrying value of the properties located in Libya is dealt with separately below.</p>	<p>We challenged the Company's valuations to assess whether they fell within a reasonable range of the expectations developed. Management were able to provide explanations and refer to appropriate supporting evidence.</p> <p>We have also assessed the appropriateness of disclosures in this respect including disclosures relating to the impact of COVID-19.</p> <p><i>The COVID-19 pandemic represents an unprecedented set of circumstances and has given rise to significant estimation uncertainty in relation to the valuation of the Group's properties as at 31 December 2020. The third party valuers engaged by the directors have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic.</i></p> <p><i>Developments and revisions to forecast economic and market conditions after the date of approval of the financial statements might give rise to potential changes in the outcome of management assessments carried out subsequent to that date.</i></p>

Significant political and economic uncertainties prevailing in Libya

Refer to Note 5 in the Group financial statements

We focused on the Group's activities in Libya in view of the political instability continuing to prevail during the financial year ended 31 December 2020 and its negative effect on the Libyan hospitality and real estate sectors.

The Group's assets in Libya principally comprise the Corinthia Hotel Tripoli with a carrying amount of €71.7 million and the adjoining investment property with a carrying amount of €103.2 million.

In addition to the procedures listed in the key audit matter above for the valuation of property, plant and equipment and investment property, we also performed the following on the assets attributable to the Group's activities in Libya:

- We reviewed the valuation assessments made by the directors in support of the carrying amount of the Group's properties in Libya and focused on assumptions about the impact of the political unrest in Libya.

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

Key audit matter	How our audit addressed the Key audit matter
<p>The future performance of the hotel and the Commercial Centre 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. The events that occurred during the reporting period in relation to COVID-19 give rise to heightened risks, even though the impact on the Group's hotel was not felt as much as it was in other properties.</p> <p>The directors have continued to monitor the situation in Libya closely. They recognise the fact that the situation in Libya has not improved in line with their expectations and economic activity remains limited across all sectors in which the Group is involved. However, the directors also recognise that there is interest from a number of sources for short and long-term accommodation. The Group secured further lease agreements and the directors anticipate that lease agreements can be continued to be renewed at the prevailing terms. With respect to the hotel, the directors have retained the expectations for a gradual recovery.</p> <p>The assumptions underlying the valuation assessments are explained in more detail in Note 5. These assumptions are highly judgemental in view of the significant uncertainties surrounding the operations in Libya and, therefore, the projected cash flows from the relative operations as well as their timing. The uncertainty could potentially be exacerbated by the events related to COVID-19, which events are dealt with separately above in the key audit matter for the valuation of property, plant and equipment and investment property.</p> <p>The economic conditions in Libya also create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2020, in addition to a current tax asset of €2.3 million, Corinthia Towers Tripoli Limited also had amounts due from Government related entities and other amounts receivable from embassies and corporate clients. Provisions for impairment have been registered to reflect the net estimated recoverable amounts in this respect.</p>	<ul style="list-style-type: none"> - We discussed the underlying assumptions including the projected cash flows (particularly the speed of recovery) and the discount rate (with particular emphasis on certain components including the country risk premium) with management and the Audit Committee. - We have also analysed in detail the long outstanding debts of the company and held detailed discussions about these debtors. <p>In addition, we evaluated the adequacy of the disclosures made in the financial statements regarding the situation in Libya, including those regarding the key assumptions and sensitivities to changes in such assumptions. In particular, Note 5 to the financial statements highlights the significant political and economic uncertainties prevailing in Libya and their impact on the Group's results for 2020. The note also explains the significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya that have also a bearing on the projected cash flows from the relative operations, which are in turn influenced by the timing of a recovery in the country. The events that occurred during the reporting period in respect of COVID-19 and the potential impact on the prevailing uncertainty have also been referred to in the disclosures within the financial statements as referred to in the key audit matter above for the valuation of property, plant and equipment and investment property.</p> <p><i>We believe that 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.</i></p>

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Assessment of carrying amount of goodwill and intangible assets</i></p> <p>Refer to Note 12 in the Group financial statements</p> <p>Goodwill with a carrying amount of €14.7 million and intangible assets having a carrying amount of €29.9 million as at 31 December 2020, that are supported by the Group's cash flow forecasts, are included on the Group's Statement of Financial Position as at 31 December 2020.</p> <p>An assessment is required annually to establish whether goodwill and intangible assets that have an indefinite useful life should continue to be recognised, or if any impairment is required. The assessment was performed at the lowest level at which the Group could allocate and assess goodwill, which is referred to as a cash generating unit ('CGU'). Goodwill and intangible assets arising from acquisitions have been allocated to the respective CGUs (refer to Note 12).</p> <p>The impairment assessment relied on the calculation of a value-in-use for each of the CGUs. This calculation was based on estimated future cash flows for each CGU, including assumptions around revenue growth, margins and EBITDA levels, discounted at an appropriate weighted average cost of capital.</p> <p>As the directors have described in the accounting policies, estimating future cash flows requires the application of significant judgement. The key judgements made by the directors include estimating future taxable returns, long term growth and discount rates. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires judgement. The extent of judgement and the size of the goodwill and related assets, resulted in this matter being identified as an area of audit focus.</p>	<p>We evaluated the suitability and appropriateness of the impairment methodology applied and the discounted cash flow model as prepared by management.</p> <p>We assessed the methodology and assumptions used by utilising our own in-house valuation experts. The calculations used in the model were re-performed to check accuracy and the key inputs in the model were agreed to approved sources.</p> <p>Management's cash flow forecasts, taking into account the COVID-19 impact on the Group used in the model were assessed by:</p> <ul style="list-style-type: none"> - testing that the forecasts agreed to the business plan which had been approved by the Board of Directors; and - considering current year performance against plan and the reasons for any deviation also through discussion with management for each CGU. <p>Our own in-house valuation experts critically challenged the revenue growth and margin assumptions and assessed the discount rate used in the models.</p> <p>The review of our valuation experts mainly focused on the underlying cash flows expected to be generated by the CGUs. Our experts also reviewed the valuation methodology adopted to determine the discount rates applied in the valuation of each CGU by reference to the overall cost of capital for the Group as well as assessing which benchmarks were the most appropriate in determining the terminal growth rate of the cash flows for each CGU. We concluded that the parameters utilised were reasonable, given economic outlook, and other relevant market data.</p> <p>The appropriateness of disclosures made in relation to goodwill and intangible assets was also reviewed.</p>

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group includes a number of subsidiaries, mainly operating in Malta, UK, Portugal, Hungary, Russia, Czech Republic and Libya. It also holds a number of investments in associates and joint ventures, the main one being the Golden Sands Group that is engaged in the operation and management of a combined location ownership and hotel operation. The consolidated financial statements are a consolidation of all of these components.

We therefore assessed what audit work was necessary in each of these components, based on their financial significance to the financial statements and our assessment of risk and Group materiality. At the component level, we performed a combination of full scope audits and specified audit procedures on certain account balances in order to achieve the desired level of audit evidence.

In establishing the overall audit approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or by component auditors. For the work performed by component auditors operating under our instructions, we determined the level of involvement we needed to have in the audit work at those locations to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion. We kept in regular communication with audit teams throughout the year with phone calls, discussions and written instructions and review of working papers where appropriate.

We ensured that our involvement in the work of our component auditors, together with the additional procedures performed at the Group level, were sufficient to allow us to conclude on our opinion on the Group financial statements as a whole.

The Group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

Other information

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

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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

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

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 International Hotel Investments p.l.c.

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 the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

Report on other legal and regulatory requirements

The *Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

<i>Area of the Report and Financial Statements 2020 and the related Directors' responsibilities</i>	<i>Our responsibilities</i>	<i>Our reporting</i>
<p>Directors' Report, Statement by the directors on the financial statements and other information included in the annual report and Statement by the directors on non-financial information</p> <p>(on pages FS1 to FS19)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p> <p>With respect to the information required by paragraphs 8 and 11 of the Sixth Schedule to the Act, our responsibility is limited to ensuring that such information has been provided.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> 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). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

Area of the Report and Financial Statements 2020 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Statement by the directors on compliance with the Code of Principles of Good Corporate Governance (on pages FS20 to FS27)</p> <p>The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Listing Rules. The Statement's required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.</p>	<p>We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements.</p> <p>We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Listing Rule 5.97.</p> <p>We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.</p>	<p>In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.</p> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>
<p>Remuneration statement (on pages FS31 to FS33)</p> <p>The Listing Rules issued by the Malta Listing Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Listing Rules.</p>	<p>We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Listing Rules, has been included. In this respect, we have taken cognisance of legal advice secured by the Company in respect of the contents of the Remuneration report.</p>	<p>In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.</p>

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

<i>Area of the Report and Financial Statements 2020 and the related Directors' responsibilities</i>	<i>Our responsibilities</i>	<i>Our reporting</i>
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept, or 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 which, to the best of our knowledge and belief, we require for our audit. <p>We also have responsibilities under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.</p>	<p>We have nothing to report to you in respect of these responsibilities.</p>

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Independent auditor's report - continued

To the Shareholders of International Hotel Investments p.l.c.

Appointment

We were first appointed as auditors of the Company on 11 June 2015. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 6 years.

PricewaterhouseCoopers

78, Mill Street
Zone 5, Central Business District
Qormi
Malta



Simon Flynn
Partner

30 April 2021

Income statement - the Group

	Notes	2020 €'000	2019 €'000
Revenue	6	91,909	268,286
Costs of providing services	7	(53,956)	(127,789)
		<u>37,953</u>	<u>140,497</u>
Marketing costs		(5,530)	(10,933)
Administrative expenses	7	(27,343)	(41,763)
Other operating expenses	7	(8,830)	(18,011)
		<u>(3,750)</u>	<u>69,790</u>
Depreciation and amortisation	7, 12, 15, 16	(35,779)	(36,766)
Other losses arising on property, plant and equipment	15	(2,925)	(1,826)
Impairment losses attributable to intangibles	12	(2,368)	(1,693)
Net changes in fair value of investment property	14	(5,228)	(137)
Net changes in fair value of contingent consideration	7	-	5,008
Net changes in fair value of indemnification assets	13	-	(210)
Results from operating activities	6	<u>(50,050)</u>	<u>34,166</u>
Net changes in fair value of financial assets through profit and loss	22	115	2,252
Finance income	9		
- interest and similar income		702	546
Finance costs	9		
- interest expense and similar charges		(23,554)	(23,765)
- net exchange differences on borrowings		(12,325)	4,664
Share of net loss of associates and joint ventures accounted for using the equity method	18	(2,448)	(3,951)
Reclassification of currency translation reserve to profit and loss upon loss in joint control	18.4(ii)	(2,802)	-
(Loss)/profit before tax		<u>(90,362)</u>	<u>13,912</u>
Tax credit/(expense)	10	14,713	(8,793)
(Loss)/profit for the year		<u>(75,649)</u>	<u>5,119</u>
(Loss)/profit for the year attributable to:			
- Owners of IHI		(63,050)	6,815
- Non-controlling interests		(12,599)	(1,696)
		<u>(75,649)</u>	<u>5,119</u>
Earnings per share	11	<u>(0.10)</u>	<u>0.011</u>

Statement of comprehensive income - the Group

		2020 €'000	2019 €'000
	Notes		
(Loss)/profit for the year		(75,649)	5,119
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Gross surplus arising on revaluation of hotel properties	15, 25	(10,246)	7,000
Deferred tax on surplus arising on revaluation of hotel property		450	(1,330)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method			
- revaluation of hotel properties	25	-	(4,550)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences	10.2	(44,078)	34,498
Deferred tax arising on currency translation differences	10.2	3,357	(2,048)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method			
- currency translation differences	18.1	(607)	211
<i>Items reclassified to profit or loss</i>			
Reclassification of currency translation reserve to profit and loss upon loss in joint control		2,802	-
Other comprehensive income for the year, net of tax		(48,322)	33,781
Total comprehensive income for the year		(123,971)	38,900
Attributable to:			
- Owners of IHI		(97,769)	29,945
- Non-controlling interests		(26,202)	8,955
		(123,971)	38,900


Statement of financial position - the Group

		31 December 2020 €'000	31 December 2019 €'000
	Notes		
Assets			
Non-current			
Intangible assets	12	44,639	49,036
Indemnification assets	13	23,396	23,396
Investment property	14	191,355	214,174
Property, plant and equipment	15	1,102,885	1,181,944
Right-of-use assets	16	11,690	13,776
Deferred tax assets	33	14,214	9,233
Investments accounted for using the equity method	18	31,831	40,144
Financial assets at fair value through profit or loss	22	7,198	8,401
Other financial assets at amortised cost	19	6,739	1,801
Assets placed under trust arrangement	42, 31	-	3,698
		1,433,947	1,545,603
Current			
Inventories	20	10,647	12,626
Other financial assets at amortised cost	19	43	125
Trade and other receivables	21	35,106	43,192
Current tax asset		3,324	3,922
Financial assets at fair value through profit or loss	22	9,250	8,909
Cash and cash equivalents	23	46,145	72,699
Assets placed under trust arrangement	42, 31	5,637	122
		110,152	141,595
Total assets		1,544,099	1,687,198

Statement of financial position - the Group

		31 December 2020 €'000	31 December 2019 €'000
	Notes		
Equity and liabilities			
Equity			
Capital and reserves attributable to owners of IHI:			
Issued capital	24	615,685	615,685
Revaluation reserve	25	20,365	27,538
Translation reserve	26	(27,071)	475
Reporting currency conversion difference	28	443	443
Other components of equity	27	2,617	2,617
(Accumulated losses)/retained earnings	29	(8,803)	54,247
		603,236	701,005
Non-controlling interests		169,940	196,142
Total equity		773,176	897,147
Liabilities			
Non-current			
Trade and other payables	34	5,250	6,257
Bank borrowings	30	345,920	324,597
Bonds	31	203,061	222,584
Lease liabilities	16	9,486	11,202
Other financial liabilities	32	281	-
Deferred tax liabilities	33	87,023	100,422
Provisions		206	206
		651,227	665,268
Current			
Trade and other payables	34	69,000	74,777
Bank borrowings	30	27,227	45,436
Bond	31	19,938	-
Lease liabilities	16	2,591	2,795
Other financial liabilities	32	120	-
Current tax liabilities		820	1,775
		119,696	124,783
Total liabilities		770,923	790,051
Total equity and liabilities		1,544,099	1,687,198

The financial statements on pages FS48 to FS160 were approved by the board of directors, authorised for issue on 30 April 2021 and signed on its behalf by:


Alfred Pisani
Chairman


Frank Xerri de Caro
Director

Statement of changes in equity - the Group

	Note	Share capital €'000	Revaluation reserve €'000	Translation reserve €'000	Reporting currency conversion difference €'000	Other equity components €'000	Retained earnings €'000	Total attributable to owners €'000	Non-controlling interests €'000	Total equity €'000
Balance at 1 January 2019		615,685	26,418	(21,535)	443	2,617	59,746	683,374	194,246	877,620
Profit for the year		-	-	-	-	-	6,815	6,815	(1,696)	5,119
Other comprehensive income		-	1,120	22,010	-	-	-	23,130	10,651	33,781
Total comprehensive income		-	1,120	22,010	-	-	6,815	29,945	8,955	38,900
Transactions with owners in their capacity as owners:										
Dividend declared or paid	35	-	-	-	-	-	(12,314)	(12,314)	(7,059)	(19,373)
Balance at 31 December 2019		615,685	27,538	475	443	2,617	54,247	701,005	196,142	897,147
Balance at 1 January 2020		615,685	27,538	475	443	2,617	54,247	701,005	196,142	897,147
Loss for the year		-	-	-	-	-	(63,050)	(63,050)	(12,599)	(75,649)
Other comprehensive income		-	(7,173)	(27,546)	-	-	-	(34,719)	(13,603)	(48,322)
Total comprehensive income		-	(7,173)	(27,546)	-	-	(63,050)	(97,769)	(26,202)	(123,971)
Balance at 31 December 2020		615,685	20,365	(27,071)	443	2,617	(8,803)	603,236	169,940	773,176

Statement of cash flows - the Group

		2020 €'000	2019 €'000
	Notes		
(Loss)/profit before tax		(90,362)	13,912
Adjustments	36	85,013	52,562
Working capital changes:			
Inventories		1,623	(574)
Trade and other receivables		4,282	5,470
Advance payments		476	1,714
Trade and other payables		(4,512)	(5,304)
Cash (used in)/generated from operations		(3,480)	67,780
Tax paid		(83)	(4,930)
Tax refund received		598	-
Net cash (used in)/generated from operating activities		(2,965)	62,850
Investing activities			
Payments to acquire property, plant and equipment		(13,749)	(16,045)
Proceeds from sale of property, plant and equipment		726	-
Payments to acquire intangible assets		(90)	(924)
Payments to acquire investment property		(8)	(275)
Payments for the acquisition of businesses, net of cash acquired	39	-	677
Payments for the acquisition of financial assets at fair value through profit or loss		(2,678)	(11,639)
Proceeds from sale of financial asset at fair value through profit or loss		3,388	5,277
Loan to parent company		-	941
Loan to joint venture		-	(1,000)
Interest received		702	546
Net cash used in investing activities		(11,709)	(22,442)

Statement of cash flows - the Group

	2020 €'000	2019 €'000
Notes		
Financing activities		
Proceeds from bank borrowings	33,621	36,359
Repayment of bank borrowings	(24,043)	(36,436)
Proceeds from the issue of bonds	-	19,687
Advances from related parties	401	-
Repayment of loans from related parties	-	(3,716)
Principal elements of lease payments	(1,142)	(2,139)
Contributions to sinking fund	(1,817)	(53)
Interest paid	(21,880)	(22,976)
Dividends paid	-	(12,313)
Net cash used in financing activities	(14,860)	(21,587)
Net change in cash and cash equivalents	(29,534)	18,821
Cash and cash equivalents at beginning of year	65,463	44,291
Effect of translation of group entities to presentation currency	454	2,351
Cash and cash equivalents at end of year	36,383	65,463

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Statement of comprehensive income - the Company

		2020 €'000	2019 €'000
	Notes		
Dividend income		3,630	18,080
Interest income on other financial assets at amortised cost		3,387	3,219
Management fees and other similar income		2,009	4,554
Interest expense and similar charges		(12,786)	(12,551)
Administrative expenses		(5,003)	(8,934)
Credit losses on loans receivable and other assets	42.1	(12,050)	-
Net changes in fair value of contingent consideration		-	563
(Loss)/profit before tax		(20,813)	4,931
Tax income	10	8,573	3,575
(Loss)/profit for the year		(12,240)	8,506
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Net changes in fair value of investments in subsidiaries, associates and joint ventures	18.1, 27.2	(88,737)	(9,975)
Income tax relating to these items	27.2	4,256	2,656
Reversal of deferred income tax liability on fair value movements following amendment in tax legislation	27.2	-	42,683
Other comprehensive income for the year, net of tax		(84,481)	35,364
Total comprehensive income for the year		(96,721)	43,870


Statement of financial position - the Company

		31 December 2020 €'000	31 December 2019 €'000
	Notes		
Assets			
Non-current			
Intangible assets	12	2,438	2,449
Indemnification assets	13	1,997	1,997
Property, plant and equipment	15	134	136
Right-of-use assets	16	572	358
Deferred tax assets	33	8,860	3,202
Investments in subsidiaries	17	785,910	892,774
Investments in associates and joint ventures	18	12,184	12,790
Other financial assets at amortised cost	19	90,972	86,478
Assets placed under trust arrangement	42, 31	-	3,698
		903,067	1,003,882
Current			
Other financial assets at amortised cost	19	2,556	91
Trade and other receivables	21	46,630	40,495
Current tax asset		1,053	1,053
Cash and cash equivalents	23	4,943	15,043
Assets placed under trust arrangement	42, 31	5,637	122
		60,819	56,804
Total assets		963,886	10,060,686

Statement of financial position - the Company

	Notes	31 December 2020 €'000	31 December 2019 €'000
Equity			
Issued capital	24	615,685	615,685
Other reserves	27.2	17,698	102,179
Reporting currency conversion difference	28	443	443
Retained earnings	29	17,177	29,417
Total equity		651,003	747,724
Liabilities			
Non-current			
Trade and other payables	34	829	822
Bank borrowings	30	15,598	10,718
Bonds	31	203,061	222,584
Other financial liabilities	32	36,767	39,781
Lease liabilities	16	317	176
Deferred tax liabilities	33	21,886	26,142
		278,458	300,223
Current			
Trade and other payables	34	12,098	10,484
Bank borrowings	30	2,041	1,872
Bonds	31	19,938	-
Other financial liabilities	32	84	98
Lease liabilities	16	264	285
		34,425	12,739
Total liabilities		312,883	312,962
Total equity and liabilities		963,886	1,060,686

The financial statements on pages FS48 to FS160 were approved by the board of directors, authorised for issue on 30 April 2021 and signed on its behalf by:



Alfred Pisani
Chairman



Frank Xerri de Caro
Director

Statement of changes in equity - the Company

	Share capital €'000	Other reserve €'000	Reporting currency conversion difference €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2019	615,685	66,815	443	33,225	716,168
Profit for the year	-	-	-	8,506	8,506
Other comprehensive income	-	35,364	-	-	35,364
Total comprehensive income	-	35,364	-	8,506	43,870
Transactions with owners in their capacity as owners:					
Dividend declared or paid	-	-	-	(12,314)	(12,314)
Balance at 31 December 2019	615,685	102,179	443	29,417	747,724
Balance at 1 January 2020	615,685	102,179	443	29,417	747,724
Loss for the year	-	-	-	(12,240)	(12,240)
Other comprehensive income	-	(84,481)	-	-	(84,481)
Total comprehensive income	-	(84,481)	-	(12,240)	(96,721)
Balance at 31 December 2020	615,685	17,698	443	17,177	651,003

Statement of cash flows - the Company

	Notes	2020 €'000	2019 €'000
(Loss)/profit before tax		(20,813)	4,931
Adjustments	36	18,285	(9,091)
Working capital changes:			
Trade and other receivables		3,873	6,003
Trade and other payables		(2,732)	2,460
Cash (used in)/generated from operations		(1,387)	4,303
Interest received		-	1,590
Interest paid		(11,205)	(12,124)
Net cash used in operating activities		(12,592)	(6,231)
Tax refunded		-	2,003
Net cash used in operating activities		(12,592)	(4,228)
Investing activities			
Payments to acquire property, plant and equipment		(30)	(80)
Payments to acquire intangible assets		(11)	(54)
Purchase of investment in subsidiary		-	(4,685)
Loan repayments received from related parties		-	6,052
Advance of loan to related parties		(572)	-
Net cash (used in)/generated from investing activities		(613)	1,233
Financing activities			
Proceeds from bank borrowings		5,000	4,500
Repayment of bank borrowings		(181)	(2,086)
Proceeds from bond issue		-	19,686
Repayment of loan from related parties		-	750
Lease payment - principal		(127)	(269)
Dividends paid		-	(12,314)
Contributions to sinking fund		(1,817)	(53)
Net cash generated from financing activities		2,875	10,214
Net change in cash and cash equivalents		(10,330)	7,219
Cash and cash equivalents at beginning of year		15,043	7,824
Cash and cash equivalents at end of year	23	4,713	15,043

Notes to the financial statements

1. General information

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

2. Nature of operations

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

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 and financial liabilities at classified at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), 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 4 – Critical accounting estimates, judgements and errors). As at 31 December 2020, the Group had a net current liability position of €9.5m. As explained further in this note, the Group has secured financing and taken other measures to improve the Group's liquidity and to enable the Group to settle its short-term obligations as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events

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

3. Summary of significant accounting policies - continued

3.1 Basis of preparation - continued

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events - continued

These events had a significant impact on the Group's operations during the year under review and on the financial results registered during the year with material adverse impact on the Group's profitability, cash flows and financial position. The Board's views are that the situation is unprecedented. The directors and senior management took a number of cost-saving measures and benefitted from a number of incentives and grants provided in the countries in which the Group operates. These combined actions helped significantly in minimising the operating losses and in preserving and extending the Group's financial resources. The directors and senior management remain committed to taking all necessary actions to mitigate the negative impact that COVID-19 is having on the Group. Although the pandemic is still prevalent, there is at least some light at the end of the tunnel. The roll out process of different vaccines across all countries where the Group operates is progressing, in some countries faster than others. This is an evolving situation however whilst second and third lockdowns have occurred or are being contemplated, one is also mindful that some of those European countries that have taken early lockdown precautions and are gaining momentum in their vaccination program are now easing measures to revert to normality. The ultimate objective is to achieve herd immunity by the end of summer 2021 in the UK and the European Union member states and whilst there are some delays, with the approval of new vaccines this objective still remains feasible.

In a company announcement dated 28 March 2020, the Group stated that the global pandemic 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 reduce 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, Portugal, Hungary, Czech Republic 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's senior management team has compiled Group financial projections for the year ending 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 prevailing conditions currently experienced, under a scenario which encompasses a set of prudent 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 of business once operations resume, and expected level of activity and revenues post resumption. The Group is incorporating minimal forecast revenues for the first semester of 2021 with the exception of the St Petersburg and Tripoli operations where the situation is more bullish. The forecast for the second semester of 2021, once international travel resumes, is based on a fraction of the historical 2019 figures. Hence the Group is projecting that during 2024 revenue levels will revert to pre COVID-19 benchmarks. The projections referred to above contemplate the impact of the cost containment and management measures taken, together with government support in various jurisdictions in respect of operating expenditure until a maximum of 31 December 2021.

3. Summary of significant accounting policies - continued

3.1 Basis of preparation - continued

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events - continued

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

The Group has been successful in securing banking facilities with local banks under the Malta Development Bank COVID-19 Guarantee Scheme, with the approved facilities amounting to the maximum amount possible under the Scheme. Although the approved loans have not been fully drawn as at the sign off date, the entire amount of the facilities is included as liquidity inflows later on in 2021.

During 2020, the Group has engaged in an extensive dialogue with its funding banks in Malta and internationally, and has entered into ad hoc arrangements with most of its principal lending banks to defer capital and in some cases interest payments too, which deferrals are reflected within the projections. These moratorium on interest and capital not only cover 2020 but, in some instances, also extend to the first part of 2021.

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 in 2020, the Group was, as expected bound to breach specific covenants exclusively in view of COVID-19 impact on its business and financial results. Waivers have been obtained in respect of such breaches that occurred in 2020 or are expected to occur in the early part of 2021. This situation is being kept under constant review and if additional waivers will be required these will be applied for in due time. If waivers 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 all further future waivers as needed, and this is assumed within the financial projections.

The Company has also secured a line of credit from its parent company, Corinthia Palace Hotel Company Limited, to ensure funding is available in case of any cashflow shortfalls. This line of credit will be partly utilised during 2021 according to the projections with the possibility of using further this credit line in the early part of 2022, if so required.

The Group will be reviewing other funding arrangements expected to mature throughout 2021. Interest payment obligations on all such funding arrangements are included within the projections.

The Group is not relying on asset disposals other than the planned sale of the penthouse apartment in London for cash flow purposes and accordingly did not reflect proceeds from disposal of any significant assets during the explicit period of the cash flow projections, although disposals are an option. The majority of the funds that will be received from the penthouse sale will be applied towards the settlement of the bank loan on the said penthouse and in supporting the partial repayment of the bank loan on the London hotel.

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, utilising a prudent scenario, the Group is expected to have sufficient liquidity and financial resources to meet its 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.

3. Summary of significant accounting policies - continued

3.1 Basis of preparation - continued

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events - continued

The impact of the expected reduction in revenues and deterioration of financial results during the year ended 31 December 2020 and the year ending 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.

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 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. In this regard positive steps were taken in appointing an interim government of national unity with a mandate to hold free elections by the end of 2021. These projections remain subjective and difficult to predict due to the current market environment, also taking into account the COVID-19 pandemic. 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 5 to the financial statements for further information in this respect).
- The Group continues to be dependent on the continued support of its bankers for its financing, and on successfully negotiating waivers of bank covenants, if required, when these fall due.

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

- continued support from its funding banks and waivers for the forecast covenant breaches in 2021, if required, together with refinancing of other funding arrangements; and
- continued support from the Company's parent, CPHCL, which is considered as willing and financially able to support the Group.

Accordingly, based on the outcome of the cash flow projections in a 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 2020 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.

3. Summary of significant accounting policies - continued

3.2 Merger by acquisition

On 29 December 2017, IHGH p.l.c. merged into International Hotel Investments p.l.c. (“the Company”) in terms of the Maltese Companies Act (Cap. 386), as part of a restructuring exercise undertaken by the Group. IHGH p.l.c. ceased to exist on this date. The merger was accounted for in accordance with the accounting policy disclosed in Note 3.8. The merger did not have any impact on the consolidated financial statements.

3.3 Standards, interpretations and amendments to published standards effective in 2020

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS1 and IAS8
- Definition of a Business – amendments to IFRS3
- Revised Conceptual Framework for Financial Reporting

The Group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle
- COVID-19-Related Rent Concessions – amendments to IFRS16

The 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.

3.4 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 2020. 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.

3.5 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 3.7).

3. Summary of significant accounting policies - continued

3.5 Principles of consolidation and equity accounting - continued

(i) Subsidiaries - continued

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 consolidated 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 consolidated balance sheet.

(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.

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 3.13.

3. Summary of significant accounting policies - continued

3.5 Principles of consolidation and equity accounting - continued

(v) 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 IHI.

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.

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

In the Company's stand-alone financial statements, investments in subsidiaries, associates and joint ventures are accounted for in accordance with IFRS 9's requirements for equity investments. The Company elects, on an instrument-by-instrument basis, whether its investments will be measured at fair value, with fair value movements in other comprehensive income. Management has adopted the FVOCI election for all of its investments in subsidiaries, associates and joint ventures. The fair value of investments in subsidiaries, associates and joint ventures is established by using valuation techniques, in most cases by reference to the net asset backing of the investee taking cognisance of the fair values of the underlying assets.

Additional detail on the subsequent measurement and impairment requirements for FVOCI assets is disclosed in Note 3.14.

3.7 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.

3. Summary of significant accounting policies - continued

3.7 Business combinations - continued

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 subsidiary 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 acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3.8 Mergers between entities under common control

Mergers between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from their financial statements.

No goodwill arises in predecessor accounting, and any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity, is included in equity as a separate reorganisation reserve. In order to provide more meaningful information, the merged entity's results are incorporated into the financial statements of the Group/Company as if both entities had always been merged, with the result that the financial statements of the surviving company reflect both entities' full year's results even though the merger may have occurred part way through the year.

3.9 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 IHI's functional and presentation currency.

3. Summary of significant accounting policies - continued

3.9 Foreign currency translation - continued

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- 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.

3.10 Property, plant and equipment

All 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.

3. Summary of significant accounting policies - continued

3.10 Property, plant and equipment - continued

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	50
Hotel plant and equipment	2-15
Furniture, fixture and fittings	3-10
Motor vehicles	5

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 3.13). 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.

3.11 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.

3. Summary of significant accounting policies - continued

3.11 Investment property - continued

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.

3.12 Intangible assets

(a) Goodwill

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.

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. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 (Note 6).

3. Summary of significant accounting policies - continued

3.12 Intangible assets - continued

(b) Brands

The brands comprise the 'Corinthia' brand name relating to hospitality and catering. The 'Corinthia' brand was acquired from the Group's parent, CPHCL, and represents the consideration paid on its acquisition.

The brands do not have a finite life and are measured at cost less accumulated impairment losses. The brands are regarded as having an indefinite life, since based on all relevant factors, there is not foreseeable limit to the period over which the assets are 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

3.13 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.

3.14 Financial assets

3.14.1 Classification

The Group and the Company classify their 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.

3. Summary of significant accounting policies - continued

3.14 Financial assets - continued

3.14.1 Classification - continued

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 other comprehensive income. 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.

3.14.2 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.

3.14.3 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.

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

- **Amortised cost:** 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 as separate line item in the statement of profit or loss.
- **FVTPL:** 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 investment income in the period in which it arises. The Group classified its investments in mutual funds in this category, on the basis that such investments fails to meet the 'solely payments of principal and interest' test.

3. Summary of significant accounting policies - continued

3.14 Financial assets - continued

3.14.3 Measurement - continued

Equity instruments

The Group and the Company subsequently measure all 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 other income (from the Group's perspective) / revenue (from the Company's perspective), when the entity's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in investment income in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.14.4 Impairment

The Group and the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. 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 42.1 for further details.

3.15 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The 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 42.1.

3.16 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 and the estimated costs necessary to make the sale.

3.17 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. Summary of significant accounting policies - continued

3.18 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 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.

3.19 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of 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.

3.20 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 assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

3.21 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.

3.22 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.

3. Summary of significant accounting policies - continued

3.22 Income tax - continued

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.

3.23 Provisions

Provisions for legal claims and other 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. Summary of significant accounting policies - continued

3.24 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.

3.25 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.

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.

3. Summary of significant accounting policies - continued

3.25 Revenue recognition - continued

(c) Project management services - continued

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.

3.26 Leases

The Group's lease accounting policy where the Group is the lessee is disclosed in Note 16.

3.26.1 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.

3.27 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.

3.28 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 as current employee benefit obligations in the balance sheet.

(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.

3. Summary of significant accounting policies - continued

3.28 Employee benefits - continued

(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. Obligation for contributions are recognised as an employee benefit in profit or loss in the periods during which services are rendered by employees.

3.29 Contributed equity

Ordinary shares are classified as equity.

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

3.30 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.

3.31 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company,
- by the weighted average number of ordinary shares outstanding during the financial year.

3.32 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of IHI has appointed a strategic steering committee which assesses the financial performance and position of the Group and makes strategic decisions and accordingly has been identified as being the chief operating decision maker.

4. Critical accounting estimates, judgements and errors

4.1 Significant estimates and judgements

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

4. Critical accounting estimates, judgements and errors - continued

4.1 Significant estimates and judgements - continued

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. This Note highlights information about the fair value estimation of land and buildings and investment property, together with a sensitivity analysis of the effects of shifts in unobservable inputs used in determining these fair values. The third party valuers engaged by the directors have included a material uncertainty clause in their reports in this respect. This clause highlights the fact that less certainty, and consequently a higher degree of caution, should be attached to the valuations as a result of the COVID-19 pandemic. Additionally, the significant estimates and uncertainties arising from the Group's operations in Libya are disclosed in Note 5.

The Company's critical estimates pertain to the fair valuation of its investments in subsidiaries, associates and joint ventures. Refer to Note 42.6 for more information.

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

5. The Group's operations in Libya

The Group's activities in Libya principally comprise:

- The Corinthia Hotel Tripoli, a fully owned five-star hotel in Tripoli with a carrying amount of €71.71m (2019: €74.14m);
- An adjoining Commercial Centre to the above-mentioned hotel, with a carrying amount of €73.7m (2019: €73.7m);
- The ownership of a site surrounding the hotel, with a carrying amount of €29.5m (2019: €29.5m); and
- The development of the Medina Towers Project through an associated undertaking in which the Group holds a 25% share, which investment has a carrying amount of €12.2m (2019: €12.8m).

The first three activities are managed through the Group's investment in Corinthia Towers Tripoli Limited, a company registered in Malta with a branch in Libya.

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 election has been held as rival leaders were jostling for territory. In March 2021 however, Libya's parliament endorsed a new, unified government, and the two previous rival governments agreed to dissolve. This transitional government is due to stay in power until the end of 2021, when national presidential and legislative elections will take place. The political instability in Libya and the state of economic uncertainty that continued to prevail during the financial year ended 31 December 2020 had a negative effect on the Libyan hospitality and real estate sectors. This situation continues to impact the Group's financial results in Libya.

Having stated the above, and notwithstanding the negative impact of the COVID-19 pandemic which saw the Group's revenue and profitability reduce significantly, it should be noted that the turnover registered during 2020 by Corinthia Towers Tripoli Limited amounts to €12.50 million (2019: €10.40 million) representing 13.6% (2019: 3.9%) of the Group's revenue, with a profit before tax of €3.25 million (2019: €1.4 million). Current year's revenue includes €7.35 million (2019: €7.20 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 to international blue chip companies. 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 is heading towards further lease agreements and this will result in the Commercial Centre being fully leased out as from the latter part of 2021.

5. The Group's operations in Libya - continued

Accordingly, whilst the hotel sustained negative net financial results during 2020 and 2019 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.

There were no major changes during the last year when it comes to the significant economic and political uncertainty prevailing in Libya. This 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 operating performance of the assets in Libya has remained relatively stable when compared to last year even when taking into account the level of uncertainty brought about by the COVID-19 pandemic.

The economic conditions in Libya create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2020, in addition to a current tax asset of €2.30 million (2019: €2.30 million), Corinthia Towers Tripoli Limited also had amounts due from Government related entities and other amounts receivable from embassies and corporate clients.

The future performance of the hotel and the Commercial Centre 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 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 2021 are encouraging and occupancy levels of 24% 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 €2.56 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 €16.96 million accounted for between 2016 and 2020.

In the case of the Commercial Centre, the carrying amount of the property is unchanged as at 31 December 2020.

Further information on the key assumptions and judgements underlying the valuation of property assets is disclosed in Note 15, together with an analysis of sensitivity of the valuations to shifts or changes in the key parameters reflected.

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 2020, which is unchanged from the carrying amount as at 31 December 2019. This fair valuation is based on an independent real estate value of the site taking into account limited available market information.

In view of the prevailing circumstances in Libya, The Medina Towers Project carried out through an associate has slowed down considerably. The key assets within this company as at 31 December 2020 comprise the project site carried at €26.9 (2019: €28.2m), amounts capitalised in respect of the project amounting to €14.4 (2019: €15.1m) and cash balances amounting to €8.04m (2019: €8.1m).

5. The Group's operations in Libya - continued

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

	Carrying amount as at	
	31 December 2020 €m	31 December 2019 €m
Corinthia Towers Tripoli Limited		
Property, plant and equipment	71.7	74.1
Investment property	103.2	103.2
Inventories	1.8	1.7
Trade receivables, net of provisions	1.3	1.3
Current tax receivable	2.3	2.3
Medina Towers J.S.C.		
Investment in associate accounted for using the equity method of accounting	12.2	12.8

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 and Commercial Centre and on the fair valuation of the related property assets would accordingly vary in a significant manner.

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.

The Directors also took note of the decision taken by the Central Bank of Libya to issue an exchange rate modification effective from 3 January 2021, whereby the Libyan Dinar was modified to equate to 4.48 Dinars to the US Dollar. The implications of such devaluation in the Libyan Dinar is disclosed in Note 41 to these financial statements.

6. Segment reporting

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

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

Hotel ownership, development and operations is the dominant source of the Group's risks and returns. The Group is also engaged in the ownership and leasing of its investment property. Malta is the jurisdiction of the parent and management companies.

6. Segment reporting - continued

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

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

Information about reportable segments

Hotels	Malta		Lisbon		Budapest		St. Petersburg		Prague		London		Tripoli		Total	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Segment revenue	14,692	48,000	7,358	28,635	6,184	28,054	3,020	16,243	4,001	20,454	22,794	74,862	5,148	3,156	63,197	219,404
EBITDA	(2,333)	10,623	(534)	7,911	110	8,181	(1,693)	5,848	(2,328)	5,231	(1,851)	15,272	(548)	(2,141)	(9,177)	50,925
Depreciation and amortisation	(4,248)	(4,217)	(3,748)	(3,188)	(1,664)	(1,648)	(1,740)	(2,422)	(1,573)	(2,245)	(8,142)	(14,370)	(2,559)	(2,601)	(23,674)	(30,691)
Segment profit or loss	(6,581)	6,406	(4,282)	4,723	(1,554)	6,533	(3,433)	3,426	(3,901)	2,986	(9,993)	902	(3,107)	(4,742)	(32,851)	20,234

6. Segment reporting - continued

Information about reportable segments - continued

Hotels	Total	
	2020 €'000	2019 €'000
Segment revenue (page FS82)	63,197	219,404
Rental income from investment property	21,019	13,694
Hotel management company revenue	3,206	16,963
Catering business revenue	8,468	25,081
Project management revenue	7,079	6,876
Development revenue	200	834
Holding company revenue	3,561	34,575
Elimination of intra-group revenue	(14,821)	(49,141)
Group revenue	91,909	268,286
Segment profit or loss (page FS82)	(32,851)	20,234
Net rental income from investment property	18,866	11,739
Change in fair value of investment property	(5,228)	(137)
Catering business result	(2,250)	929
Impairment of catering non-current assets	-	(3,013)
Other impairments	(5,274)	(205)
Net changes in fair value of contingent consideration	-	5,008
Project management business result	1,046	1,314
Development business result	(331)	88
Corporate office operating profit	(3,019)	14,667
Hotel management company operating profit	(2,314)	8,107
Depreciation	(10,021)	(3,903)
Amortisation	(2,084)	(2,172)
Movement in indemnification assets	-	(210)
Unallocated items	(724)	(496)
Consolidation adjustments	(5,866)	(17,784)
	(50,050)	34,166
Share of results from equity accounted investments	(2,448)	(3,951)
Net changes in fair value of financial assets at fair value through profit and loss	115	2,252
Finance income	702	546
Finance costs	(35,879)	(19,101)
Reclassification of currency translation reserve to profit and loss	(2,802)	-
(Loss)/profit before tax	(90,362)	13,912

6. Segment reporting - continued

Information about reportable segments - continued

Hotels	Malta		Lisbon		Budapest		St. Petersburg		Prague		London		Tripoli		Total	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Hotels	149,682	169,850	115,048	116,943	117,165	123,323	66,934	88,690	92,636	94,040	442,484	512,206	71,707	74,106	1,055,656	1,179,158
Investment properties															191,355	214,174
Hotel management															37,076	28,860
Catering business															13,449	8,743
Project management business															2,562	2,641
Development business															20	2
Holding company															50,452	58,453
Unallocated items															83,377	53,572
															<u>1,433,947</u>	<u>1,545,603</u>

During the current and comparative year there were no material inter-segment sale transactions.

7. Expenses by nature

The major items included within profit or loss are included below:

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
(Gain)/loss on disposal of property, plant and equipment	(249)	(232)	1	(563)
Depreciation of property, plant and equipment (Note 15)	31,098	32,409	32	27
Depreciation of right-of-use assets (Note 16)	2,597	2,185	195	185
Amortisation of intangible assets (Note 12)	2,084	2,172	22	8
Net exchange differences	(58)	282	-	-
Professional fees	3,471	4,246	303	426
Cost of goods sold	8,176	23,918	-	-
Energy utilities	4,972	8,384	12	-
Employee benefit expenses (Note 8)	47,373	93,442	2,785	4,910
Property taxes	1,975	4,752	-	-
Repairs and maintenance	4,440	5,977	-	-

Net changes in fair value of contingent consideration relate to movements in the fair value of liabilities that emanate from agreements in which the Group acquired assets or businesses, and which are subject to consideration that is dependent on the performance of the underlying assets or businesses. During 2019, the Group settled a liability related to previously acquired assets. The fair value of the liability from 1 January 2019 to settlement decreased by €4.4m, thereby resulting in a gain recognised in profit or loss.

Director's remuneration charged in the income statements in 2020 amounted €0.4m (2019: €0.9m). This amount is net of a recharge of €0.5m (2019: €0.5m) to CPHCL, the Group's immediate parent entity. The gross amount includes a fixed portion of €0.9m (2019: €0.9m) and a variable portion of Nil (2019: €0.5m). Included in this remuneration are Directors' fees of €0.4m (2019: €0.4m).

7.1 Auditor's fees

Fees charged by the auditor (including fees charged by other network firms) for services rendered during the financial years ended 31 December 2020 and 31 December 2019 are shown in the table below.

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Annual statutory audit	552	561	92	97
Tax compliance and advisory fees	38	185	2	113
Other non-audit services	51	59	37	59
	641	805	131	269

8. Personnel expenses

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Wages and salaries	40,136	79,273	2,394	4,814
Social security contributions	4,337	7,080	59	57
Other staff costs	2,900	7,089	332	39
	47,373	93,442	2,785	4,910

Weekly average number of employees:

	The Group		The Company	
	2020	2019	2020	2019
	No.	No.	No.	No.
Management and administrative	467	599	26	29
Operating	1,346	2,353	-	-
	1,813	2,952	26	29

In response to the COVID-19 coronavirus pandemic, the Group has benefitted from varying schemes adopted by the respective Governments in all countries in which the Group operates. The Group and the Company received grants amounting to €12.9m and €0.2m respectively under the varying schemes adopted by the respective Governments. These grants have been netted off against the wages and salaries amount disclosed above.

9. Finance income and finance costs

	The Group	
	2020	2019
	€'000	€'000
Finance income:		
Interest income on:		
Loans advanced to related companies	125	195
Loans advanced to other investee	379	-
Other balances	6	9
Bank deposits	192	342
Finance income	702	546

Finance costs:

Interest expense on:		
Bank borrowings	(10,251)	(10,693)
Bonds	(11,028)	(10,852)
Amortisation of transaction costs on borrowings	(1,031)	(1,384)
Lease liabilities	(705)	(721)
Capital and other creditors	-	(109)
Other costs	(539)	(6)
Net exchange differences	(12,325)	4,664
Finance costs	(35,879)	(19,101)

10. Tax income/(expense)

The credit/(charge) for income tax on profits derived from local and foreign operations has been calculated at the applicable tax rates.

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Current taxation:				
Current year tax credit/(expense)	826	(6,307)	(5)	(674)
Deferred taxation:				
Deferred tax income/(expense)	13,287	(1,908)	8,578	4,249
Adjustment recognised in financial period for deferred tax of prior period	600	(578)	-	-
	14,713	(8,793)	8,573	3,575

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

10.1 Tax income/(expense) reconciliation

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
(Loss)/profit before tax	(90,362)	13,912	(20,813)	4,931
Income tax using the Company's domestic tax rate	31,627	(4,869)	7,285	(1,726)
Effect of (losses)/income subject to foreign/different tax rates	(10,793)	3,076	1,271	5,301
Effect of reduction in tax rate on opening temporary difference	-	(1,658)	-	-
Non-tax deductible expenses	(2,613)	(1,234)	-	-
Non taxable income	3,228	-	-	-
Over/(under) provision in respect of previous Years	600	(578)	-	-
Movement in unrecognised temporary differences	(5,551)	(1,479)	-	-
Increase in tax base of intangible asset	-	-	-	-
Effect of Group's share of profit and loss of investments recognised using the equity method	(786)	(1,383)	-	-
Other	(999)	(668)	17	-
Tax income/(expense)	14,713	(8,793)	8,573	3,575

10. Tax income/(expense) - 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 and accordingly presented directly in equity are as follows:

	Before tax €'000	2020 Tax credit €'000	Net of tax €'000	Before tax €'000	2019 Tax charge €'000	Net of tax €'000
Group						
Fair valuation of land and buildings	(10,246)	450	(9,796)	7,000	(1,330)	5,670
Currency translation differences	(44,078)	3,357	(40,721)	34,498	(2,048)	32,450
	<u>(54,324)</u>	<u>3,807</u>	<u>(50,517)</u>	<u>41,498</u>	<u>(3,378)</u>	<u>38,120</u>
Company						
Fair value movements on investments in subsidiaries, associates and joint ventures	(88,737)	4,256	84,481	(9,975)	45,339	35,364

During 2019, following an amendment to Maltese income tax legislation, the Company recognised a gain of €42.7m within other comprehensive income representing a reversal of part of the opening deferred tax liability on fair value movements of investments in subsidiaries, associates and joint ventures (Note 27.2).

11. Earnings per share

Basic earnings per share is calculated by dividing profit/loss attributable to equity holders of IHI by the weighted average number of ordinary shares in issue during the year.

	The Group 2020 €'000	2019 €'000
(Loss)/profit from operations attributable to the owners of the parent	<u>(63,050)</u>	<u>6,815</u>
Number of shares:		
At 1 January and 31 December	<u>615,685</u>	<u>615,685</u>
Weighted average number of shares:		
At 1 January and 31 December	<u>615,685</u>	<u>615,685</u>

As at 31 December 2020 and 2019, the Group did not have any dilutive shares. Accordingly, the diluted earnings per share disclosure which would have otherwise been required by IAS 33, is not presented.

12. Intangible assets

	The Group						
	Goodwill	Brands	Brand design fee and other rights	Concessions	Operating contracts	Others	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2019	30,982	22,721	9,558	463	23,334	2,427	89,485
Business combinations (Note 39)	1,215	2,400	-	-	-	-	3,615
Additions	-	-	194	-	-	731	925
At 31 December 2019	32,197	25,121	9,752	463	23,334	3,158	94,025
At 1 January 2020	32,197	25,121	9,752	463	23,334	3,158	94,025
Additions	-	-	27	-	-	63	90
Write off	-	-	(710)	-	-	-	(710)
Exchange differences	-	-	(3)	-	-	-	(3)
At 31 December 2020	32,197	25,121	9,066	463	23,334	3,221	93,402
Amortisation							
At 1 January 2019	15,114	1,500	8,129	330	14,198	1,853	41,124
Impairment	-	1,693	-	-	-	-	1,693
Amortisation for the year	-	-	586	40	1,167	379	2,172
At 31 December 2019	15,114	3,193	8,715	370	15,365	2,232	44,989
At 1 January 2020	15,114	3,193	8,715	370	15,365	2,232	44,989
Impairment	2,368	-	-	-	-	-	2,368
Amortisation for the year	-	-	504	40	1,167	373	2,084
Write off	-	-	(678)	-	-	-	(678)
At 31 December 2020	17,482	3,193	8,541	410	16,532	2,605	48,763
Carrying amount							
At 1 January 2019	15,868	21,221	1,429	133	9,136	574	48,361
At 31 December 2019	17,083	21,928	1,037	93	7,969	926	49,036
At 31 December 2020	14,715	21,928	525	53	6,802	616	44,639

	The Company		
	Brand	Others	Total
	€'000	€'000	€'000
Cost			
At 1 January 2019	-	928	928
Acquisitions	2,400	54	2,454
At 31 December 2019	2,400	982	3,382
At 1 January 2020	2,400	982	3,382
Additions	-	11	11
Disposals	-	(922)	(922)
At 31 December 2020	2,400	71	2,471
Amortisation			
At 1 January 2019	-	925	925
Amortisation for the year	-	8	8
At 31 December 2019	-	933	933
At 1 January 2020	-	933	933
Amortisation for the year	-	22	22
Disposals	-	(922)	(922)
At 31 December 2020	-	33	33
Carrying amount			
At 1 January 2019	-	3	3
At 31 December 2019	2,400	49	2,449
At 31 December 2020	2,400	38	2,438

12. Intangible assets - continued

During 2019, the Group, through IHI p.l.c., acquired rights to use the Corinthia brand in all respects. The rights acquired during the year are in addition to the rights previously held by the Group on the acquisition of the Corinthia brand in 2010.

Simultaneously with the acquisition of the brand, IHI p.l.c. also acquired investments in Catermax Limited and Corinthia Caterers Limited. These were assessed as one business combination from a Group perspective on which goodwill of €1.2m was recognised. Refer to Note 39 for further detail.

Intangible assets arising from hotel management

On the acquisition of Corinthia Hotels Limited, formerly known as CHI Limited, (“CHL”) in 2006, the Group recognised goodwill amounting to €9.7m, and operating contracts, amounting to €23.3m, representing the assumed value attributable to the operation of hotel properties.

Further to the above, in December 2010, the Company purchased the Corinthia brand from its parent company (CPHCL) for €19.6m. This value was determined by independent valuers on the basis of the projected income statements of existing hotels as at the end of 2009 and was subject to an adjustment following a similar valuation exercise based on 2010 figures. The agreement also provides for a 10-year period within which any addition of Corinthia branded rooms to the portfolio will result in an additional payment of €6,400 per room payable to CPHCL.

During 2018, the Company sold the Corinthia brand to CHL for an amount of €35.0m, recognising a profit on disposal of €15.4m. Although the intra-group profit was eliminated at Group level, the tax base from use of the brand from a Group perspective increased from €19.6m to €35.0m, and a deferred tax asset was recognised in this respect (Notes 10 and 33).

The goodwill, operating contracts and the Corinthia brand were tested for impairment in conjunction on the basis that these intangibles comprise one cash-generating unit. The impairment test 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 confirm that no impairment charge is required as at 31 December 2020 and 2019.

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 2021 - 2030. The following are the key assumptions underlying the projections:

- revenue derived from IHI properties is based on operational projections. This accounts for 68.0% of the total revenue in the explicit period (2019 - 75.0%);
- revenue from other properties is assumed to increase by 2.0% per annum on 2021 budget (2019 – 2.0% on 2020 budget) (in-perpetuity growth rate of 2.0% per annum applied subsequently to the ten-year period covered by the explicit projections); and
- a pre-tax discount rate of 12.28% was applied to the operating projections of CHL (2019 – 13.4%).

Goodwill on the acquisition of the IHGH Group

During the year ended 31 December 2015, IHI acquired the IHGH Group. The goodwill arising on this major acquisition was of €1.4m. The goodwill is attributable to cost synergies expected from combining the operations of IHGH Group and the Group. 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.

12. Intangible assets - continued

Goodwill on the acquisition of QPM Limited

During the year ended 31 December 2016, the Group acquired QPM Limited and its subsidiaries, as a result of which, the Group recognised goodwill amounting to €2.5m. 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.

Goodwill on the acquisition of IHI Malta Hotel Ltd

Following an assessment of the cash generating unit of the Corinthia Palace Hotel, the value of Goodwill that was recognised on acquisition was fully impaired.

Island Caterers Brand

As part of the acquisition of the IHGH Group, IHI identified and recognised an amount of €3.1m attributable to the 'Island Caterers' brand name. The value of the brand was determined by independent experts. In 2019, following an assessment of the brand's recoverable amount, the directors impaired the value of the brand by €1.6m. Following the recognition of the impairment loss, the brand's carrying amount as at 31 December 2019 was nil. Given that the brand is no longer being used, it was fully impaired.

Brand design fee 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 is identifying 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 €8.7m, of which €6.1m related to Costa Coffee Spain.

Costa Coffee Malta

This cash-generating unit includes the operation of the Costa Coffee retail brand in Malta. At 31 December 2020 and 2019, the Group operated twelve outlets each enjoying a strategic location in areas popular for retail operations.

Costa Coffee Spain

The Group operated twelve Costa Coffee outlets in the east coast of Spain, the Canary and Balearic Islands. These were closed off and put into liquidation during 2020. The intangible assets relating to this operation had been substantially written off during the prior year.

Others

Other intangible assets represent web-site development costs, a lease premium fee and licences.

13. Indemnification assets

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
At 1 January	23,396	23,606	1,997	1,997
Change in fair value	-	(210)	-	-
At 31 December	23,396	23,396	1,997	1,997

In view of Group tax relief provisions applicable in Malta, any tax due by Corinthia Palace Hotel Company Limited ("CPHCL") on the transfer of the shares in IHI Towers s.r.o ("IHIT") and Corinthia Towers Tripoli Limited ("CTTL") to IHI effected in 2007 was deferred. This tax will only become due in the eventuality that IHI sells the shares in IHIT and/or CTTL and/or their underlying properties outside the Group. In accordance with the indemnity agreement entered into at the time of the acquisitions, CPHCL has indemnified the Group for future tax it may incur should the Group sell the shares or the underlying properties outside the Group. This indemnity will be equivalent to the tax that will be due by IHI on the gain that was untaxed in the hands of CPHCL. The indemnity has no time limit and has a maximum value of €45.0m.

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 indemnification will be received from CPHCL if IHI settles the tax obligation, the indemnification assets have been recognised and treated as separate assets.

On the sale of its shares in Marina San Gorg Limited ("MSG"), CPHCL provided a tax indemnity to IHI, initially recognised at an amount of €1.5m, and had a carrying amount of €0.2m as at 31 December 2018. The indemnity agreement expired during 2019 and was written down to nil. The change in value of €0.2m was recognised in profit or loss.

On the sale of its shares in QP Management Limited ("QPM") during the year ended 31 December 2016, CPHCL provided a tax indemnity to IHI. The sales contract was exempt from taxation on the basis that CPHCL and IHI form part of the same ultimate group for tax purposes. Should IHI dispose of the shares, it may become liable to tax that it would not have become liable to pay had CPHCL not been a related party. The indemnity has been recognised as a separate asset of €1.9m, representing the tax that will be due by IHI on the gain that was untaxed in the hands of CPHCL.

14. Investment property

	The Group	
	2020	2019
	€'000	€'000
At 1 January	214,174	203,539
Change in fair value (a)	(5,228)	(137)
Additions	8	275
Currency translation differences	(17,599)	10,497
At 31 December	191,355	214,174

- a) The Group 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.

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

14. Investment property - continued

The carrying amount of each investment property is as follows:

	The Group 2020 €'000	2019 €'000
Investment property		
Commercial Centre in St Petersburg	49,349	64,829
Commercial Centre in Tripoli	73,744	73,743
Apartment block in Lisbon	3,168	3,160
Site in Tripoli	29,500	29,500
Apartment in London	35,594	42,942
	191,355	214,174

- b) All investment property is hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 30.
- c) Rental income earned by the Group for the period from investment property amounted to €12.5m (2019: €13.7m) and direct expenses to €1.5m (2019: €2.0m).
- 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.

As at 31 December 2020, the London apartment was valued at €35.59 million resulting in an impairment of €5.23 million which has been recognised in the income statement.

The London apartment was marketed for sale and a sale agreement was signed in March 2021. The sale completion is expected to occur in October 2021.

15. Property, plant and equipment

	Land and buildings €'000	Plant and equipment €'000	The Group Furniture, fixtures and fittings €'000	Motor vehicles €'000	Assets in the course of construction €'000	Total €'000
Cost/revalued amount						
Balance at 1 January 2019	1,288,211	122,639	112,073	844	58,655	1,582,422
Revaluation surplus	7,000	-	-	-	-	7,000
Business combinations (Note 39)	603	962	291	561	-	2,417
Additions	1,944	2,713	1,634	56	10,636	16,983
Reallocations	1,985	4,768	1,154	23	(7,930)	-
Disposals	(42)	(2,262)	(831)	(45)	-	(3,180)
Currency translation differences	40,508	3,572	3,897	18	1,511	49,506
Balance at 31 December 2019	1,340,209	132,392	118,218	1,457	62,872	1,655,148
Balance at 1 January 2020	1,340,209	132,392	118,218	1,457	62,872	1,655,148
Additions	5,775	2,988	2,052	-	2,934	13,749
Reallocations	678	841	214	-	(1,733)	-
Disposals	(586)	(5,545)	(2,843)	(19)	(477)	(9,470)
Other losses	-	-	-	-	(2,925)	(2,925)
Other movements	-	-	-	-	217	217
Currency translation differences	(54,659)	(4,467)	(4,864)	(34)	(492)	(64,516)
Balance at 31 December 2020	1,291,417	126,209	112,777	1,404	60,396	1,592,203
Depreciation and impairment losses						
Balance at 1 January 2019	253,738	93,692	82,938	809	-	431,177
Depreciation for the year	14,803	9,192	8,391	23	-	32,409
Net impairment losses	-	713	607	-	-	1,320
Disposals	(57)	(2,021)	(574)	-	-	(2,652)
Currency translation differences	4,809	2,980	3,145	16	-	10,950
Balance at 31 December 2019	273,293	104,556	94,507	848	-	473,204
Balance at 1 January 2020	273,293	104,556	94,507	848	-	473,204
Depreciation for the year	14,539	8,197	8,259	103	-	31,098
Net impairment losses	10,246	-	-	-	-	10,246
Disposals	(586)	(5,545)	(2,843)	(19)	-	(8,993)
Currency translation differences	(8,075)	(3,964)	(4,166)	(32)	-	(16,237)
Balance at 31 December 2020	289,417	103,244	95,757	900	-	489,318
Carrying amounts						
At 1 January 2019	1,034,473	28,947	29,135	35	58,655	1,151,245
At 31 December 2019	1,066,916	27,836	23,711	609	62,872	1,181,944
At 31 December 2020	1,002,000	22,965	17,020	504	60,396	1,102,885

Changes in fair value during 2020 in respect of the Group's properties amounting to €10.25m have been recognised with other comprehensive income to reverse previously recognised revaluation reserves. These impairments relate to the Corinthia Hotel Budapest and Corinthia Hotel London. In 2019, a revaluation surplus of €7.0m in respect of the Group's properties was recognised within other comprehensive income.

A write off of €2.9m was also taken in the profit and loss with regards to the work in progress on the Hotel Astoria.

15. Property, plant and equipment - continued

	Land and buildings €'000	Plant and equipment €'000	The Company Furniture, fixtures and fittings €'000	Motor vehicles €'000	Total €'000
Cost					
Balance at 1 January 2019	4	205	127	42	378
Additions	-	25	55	-	80
Balance at 31 December 2019	4	230	182	42	458
Balance at 1 January 2020	4	230	182	42	458
Additions	-	22	8	-	30
Balance at 31 December 2020	4	252	190	42	488
Depreciation					
Balance at 1 January 2019	-	150	103	42	295
Depreciation for the year	1	21	5	-	27
Balance at 31 December 2019	1	171	108	42	322
Balance at 1 January 2020	1	171	108	42	322
Depreciation for the year	-	23	9	-	32
Balance at 31 December 2020	1	194	117	42	354
Carrying amounts					
At 1 January 2019	4	55	24	-	83
At 31 December 2019	3	59	74	-	136
At 31 December 2020	3	58	73	-	134

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 2020, and do not take into account the events after reporting period.

In 2020, the directors appointed independent professionally qualified property valuers having appropriate recognised professional qualifications and the necessary experience. 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.

In addition to the revaluations carried out on hotel properties, the Group's investment properties are measured at fair value on an annual basis as required by IAS 40.

The resultant shift in value, net of applicable deferred income taxes, was reflected within the revaluation reserve in shareholders' equity (Note 25) or in profit or loss in accordance with the Group's accounting policies. Adjustments to the carrying amounts of the properties are disclosed in the tables below.

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

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, and principally comprise the Commercial Centre in St Petersburg, the Commercial Centre in Tripoli and a site forming part of the grounds of the Corinthia Hotel in Tripoli, an apartment block in Lisbon and an apartment in London. All the recurring property fair value measurements at 31 December 2020 and 2019, as applicable, 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.

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

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

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

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by designated officers within the 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 Audit Committee and Board then consider the valuation report as part of their overall responsibilities.

The external valuations of the Level 3 property as at 31 December 2020 and 2019, as applicable, 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.

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Valuation processes - continued

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:

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;
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Growth rate	based on management’s estimated average growth of EBITDA levels, mainly determined by projected growth in income streams;
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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.
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Adjusted sales comparison approach: a sales price per square metre or per room related to transactions in comparable properties located in proximity to the respective property, with adjustments for differences in 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

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2020

Description by class highest and best use	Fair value at		Valuation technique	Significant unobservable inputs					
	31 Dec 2020 €'000	31 Dec 2019 €'000							
Current use as hotel properties (classified as property, plant and equipment):			Income capitalisation approach (DCF)	Evolution of EBITDA over initial projected five-year period	Pre-tax rate (WACC)	Growth rate	Capitalisation rate		
				2020	2019	2020	2019	2020	2019
						%	%	%	%
Corinthia Hotel & SPA Lisbon (a)	115,048	116,943		<i>FY21-FY25</i> €1.9m - €13.4m	<i>FY19-FY23</i> €8.2m - €10.7m	9.65	7.66	2.00	5.66
Corinthia Hotel Prague	92,636	93,552		<i>FY21-FY25</i> €1.6m - €7.7m	<i>FY20-FY24</i> €5.5m - €6.8m	8.50	7.34	2.00	5.34
Marina Hotel, St. George's Bay, Malta (c)	29,385	29,918		<i>FY21-FY25</i> €0.5m - €3.4m	<i>FY17-FY21</i> €2.9m - €3.1m	10.52	10.41	2.00	8.61
Corinthia Hotel, St. George's Bay, Malta (c)	37,819	38,498		<i>FY21-FY25</i> €0.5m - €5.3m	<i>FY17-FY21</i> €4.1m - €4.5m	11.94	9.55	2.00	7.75
Corinthia Hotel St Petersburg (a)	66,934	88,690		<i>FY21-FY25</i> RUB324m – RUB648m	<i>FY19-FY23</i> RUB562m – RUB630m	12.25	12.25	4.00	8.25
Corinthia Hotel Tripoli (b)	71,707	74,106		<i>FY21-FY25</i> (€1.4m) - €7.5m	<i>FY18-FY22</i> (€2.7m) - €9.7m	12.20	11.82	2.00	9.82
Radisson Blu Resort, Malta (c)	35,536	36,580		<i>FY21-FY25</i> €0.5m - €4.9m	<i>FY17-FY21</i> €3.9m - €4.3m	11.69	11.15	2.00	9.35
Corinthia Hotel London (b)	438,060	485,509		<i>FY21-FY25</i> £1.0m - £20.3m	<i>FY18-FY22</i> £19.2m - £25.7m	7.00	7.20	3.0	4.50

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2020 - continued

Description by class highest and best use	Fair value at		Valuation technique	Significant unobservable inputs						
	31 Dec 2020 €'000	31 Dec 2019 €'000								
Current use as hotel properties (classified as property, plant and equipment):			Income capitalisation approach (DCF)	Evolution of EBITDA over initial projected five-year period	Pre-tax rate (WACC)	Growth rate	Capitalisation rate			
				2020	2019	2020	2019	2020	2019	
						%	%	%	%	
Corinthia Palace Hotel and Spa, Malta (b)	32,701	30,925		<i>FY21-FY25</i> €0.1m - €2.8m	<i>FY18-FY22</i> €1.2m - €3.3m	9.27	8.56	2.00	1.80	7.27 6.76
Corinthia Hotel Budapest (c)	116,727	N/A		<i>FY21-FY25</i> €1.65m - €9.4m	N/A	8.48	N/A	2.00	N/A	6.48 N/A
Current use as hotel properties (classified as property, plant and equipment):			Adjusted sales- comparison approach	Sales price per square meter						
				2020	2019					
Corinthia Hotel Budapest (c)	N/A	122,744		N/A	€1,769					

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2020 - continued

Description by class highest and best use	Fair value at		Valuation technique	Significant unobservable inputs							
	31 Dec 2020 €'000	31 Dec 2019 €'000									
Current property for commercial use (classified as investment property):			Income capitalisation approach (DCF)	Evolution of EBITDA over initial projected projected five-year period		Pre-tax rate (WACC)		Growth rate		Capitalisation rate	
				2020	2019	2020	2019	2020	2019	2020	2019
						%	%	%	%	%	%
Commercial Centre in St Petersburg	49,350	64,829		FY21-FY25 RUB302m - RUB429m	FY20-FY24 RUB353m - RUB448m	12.40	11.80	4.20	3.00	8.20	8.80
Commercial Centre in Tripoli	73,743	73,743		FY21-FY25 €6.6m - €7.9m	FY20-FY24 €6.7m - €8.3m	8.30	12.00	0.00	3.00	8.30	9.00
Current property for commercial use (classified as investment property):			Adjusted sales- comparison approach	Sales price per square meter							
				2020	2019						
Apartment block in Lisbon	3,168	3,160		€6,508	€6,492						
Site in Tripoli	29,500	29,500		€2,300	€2,300						
London apartment	35,594	42,942		£22,089	£29,642						

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.

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2020 - continued

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) 2018;
- (b) 2017; and
- (c) 2016.

The Group experienced a significant movement in the carrying amount of the Corinthia Hotel St. Petersburg and Corinthia Hotel London during 2020 and 2019. The shift in the carrying amount of these properties is principally the result of translating the financial position of the respect subsidiaries that own these properties from their functional currency (RUB and GBP respectively), into the Group's presentation currency (EUR) and other movements arising from changed forecasts.

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 2020.

As explained in Note 5 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 2020 no further impairment charges were deemed necessary in these financial statements, after taking into account the impairment charges of €40.5m recognised in 2014.

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

	Shift in discount rate (+/- 0.5%)		Shift in cash flows (EBITDA) (+/- 5%)	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Corinthia Hotel & Spa Lisbon	+/- 10,295	+/- 10,050	+/- 7,666	+/- 7,772
Corinthia Hotel Budapest	+/- 11,102	N/A	+/- 7,657	N/A
Corinthia Hotel Prague	+/- 8,716	+/- 8,168	+/- 4,713	+/- 4,729
Marina Hotel, St George's Bay, Malta	+/- 3,287	+/- 200	+/- 2,065	+/- 1,600
Corinthia Hotel St George's Bay, Malta	+/- 5,086	+/- 250	+/- 3,212	+/- 2,000
Corinthia Hotel St Petersburg	+/- 1,312	+/- 4,658	+/- 1,360	+/- 4,506
Corinthia Hotel Tripoli	+/- 7,505	+/- 3,625	+/- 8,108	+/- 3,863
Commercial Centre in St Petersburg	+/- 1,322	+/- 1,755	+/- 1,512	+/- 3,406
Commercial Centre in Tripoli	+/- 4,717	+/- 4,236	+/- 4,153	+/- 3,722
Radisson Blu Resort, Malta	+/- 4,768	+/- 250	+/- 2,921	+/- 2,000
Corinthia Hotel London	+/- 18,581	+/- 20,000	+/- 22,088	+/- 24,000
Corinthia Palace Hotel and Spa, Malta	+/- 2,702	+/- 1,974	+/- 1,972	+/- 1,544

15. Property, plant and equipment - continued

15.2 Adjustments to carrying amount of properties

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

	At 1 January 2020 €'000	The Group Movement €'000	At 31 December 2020 €'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	12,169	-	12,169
Corinthia Hotel & Spa Lisbon	34,911	-	34,911
Corinthia Hotel Prague	17,857	-	17,857
Corinthia Hotel Budapest	25,129	(5,000)	20,129
Corinthia Hotel London	18,526	(5,246)	13,280
Marina Hotel, St George's Bay, Malta	9,206	-	9,206
Corinthia Hotel St Petersburg	8,577	-	8,577
Radisson Blu Resort, Malta	4,284	-	4,284
	130,659	(10,246)	120,413

	At 1 January 2019 €'000	Movement €'000	At 31 December 2019 €'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	12,169	-	12,169
Corinthia Hotel & Spa Lisbon	34,911	-	34,911
Corinthia Hotel Prague	10,857	7,000	17,857
Corinthia Hotel Budapest	25,129	-	25,129
Corinthia Hotel London	18,526	-	18,526
Marina Hotel, St George's Bay, Malta	9,206	-	9,206
Corinthia Hotel St Petersburg	8,577	-	8,577
Radisson Blu Resort, Malta	4,284	-	4,284
	123,659	7,000	130,659

Impairment charges recognised in profit or loss, gross of deferred tax:

	At 1 January 2020 €'000	The Group Movement €'000	At 31 December 2020 €'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	522	-	522
Corinthia Hotel & Spa Lisbon	1,068	-	1,068
Corinthia Hotel Prague	3,642	-	3,642
Corinthia Hotel Tripoli	8,038	-	8,038
Corinthia Hotel Budapest	1,628	-	1,628
Corinthia Hotel St Petersburg	340	-	340
Marina Hotel, St George's Bay, Malta	121	-	121
	15,359	-	15,359

15. Property, plant and equipment - continued

15.2 Adjustments to carrying amount of properties - continued

	At 1 January 2019	Movement	At 31 December 2019
	€'000	€'000	€'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	522	-	522
Corinthia Hotel & Spa Lisbon	1,068	-	1,068
Corinthia Hotel Prague	3,642	-	3,642
Corinthia Hotel Tripoli	8,038	-	8,038
Corinthia Hotel Budapest	1,628	-	1,628
Corinthia Hotel St Petersburg	340	-	340
Marina Hotel, St George's Bay, Malta	121	-	121
	15,359	-	15,359

The description of the hotel properties in the above tables indicate the segment to which each hotel property pertains.

The shifts in fair value determined in 2020 and 2019, reflected in the above tables, are principally attributable to changes in the projected financial performance and net operating cash inflows of the hotel properties and commercial centres.

The impairment charges recognised are attributable to reductions in the carrying amount of property so as to reflect the recoverable amount based on computing value in use determined at individual asset level.

15.3 Carrying amounts of hotel properties

Following the adjustments to revision of the hotel property carrying amounts to reflect the outcome of the fair valuation process referred to above at each reporting period, the carrying amount of each hotel property is as follows:

	The Group	
	2020	2019
	€'000	€'000
Hotel property		
Corinthia Hotel St George's Bay, Malta	37,819	38,498
Corinthia Hotel & Spa Lisbon	115,048	116,943
Corinthia Hotel Prague	92,636	93,552
Corinthia Hotel Tripoli	71,707	74,106
Corinthia Hotel Budapest	116,727	122,744
Corinthia Hotel St Petersburg	66,934	88,690
Corinthia Hotel London	438,060	485,509
Marina Hotel, St George's Bay, Malta	29,385	29,918
Radisson Blu Resort, Malta	35,536	36,580
Corinthia Palace Hotel and Spa, Malta	32,701	30,925
	1,036,553	1,117,465

15.4 Historic cost basis of properties

If the cost model had been used the carrying amounts of the revalued properties would be €921.6m (2019: €987.9). The revalued amounts include a revaluation surplus of €120.4m before tax (2019: €130.7m), which is not available for distribution to the shareholders of IHL.

15. Property, plant and equipment - continued

15.5 Use as collateral

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

16. 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 balance sheet

The balance sheet shows the following amounts relating to leases:

	The Group		The Company	
	31 December 2020 €'000	31 December 2019 €'000	31 December 2020 €'000	31 December 2019 €'000
Right-of-use assets				
Land and buildings	10,540	11,302	377	122
Plant and equipment	739	1,977	-	-
Motor vehicles	411	497	195	236
	11,690	13,776	572	358
Lease liabilities				
Current	2,591	2,795	264	285
Non-current	9,486	11,202	317	176
	12,077	13,997	581	461

Additions to the Group's and the Company's right-of-use assets during the 2020 financial year were €1.4m and €0.4m respectively.

Additions in 2019 were €2.4m (out of which €1m pertained to additions on business combinations) and €0.1m respectively.

16. Leases - continued

ii. Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	The Group		The Company	
	31 December 2020 €'000	31 December 2019 €'000	31 December 2020 €'000	31 December 2019 €'000
Depreciation charge of right-of-use assets				
Land and buildings	2,220	1,770	122	122
Plant and equipment	222	271	-	-
Motor vehicles	155	144	73	63
	2,597	2,185	195	185
Interest expense (included in finance cost)	705	721	20	23
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	445	2,160	-	-

The total cash outflow for leases in 2020 was €1.7m (2019: €2.9m) for the Group and €0.1m (2019: €0.3m) 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 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.

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 payment 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 buildings held by the Group.

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 7.0% to 23.5% of sales. An increase of €1.0m in sales per store in the Group with such variable lease contracts would increase variable lease payments by approximately €0.2m (17%).

Other property leases contain variable payment terms that are linked to sales generated from catering establishments. Variable payment on such leases range from 10.0% to 23.1% of sales. An increase of €1.0m in sales per catering establishment in the Group with such variable lease contracts would increase total lease payments by approximately €0.2m (15%).

The variable lease payments element for the year ended 31 December 2020 amounts to €0.5 (2019: €2.2m). 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:

	The Company	
	2020	2019
	€'000	€'000
Share in subsidiary companies (Note 17.3)	618,039	714,517
Loans to subsidiary companies	167,871	178,257
	785,910	892,774

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries

The Group had the following subsidiaries as at 31 December 2020 and 31 December 2019:

Subsidiary company	Registered office	Nature of business	Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by the Group		Percentage of ownership and voting rights held by non - controlling interests	
			2020	2019	2020	2019	2020	2019
Alfa Investimentos Turisticos Lda	Avenida Columbano Bordalo Pinheiro, 105 Lisboa 1099 – 031 Portugal	Owens and operates the Corinthia Hotel & Spa Lisbon Portugal	72	72	100	100	-	-
Corinthia Hotels Limited (formerly, CHI Limited)	1, Europa Centre Floriana Malta	Hotel management company	100	100	100	100	-	-
Corinthia Company Limited	22, Europa Centre Floriana Malta	Investment company	100	100	100	100	-	-
Corinthia Towers Tripoli Limited	22, Europa Centre Floriana Malta	Owens and operates the Corinthia Bab Africa Hotel and Commercial Centre Libya	100	100	100	100	-	-
Five Star Hotels Limited	22, Europa Centre Floriana Malta	Owens and operates the Corinthia Hotel St George's Bay, Malta	100	100	100	100	-	-
IHI Benelux B.V.	Kingsfordweg 151, 1043 GR Amsterdam The Netherlands	Owens and operates the Corinthia Hotel St Petersburg	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 Company		Percentage of ownership and voting rights held by the Group		Percentage of ownership and voting rights held by non-controlling interests	
			2020	2019	2020	2019	2020	2019
IHI Hungary Zrt	Erzsebet Krt 43-49 H-1073, Budapest Hungary	Owns and operates the Corinthia Hotel Budapest	100	100	100	100	-	-
IHI Lisbon Limited	22, Europa Centre Floriana Malta	Investment company holding an equity stake in Alfa Investimentos Turisticos Lda	100	100	100	100	-	-
IHI St Petersburg LLC	57, Nevskij Prospect St Petersburg 191025 Russian Federation	Investment company	100	100	100	100	-	-
IHI Towers s.r.o.	Kongresová 1655/1 1406 / 69 Praha 4 Czech Republic	Owns and operates the Corinthia Hotel Prague Czech Republic	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 Company		Percentage of ownership and voting rights held by the Group		Percentage of ownership and voting rights held by non-controlling interests	
			2020	2019	2020	2019	2020	2019
IHI Zagreb d.d.	Centar Kaptol Nova Ves 11 10000 Zagreb Croatia	Investment company	100	100	100	100	-	-
Libya Holding Development Inc. JSC	Benghazi Libya	Owns the Benghazi hotel project	-	-	55	55	45	45
Marina San Gorg Limited	22, Europa Centre Floriana Malta	Owns and operates the Marina Hotel in St George's Bay, Malta	100	100	100	100	-	-
Island Resorts International Limited	First Name House, Victoria Residence, Douglas Isle of Man	Investment company	100	100	100	100	-	-
Corinthia (Malta) Staff Services Limited (formerly, Island Hotels Group Limited)	22, Europa Centre Floriana Malta	Holding and management company	100	100	100	100	-	-
Corinthia Developments International Limited	22, Europa Centre Floriana Malta	Project management	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 Company		Percentage of ownership and voting rights held by the Group		Percentage of ownership and voting rights held by non-controlling interests	
			2020	2019	2020	2019	2020	2019
Bay Point Hotel Limited	22, Europa Centre Floriana Malta	Owner and operator of hotel	100	100	100	100	-	-
Bay Point Properties Limited *	22, Europa Centre Floriana Malta	Non-operating	100	100	100	100	-	-
Bay Point Collection Limited	First Name House, Victoria Residence, Douglas Isle of Man	Vacation ownership company	100	100	100	100	-	-
The Heavenly Collection Limited	22, Europa Centre Floriana Malta	Owner of tract land in Golden Bay	100	100	100	100	-	-
The Coffee Company Malta Limited	22, Europa Centre Floriana Malta	Franchise retail catering company	-	-	100	100	-	-
The Coffee Company Spain S.L. **	COSTA Diagonal, Avinguda Diagonal, 566 Barcelona 08021	Franchise retail catering company	-	-	100	100	-	-

*Bay Point Properties Limited was placed into liquidation on 30 November 2020 and is currently in dissolution.

**The Coffee Company Spain S.L. was placed into liquidation on 31 January 2021 and is currently in dissolution.

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 Company		Percentage of ownership and voting rights held by the Group		Percentage of ownership and voting rights held by non-controlling interests	
			2020	2019	2020	2019	2020	2019
QPM Limited	22, Europa Centre Floriana Malta	Project management	100	100	100	100	-	-
QPM Africa Limited	22, Europa Centre Floriana Malta	Non-trading company	-	-	100	100	-	-
D.X. Design Consultancy Ltd	22, Europa Centre Floriana Malta	Project management services	-	-	100	100	-	-
QPM (UK) Ltd ***	The Corinthia Hotel London Whitehall Place London SW1 2BD, United Kingdom	Project management services	-	-	100	100	-	-
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	50	50	50	50	50	50

***QPM (UK) Ltd. was placed into liquidation on 22 November 2020 and is currently in dissolution.

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 Company		Percentage of ownership and voting rights held by the Group		Percentage of ownership and voting rights held by non-controlling interests	
			2020	2019	2020	2019	2020	2019
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owens the Corinthia Hotel London, UK	-	-	50	50	50	50
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owens apartment 12, 10 Whitehall Place	-	-	50	50	50	50
NLI Finance Limited	CTV House La Pouquelaye St Helier Jersey	Provision of finance to companies within the NLI Holdings Limited Group structure.	-	-	50	50	50	50
IHI Brussels Limited	22, Europa Centre Floriana Malta	Holding company of Hotel Astoria SA	-	-	50	50	50	50
NLI Operator Limited	Corinthia Hotel London, Whitehall Place, London SW1A 28D	Operates Corinthia Hotel London, a five star luxury hotel	-	-	50	50	50	50
IHI Malta Hotel Limited	22, Europa Centre Floriana Malta	Owens and operates the Corinthia Palace Hotel and Spa, Malta	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 Company		Percentage of ownership and voting rights held by the Group		Percentage of ownership and voting rights held by non-controlling interests	
			2020	2019	2020	2019	2020	2019
QPM Belgium SPRL	Avenue de Tervueren 168/18, 1150 Woluwe-Saint Pierre, Brussels, Belgium	Project and cost management and other ancillary services	-	-	100	100	-	-
IHI Holdings Limited	34, Kosti Palama 1096, Aspelia Court 4 th Floor, office D4 Nicosia Cyprus	Investment company	100	100	100	100	-	-
Corinthia Caterers Limited	22, Europa Centre Floriana Malta	Event catering	100	100	100	100	-	-
Catermax Limited	22, Europa Centre Floriana Malta	Event catering	100	100	100	100	-	-
Corinthia Hotels (UK) Limited	Corinthia Hotel London, Whitehall Place, London SW1A 28D	Management consultancy services	100	100	100	100	-	-
Island Caterers Limited (merged with Corinthia Caterers Limited during 2019)	22, Europa Centre Floriana Malta	Event catering company	-	100	-	100	-	-
Catering Holding Limited (merged with Corinthia Caterers Limited during 2019)	22, Europa Centre Floriana Malta	Retail catering and holding company	-	100	-	100	-	-
Catering Operations Limited (merged with Corinthia Caterers Limited during 2019)	22, Europa Centre Floriana Malta	Contract catering company	-	-	-	100	-	-

17. Investments in subsidiaries - continued

17.1 Principal subsidiaries - continued

As disclosed in Note 39, in June 2019, the Group, through IHI p.l.c., obtained control of the operations of Catermax Limited and Corinthia Caterers Limited. As a result of these transactions, as from the acquisition date, the results and financial position of these businesses are consolidated within the Group. Following this acquisition, the companies relating to catering were restructured such that Island Caterers Limited merged into Corinthia Caterers Limited; and Catering Holding Limited, Catering Operations Limited and Catering Management Limited merged into Catermax Limited.

All subsidiary undertakings are included in the consolidation.

17.2 Subsidiaries with material non-controlling interests

Set out below is summarised financial information for the NLI Holdings Group. The amounts disclosed for are before inter-company eliminations.

Summarised balance sheet	2020 €000	2019 €000
Current assets	30,666	45,259
Current liabilities	(28,909)	(34,570)
Current net assets	1,757	10,689
Non-current assets	512,623	564,206
Non-current liabilities	(175,712)	(183,820)
Non-current net assets	336,911	380,386
Net assets	338,668	391,075
Accumulated NCI	169,334	195,538
Summarised statement of comprehensive income	2020 €000	2019 €000
Revenue	24,396	75,896
Loss for the period	(25,197)	(3,391)
Other comprehensive income	(27,210)	21,301
Total comprehensive income	(52,407)	17,910
Loss allocated to NCI	(12,599)	(1,696)
Other comprehensive income allocated to NCI	(13,605)	10,651
Dividend paid to NCI	-	7,059

17. Investments in subsidiaries - continued

17.2 Subsidiaries with material non-controlling interests - continued

	2020 €000	2019 €000
Summarised cash flows		
Cash flows from operating activities	179	12,782
Cash flows used in investing activities	2,802	(8,470)
Cash flows used in financing activities	(5,101)	(6,276)
Net decrease in cash and cash equivalents	(2,120)	(1,964)

17.3 Shares in subsidiary companies

	The Company	
	2020 €000	2019 €000
At 1 January	714,517	708,479
Additions	-	16,043
Transfers	(8,121)	-
Other movements	(226)	-
Change in fair value	(88,131)	(10,005)
At 31 December	618,039	714,517

Additions of €10.7m in investments in subsidiaries during the prior reporting period pertained to the capitalisation of several loans receivable from a number of subsidiaries.

17.3.1 Investments in subsidiaries at fair value through other comprehensive income

The fair values of the Company's investments in its subsidiaries, accounted for at fair value through other comprehensive income (as explained further in Note 3.6), have been determined by reference to the fair values of the underlying properties held by the respective subsidiaries and, in the case of CHL and QPM, by reference to its enterprise value.

18. Other investments

18.1 Investments accounted for using the equity method

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

	The Group	
	2020 €000	2019 €000
Associates	12,184	12,790
Joint ventures	19,647	27,354
At 31 December	31,831	40,144

18. Other investments - continued

18.1 Investments accounted for using the equity method - continued

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

	The Group 2020 €000	2019 €000
Associates	3	(149)
Joint ventures	(2,451)	(3,802)
At 31 December	(2,448)	(3,951)

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

	The Group 2020 €000	2019 €000
Associates	(607)	177
Joint ventures	-	(4,516)
At 31 December	(607)	(4,339)

18.2 Investments in associates and joint ventures

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

	The Company 2020 €'000	2019 €'000
Associates	12,184	12,790
At 31 December	12,184	12,790

Fair value movements recognised in the Company's other comprehensive income are as follows:

	The Company 2020 €'000	2019 €'000
Associates	(606)	30
At 31 December	(606)	30

18. Other investments - continued

18.3 Investments in associates

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
At 1 January	12,790	12,760	12,790	12,760
Share of results	3	(149)	-	-
Share of other comprehensive income	(607)	177	-	-
Fair value movements	-	-	(606)	30
Other movements	(2)	2	-	-
At 31 December	12,184	12,790	12,184	12,790

Set out below are the associates of the Group as at 31 December 2020 and 31 December 2019. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Company name	Registered office	Nature of business	% of ownership interest held by the Group and the Company	
			2020	2019
Medina Towers J.S.C.	Suite 107, Tower 2 Tripoli Tower Tripoli Libya	Owns the Medina Towers project in Tripoli	25	25

18.3.1 Summarised financial information for material associates

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

	Medina Towers J.S.C.	
	2020	2019
	€000	€000
Non-current assets	41,275	43,330
Current assets	8,052	8,053
Total assets	49,327	51,383
Current liabilities	584	223
Total liabilities	584	223
Profit/(loss) for the year	9	(589)
Other comprehensive income	(2,426)	711
Total comprehensive income	(2,417)	122

18. Other investments - continued

18.3.2 Reconciliation of summarised financial information

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

	Medina Towers J.S.C.	
	2020	2019
	€000	€000
1 January	51,160	51,038
Profit/(loss) for the period	9	(589)
Other comprehensive income	(2,426)	711
Closing net assets	48,743	51,160
Interest in associate (25%)	12,184	12,790
Carrying value	12,184	12,790

18.4 Investments in joint ventures

	The Group	
	2020	2019
	€000	€000
At 1 January	27,354	35,429
Share of results	(2,451)	(3,802)
Share of other comprehensive income	-	(4,516)
Dividend distribution	-	-
Transfer to financial assets at fair value through profit and loss (ii)	(5,460)	-
Other movements	204	243
At 31 December	19,647	27,354

The significant joint ventures of the Group as at 31 December 2020 and 2019 are set out below. The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

The group acquired the remaining 50% share in Golden Sands Resort Limited in 2021 as disclosed in Note 41.

Company name	Registered office	Nature of business	% of ownership interest held by the Group	
			2020	2019
Golden Sands Resort Limited	The Radisson SAS Golden Sands Resort & Spa Golden Bay l/o Mellicha, Malta	A five-star luxury hotel	50	50
Azure Services Limited (in liquidation)	Level 1 LM Complex Brewery Street Mriehel, Malta	Marketing and promotional services	50	50

18. Other investments - continued

18.4 Investments in joint ventures - continued

Company name	Registered office	Nature of business	% of ownership interest held by the Group	
			2020	2019
Azure Ultra Limited (in liquidation)	Level 1 LM Complex Brewery Street Mriehel, Malta	Luxury yacht leasing	50	50
Azure XP Limited (in liquidation)	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Financing of vacation ownership	50	50
Heathfield Overseas Limited (in liquidation)	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Payment solutions	50	50
Azure Resorts Limited (in liquidation)	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Vacation ownership selling agent	50	50
Brooksfield Overseas Limited (in liquidation)	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Marketing and promotional services	50	50
Medi International Limited	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Internal financing	50	50
Catering Management Limited (formerly MKIC Limited - merged with Catermax Limited during 2019)	22, Europa Centre Floriana Malta	Non-trading	-	50
Quality Catering & Retail Services Ltd	Miller House Airport Way Tarxien Road Luqa, Malta	Catering company	50	50

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

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

The Directors consider Golden Sands Resort to be a material joint venture of the Group.

18. Other investments - continued

18.4 Investments in joint ventures - continued

(i) 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, Vacation Financial Limited, Heathfield Overseas Limited, Brooksfield Overseas Limited, Medi International Limited). Together these companies are engaged in the operation and management of a combined vacation ownership and hotel operation of "The Radisson SAS Golden Sands Resort and Spa", a 5-star resort situated in Golden Sands and which are collectively referred to as the Golden Sands Resort Group.

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

(ii) Azure Resorts Group

The Azure Resorts Group was placed into liquidation during the current year and subsequently an amount of €5.46m, representing the holding of the Group including the Group's share of losses amounting to €0.7m, was transferred to financial assets at fair value through profit or loss as disclosed in Note 22. Currency translation differences of €2.80m relating to Azure Resorts Group, previously recorded in translation reserves, were released to profit or loss as a result of the loss of joint control over the joint venture.

18. Other investments - continued

18.4 Investments in joint ventures - continued

18.4.1 Summarised financial information for material joint ventures

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

	Golden Sands Resort	
	2020	2019
	€000	€000
Cash and cash equivalents	90	193
Non-current assets	61,653	63,761
Current assets	1,778	2,552
Total assets	63,521	66,506
Current financial liabilities (excluding trade and other payables and provisions)	19,069	14,310
Current liabilities	23,333	22,394
Non-current financial liabilities (excluding trade and other payables and provisions)	4,956	11,591
Non-current liabilities	14,936	15,679
Total liabilities	38,269	38,072
Revenue	5,584	17,828
EBITDA	(1,163)	2,681
Depreciation and amortisation	(2,910)	(3,439)
Interest income	-	65
Interest expense	(672)	(742)
Income tax expense	1,564	680
Loss for the year	(3,181)	(755)
Other comprehensive income	-	(9,100)
Total comprehensive income	(3,181)	(9,855)

18. Other investments - continued

18.4 Investments in joint ventures - continued

18.4.2 Reconciliation of summarised financial information

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

	Golden Sands Resort	
	2020	2019
	€000	€000
1 January	29,623	39,478
Loss for the period	(3,181)	(755)
Other comprehensive income	-	(9,100)
Closing net assets	26,442	29,623
Interest in joint venture (50%)	13,221	14,812
Goodwill	6,456	6,456
Carrying value	19,677	21,268

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	
	2020	2019
	€000	€000
Loss for the period/year	(733)	(6,700)
Other comprehensive income	-	64
Total comprehensive income	(733)	(6,636)

The 2020 figures include the results up to 30 April 2020, when Azure Resorts group was put into liquidation and the holding was reclassified from investments accounted for using the equity method to financial assets at fair value through profit and loss as disclosed in Note 22.

19. Other financial assets at amortised cost

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Non-current				
Ultimate parent company	672	672	672	672
Group companies	-	-	90,300	85,806
Joint ventures	1,000	1,000	-	-
Other investees	4,972	-	-	-
Other	95	129	-	-
Total non-current loans receivable	6,739	1,801	90,972	86,478
Current				
Ultimate parent company	-	73	-	-
Group companies	-	-	2,556	-
Other	43	52	-	91
Total current loans receivable	43	125	2,556	91

The carrying amount of loans receivable is considered to be a reasonable approximation of fair value on the basis of discounted cash flows.

Information about the impairment of financial assets at amortised cost and the Group's and the Company's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 42.

Terms

€54.0m (2019: €54.0m) of the Company's loans to Group companies are unsecured, bear interest at Euribor + 3.25% and are subordinated to bank loans.

€26.0m (2019: €26.0m) of the Company's loans to Group companies are unsecured, bear interest at 4.00% and are subordinated to bank loans.

€4.4m (2019: €4.4m) of the Company's loans to Group companies are unsecured, bear interest at 6.25% and are subordinated to bank loans.

€0.5m (2019: €0.5m) of the Company's loans to Group companies are unsecured, bear interest at 3% (2019: 5%) and are subordinated to bank loans and repayable on demand with twelve months' notice to be given by the Company.

€1.0m (2019: €1m) of the Company's loans to Group companies are unsecured, bear interest at 3% and are subordinated to bank loans.

€5m of the Company's loans to Group companies are unsecured, bear interest at 4.00%.

€2.6m of the Company's loans to Group companies are unsecured and interest-free.

The Group's and Company's non-current loan to ultimate parent company is unsecured and bears interest at 5%.

€1.0m (2019: €1m) of the Group's loans to joint ventures are unsecured and interest-free. Although repayable by written demand, the Group does not expect settlement of these amounts within a period of one year from balance sheet date.

€4.9m of the Group's loans to other investees are unsecured, bear interest at 4% and are repayable not later than 10 June 2029.

19. Other financial assets at amortised cost - continued

€0.1m of the Group's loans to other investees are unsecured, bear interest at 5% and are repayable not later than May 2023.

20. Inventories

	The Group 2020 €'000	2019 €'000
Food and beverages	1,851	3,024
Consumables	626	751
Goods held for resale	532	296
Others	7,638	8,555
	10,647	12,626

21. Trade and other receivables

	The Group 2020 €'000	2019 €'000	The Company 2020 €'000	2019 €'000
Current				
Trade receivables	6,486	18,446	31	36
Amounts owed by:				
Parent company	8,366	8,073	1,024	1,005
Subsidiary companies	-	-	43,994	36,795
Associate companies	34	34	-	-
Joint ventures	3,581	3,120	73	163
Other related companies	4,650	3,882	-	1
Other receivables	6,747	3,638	282	235
Contract assets	1,495	1,632	1,061	2,095
Financial assets	31,359	38,825	46,465	40,330
Advance payments in respect of capital creditors	477	513	-	-
Prepayments	3,270	3,854	165	165
Total receivables – current	35,106	43,192	46,630	40,495

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

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

Information about the impairment of 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 42.

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. The Company's contract assets relate to management services provided during the year, which the Company had not yet invoiced.

22. Financial assets at fair value through profit or loss

(i) 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 2020 and 2019, 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.

	The Group	
	2020	2019
	€'000	€'000
Non-current assets		
Unlisted equity securities	7,198	8,401
Current assets		
<i>Listed securities</i>		
Equities	4,240	4,641
Mutual funds	5,010	4,268
	9,250	8,909
Total current assets	9,250	8,909

During the year, the Group recognised €0.1m (2019: €2.3m) fair value gains in profit or loss on financial assets. The deduction in fair value gains on these financial assets is primarily due to a fair value loss incurred on the Group's investment in Azure Resorts Group amounting to €1.47m.

During the current year, the holding in Azure Resorts Group amounting to €5.46m (including the Group's share of losses of €0.7m incurred during the year) has been reclassified from investments accounted for using the equity method to financial assets at fair value through profit or loss (FVTPL) in view that this has been put into liquidation on 27 April 2020. As at year end, the carrying amount of the investment held in Azure Resorts Group amounts to €3.99m.

In 2019, the Group acquired 10% of Global Hotel Alliance, and a 10% shareholding in a hotel and residential development in Moscow. In 2020, part of the investment in the residential development in Moscow was reclassified to financial assets at amortised cost after a formal agreement was entered into (Note 19).

23. Cash and cash equivalents

Cash and cash equivalents include the following components:

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Cash and bank balances:				
Current	46,145	72,699	4,943	15,043
Cash and cash equivalents in the statement of financial position	46,145	72,699	4,943	15,043
Bank overdraft (Note 30)	(9,762)	(7,236)	(230)	-
Cash and cash equivalents in the statement of cash flows	36,383	65,463	4,713	15,043

The bank balances include amounts of €6.4m (2019: €11.1m) set aside by the Group for debt servicing requirements of which €0.7m (2019: €0.7m) are set aside by the Company. In 2019, €2.2m was also set aside for capital expenditure purposes.

24. Share capital

24.1 Authorised share capital

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

24.2 Issued share capital

The issued share capital consists of 615.7m (2019: 615.7m) ordinary shares of €1 each, fully paid up.

	The Group and Company	
	2020	2019
	€'000	€'000
At 1 January and 31 December	615,685	615,685

24.3 Shareholder rights

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

25. Revaluation reserve

Revaluation reserve relating to movements in property, plant and equipment of entities forming part of the Group:

	Revaluation surplus €'000	The Group Deferred taxation €'000	Net €'000
At 1 January 2020	121,397	(24,270)	97,127
Revaluation surplus arising during the year:			
Corinthia Hotel Budapest	(5,000)	450	(4,550)
Corinthia Hotel London			
– Gross of non-controlling interest	(5,246)	-	(5,246)
– Share attributable to non-controlling interests	2,623	-	2,623
– Share attributable to owners of the parent	(2,623)	-	(2,623)
	(7,623)	450	(7,173)
At 31 December 2020	113,774	(23,820)	89,954
Analysed as follows:			
Corinthia Hotel St George's Bay, Malta	12,169	(4,259)	7,910
Corinthia Hotel & Spa Lisbon	34,911	(7,856)	27,055
Corinthia Hotel Prague	17,857	(3,392)	14,465
Corinthia Hotel Budapest	20,129	(1,877)	18,252
Marina Hotel, St George's Bay, Malta	9,206	(3,222)	5,984
Radisson Blu Resort, Malta	4,284	(1,499)	2,785
Corinthia Hotel St Petersburg	8,577	(1,715)	6,862
Corinthia Hotel London	6,641	-	6,641
	113,774	(23,820)	89,954

	Revaluation surplus €'000	The Group Deferred taxation €'000	Net €'000
At 1 January 2019	114,397	(22,940)	91,457
Revaluation surplus arising during the year:			
Corinthia Hotel St Petersburg	7,000	(1,330)	5,670
At 31 December 2019	121,397	(24,270)	97,127
Analysed as follows:			
Corinthia Hotel St George's Bay, Malta	12,169	(4,259)	7,910
Corinthia Hotel & Spa Lisbon	34,911	(7,856)	27,055
Corinthia Hotel Prague	17,857	(3,392)	14,465
Corinthia Hotel Budapest	25,129	(2,327)	22,802
Marina Hotel, St George's Bay, Malta	9,206	(3,222)	5,984
Radisson Blu Resort, Malta	4,284	(1,499)	2,785
Corinthia Hotel St Petersburg	8,577	(1,715)	6,862
Corinthia Hotel London	9,264	-	9,264
	121,397	(24,270)	97,127

25. Revaluation reserve - continued

Share of joint ventures' revaluation reserve relating to movements in property, plant and equipment:

	Revaluation surplus €'000	The Group Deferred taxation €'000	Net €'000
At 1 January 2019	10,348	(3,623)	6,725
Golden Sands Resort	(7,000)	2,450	(4,550)
At 31 December 2019	3,348	(1,173)	2,175
At 1 January 2020 and 31 December 2020	3,348	(1,173)	2,175

The revaluation reserve is non-distributable.

The tax impacts relating to this component of other comprehensive income is presented in the tables above.

During the previous years, the Group has capitalised the revaluation reserve by issuing bonus shares and upon the issuance of additional shares to previous owners of the IHG Group. Movements relating to bonus share issues are included in the table below:

	The Group 2020 €'000	2019 €'000
Aggregate amounts disclosed in tables above:	92,129	99,302
Bonus and other similar share issues:		
Opening and closing balance	(71,764)	(71,764)
Total revaluation reserve	20,365	27,538

26. Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into the Group's presentation currency. Translation reserve movements are presented within other comprehensive income.

27. Other reserves and equity components

27.1 Other equity components

The Group	Stepped acquisition of subsidiary €'000	Other €'000	Total €'000
At 1 January 2019, 31 December 2019 and 31 December 2020	3,859	(1,242)	2,617

27. Other reserves and equity components - continued

27.1 Other equity components - continued

Stepped acquisition of subsidiary

The stepped acquisition of subsidiary reserve relates to the increase in value of original shareholding in Corinthia Hotel Investments Limited, pursuant to independent valuation carried out on acquisition of further shareholding in 2006, net of deferred tax.

27.2 Other reserves

The Company	FVOCI reserve €'000	Bonus shares €'000	Other €'000	Total €'000
As at 1 January 2019	165,914	(75,090)	(24,009)	66,815
Fair value movements on investments in subsidiaries, associates and joint ventures, net of tax	(7,319)	-	-	(7,319)
Reversal of opening deferred income tax liability on fair value movements following amendment in tax legislation	42,683	-	-	42,683
At 31 December 2019	201,278	(75,090)	(24,009)	102,179
As at 1 January 2020	201,278	(75,090)	(24,009)	102,179
Fair value movements on investments in subsidiaries, associates and joint ventures, net of tax	(84,481)	-	-	(84,481)
At 31 December 2020	116,797	(75,090)	(24,009)	17,698

Financial assets at FVOCI

The Company has elected to recognise changes in the fair value of investments in subsidiaries, associates and joint ventures in OCI, as explained in Note 3.6. These changes are accumulated within the FVOCI reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Other reserves

The Company's other reserves principally relate to the absorption of losses.

28. Reporting currency conversion difference

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

29. Retained earnings

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

30. Bank borrowings

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Bank overdraft	9,762	7,236	230	-
Bank loans	363,385	362,797	17,409	12,590
	373,147	370,033	17,639	12,590
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 - 5 years	272,346	252,175	13,170	8,296
Bank loans due later than 5 years	73,574	72,422	2,428	2,422
	345,920	324,597	15,598	10,718
Current bank borrowings				
Bank overdraft	9,762	7,236	230	-
Bank loans due within 1 year	17,465	38,200	1,811	1,872
	27,227	45,436	2,041	1,872

Bank borrowings are subject to variable interest rates linked to Euribor, other reference rates or bank base rates with an average interest rate of 2.82% annually at 31 December 2020 (2019: 2.95% annually) for the Group and 2.81% annually at 31 December 2020 (2019: 3.59%) for the Company.

These facilities are secured by general hypothecs on the Group's and the Company's assets, special hypothecs, privileges on the Group's property, guarantees 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 principal borrowings.

31. Bonds

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Bond V	19,938	19,879	19,938	19,879
Bond VI	9,953	9,938	9,953	9,938
Bond VII	44,497	44,400	44,497	44,400
Bond IX	34,750	34,677	34,750	34,677
Bond X	54,516	54,440	54,516	54,440
Bond XI	59,345	59,250	59,345	59,250
	222,999	222,584	222,999	222,584
Non-current	203,061	222,584	203,061	222,584
Current	19,938	-	19,938	-
	222,999	222,584	222,999	222,584

31. Bonds - continued

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

	Year of issue	Nominal amount €'000	Rate of interest %	Maturity date
Bond V	2012	20,000	5.80	21 December 2021
Bond VI	2013	10,000	5.80	14 November 2023
Bond VII	2015	45,000	5.75	13 May 2025
Bond IX	2014	35,000	6.00	15 May 2024
Bond X	2016	55,000	4.00	29 July 2026
Bond XI	2016	60,000	4.00	20 December 2026

(ii) *Interest*

Interest is payable annually in arrears on the due date.

(iii) *Security*

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

(iv) *Sinking funds*

The prospectus for bond V provides for the setting up of sinking funds administered independently to cover 50% of the repayment of the bonds on maturity. The required contributions to the sinking funds as deposited under a trust arrangement as at 31 December 2020 amounted to €5.6m (2019: €3.8m).

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

	V €'000	VI €'000	VII €'000	IX €'000	X €'000	XI €'000
At 1 January 2019	19,823	9,925	44,308	34,603	54,367	39,481
Proceeds from issue	-	-	-	-	-	20,000
Amortisation of transaction costs	56	13	92	74	73	82
Issue costs	-	-	-	-	-	(313)
At 31 December 2019	19,879	9,938	44,400	34,677	54,440	59,250
Amortisation of transaction costs	59	15	97	73	76	95
At 31 December 2020	19,938	9,953	44,497	34,750	54,516	59,345

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

31. Bonds - continued

The market price of bonds in issue is as follows:

	2020 €	2019 €
Bond V	100.0	101.5
Bond VI	100.6	108.5
Bond VII	101.0	106.5
Bond IX	102.0	106.3
Bond X	101.6	103.0
Bond XI	98.0	101.0

32. Other financial liabilities

	The Group 2020 €'000	2019 €'000	The Company 2020 €'000	2019 €'000
Amounts owed to:				
Group companies	-	-	36,851	39,879
Other	401	-	-	-
	401	-	36,851	39,879
Non-current liabilities				
Amounts owed to:				
Group companies	-	-	36,767	39,781
Other	281	-	-	-
	281	-	36,767	39,781
Current liabilities				
Amounts owed to:				
Group companies	-	-	84	98
Other	120	-	-	-
	120	-	84	98

The carrying amount of other financial liabilities is considered a reasonable approximation of fair value on the basis of discounted cash flows. The terms of the amounts owed by the Company, as applicable, are as follows:

	€'000	Interest	Repayable by
At 31 December 2020			
Group companies	3,887	4.95%	Due by 4 August 2025
Group companies	13,000	Euribor + 2.65%	Due by 3 August 2025
Group companies	19,964	0%	Due within 3 years
	36,851		
At 31 December 2019			
Group companies	6,900	4.95%	Due by 4 August 2025
Group companies	13,000	Euribor + 2.65%	Due by 3 August 2025
Group companies	19,979	0%	Due within 3 years
	39,879		

None of the loans are secured.

33. 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.

The balance at 31 December represents temporary differences attributable to:

The Group	Assets		Liabilities		Net	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Depreciation of property, plant and equipment	-	-	(37,611)	(39,252)	(37,611)	(39,252)
Fair valuation of land and buildings	-	-	(58,968)	(60,214)	(58,968)	(60,214)
Fair valuation of investment property	-	-	(15,082)	(16,612)	(15,082)	(16,612)
Intangible assets	-	-	(1,326)	(665)	(1,326)	(665)
Investment in subsidiaries	-	-	(7,147)	(7,147)	(7,147)	(7,147)
Investment in associates	101	101	-	-	101	101
Unrelieved tax losses and unabsorbed capital allowances	45,332	30,501	-	-	45,332	30,501
Exchange differences	-	-	(297)	(181)	(297)	(181)
Provision on trade receivables	1,996	1,898	-	-	1,996	1,898
Other	193	382	-	-	193	382
Tax assets/(liabilities) – before offsetting	47,622	32,882	(120,431)	(124,071)	(72,809)	(91,189)
Offset in the statement of financial position	(33,408)	(23,649)	33,408	23,649	-	-
Tax assets/(liabilities) – as presented in the statement of financial position	14,214	9,233	(87,023)	(100,422)	(72,809)	(91,189)

The Company	Assets		Liabilities		Net	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Depreciation of property, plant and equipment	-	-	(41)	(23)	(41)	(23)
Investment in subsidiaries	-	-	(21,886)	(26,141)	(21,885)	(26,141)
Unrelieved tax losses and unabsorbed capital allowances	8,640	3,245	-	-	8,639	3,245
Exchange differences	261	-	-	(21)	260	(21)
Tax assets/(liabilities)	8,901	3,245	(21,927)	(26,185)	(13,027)	(22,940)
Offset in the statement of financial position	(41)	(43)	41	43	-	-
Tax assets/(liabilities) – as presented in statement of financial position	8,860	3,202	(21,886)	(26,142)	(13,027)	(22,940)

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 deferred tax assets and liabilities reflected in other comprehensive income relate to fair valuation of property, plant and equipment and investments in subsidiaries, associates and joint venture which have been measured as financial assets at fair value through other comprehensive income.

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

33. Deferred tax assets and liabilities - continued

The Group	Balance 01.01.2019 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Business combinations €'000	Balance 31.12.2019 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Currency translation differences €'000	Balance 31.12.2020 €'000
Property, plant and equipment	(96,421)	61	(3,406)	300	(99,466)	(1,402)	450	3,839	(96,579)
Investment property	(15,694)	(210)	(708)	-	(16,612)	200	-	1,330	(15,082)
Intangible assets	(572)	(93)	-	-	(665)	(661)	-	-	(1,326)
Investments in subsidiaries	(7,147)	-	-	-	(7,147)	-	-	-	(7,147)
Investments in associates	101	-	-	-	101	-	-	-	101
Unrelieved tax losses and capital allowances	31,709	(2,249)	830	211	30,501	15,889	3,356	(4,414)	45,332
Exchange differences	(125)	(55)	(1)	-	(181)	(117)	1	-	(297)
Provision on trade receivables	1,808	90	-	-	1,898	98	-	-	1,996
Others	368	(30)	44	-	382	(120)	-	(69)	193
	(85,973)	(2,486)	(3,241)	511	(91,189)	13,887	3,807	686	(72,809)

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. In 2020, the Group did not recognise deferred income tax assets of €4.7m (2019: €2.7m), in respect of losses amounting to €13.43m (2019: €10.5m) that can be carried forward against future taxable income.

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

33. Deferred tax assets and liabilities - continued

The Company	Balance	Recognised in profit	Recognised in other comprehensive	Surrender of	Balance	Recognised in profit	Recognised in other comprehensive	Surrender of	Balance
	01.01.2019	or loss	income	losses	31.12.2019	or loss	income	losses	31.12.2020
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	(11)	(12)	-	-	(23)	(18)	-	-	(41)
Investments in subsidiaries	(71,678)	-	45,537	-	(26,141)	-	4,256	-	(21,885)
Investments in associates	198	-	(198)	-	-	-	-	-	-
Unrelieved tax losses and capital allowances	-	4,278	-	(1,033)	3,245	8,315	-	(2,921)	8,639
Exchange differences	(4)	(17)	-	-	(21)	281	-	-	260
	(71,495)	4,249	45,339	45,339	(22,940)	8,578	4,256	(2,921)	(13,027)

Unrecognised deferred tax assets

The Company did not have unrecognised deferred income tax assets that could be carried forward against future taxable income as at 31 December 2020 and 31 December 2019.

34. Trade and other payables

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Non-current				
Other payables	2,433	3,299	829	822
Refundable lease deposits	336	-	-	-
Financial liabilities	2,769	3,299	829	822
Contract liabilities	2,481	2,475	-	-
Advance payments	-	483	-	-
Total payables - non-current	5,250	6,257	829	822
Current				
Trade payables	11,826	19,054	522	256
Amounts owed to:				
Parent company	880	680	-	-
Subsidiary companies	-	-	1,828	2,400
Associates	239	-	239	-
Joint ventures	17	250	-	-
Other related parties	7,306	7,620	1	240
Capital creditors	907	1,236	-	-
Other payables	11,930	8,625	2,040	990
Refundable lease deposits	62	247	-	-
Accruals	22,089	22,198	7,121	6,525
Financial liabilities	55,256	59,910	11,751	10,411
Contract liabilities	4,321	6,302	-	-
Lease payments received in advance	2,905	3,961	-	-
Statutory liabilities	6,518	4,604	347	73
Total payables - current	69,000	74,777	12,098	10,484

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

The carrying amount of trade and other payables is considered a reasonable approximation of fair value in view of the short-term nature of these instruments.

Current contract liabilities mainly include advance deposits on hotel bookings and cash received for vouchers to be redeemed by customers in hotels. The revenue in relation to these amounts received in advance is recognised only when the Group satisfies its performance obligation (i.e. as the customer utilises their right to use the hotel room).

Non-current contract liabilities emanate from a transaction in which the Group sold a block of serviced apartments but retained the obligation to maintain such apartments for the very long-term. The consideration that was paid by the buyer to the Group was partly allocated to the service element in the arrangement and will be recognised over the remaining number of years for which the obligation remains.

The aggregate transaction price allocated to this long-term arrangement amounted to £2.3m equivalent to €2.7 (2019: £2.3, €2.7m), of which £1.9m equivalent to €2.1m (2019: £2m, €2.4m), remains unsatisfied as at year-end. Management expects that the unsatisfied portion of the transaction price will be recognised as revenue on a straight-line basis over the remaining term of 42 years, since the directors consider the arrangement consistent with a stand-ready obligation to perform.

Revenue recognised during 2020 that was included in the contract liability balance at the beginning of the period amounted to €2.7m.

35. Dividends

During 2019, the Company declared an interim dividend amounting to €12.3m. This equates to €0.02 per share.

No dividends were declared for the financial year ended 31 December 2020.

36. Cash flow information

36.1 Cash generated from/(used in) operations

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Adjustments:				
Depreciation of property, plant and equipment	31,098	32,409	32	27
Depreciation of right-of-use assets	2,597	2,185	195	185
Increase in provision for impairment of trade receivables	-	89	-	-
Net (gain)/loss on disposal of property, plant and equipment	(249)	(232)	11,838	-
Amortisation of intangible assets	2,084	2,172	22	8
Impairment losses on intangible assets	2,368	1,693	-	-
Other losses on property, plant and equipment	2,925	-	-	-
Net gain on disposal of intangible assets	-	-	12	-
Net impairment losses on property, plant and equipment	-	1,320	-	-
Net changes in fair value of contingent consideration	-	(5,008)	-	(563)
Fair value movements on investment properties	5,228	137	-	-
Fair value movements on investments	(115)	(2,252)	-	-
Share of results of associates and joint ventures	2,448	3,951	-	-
Net changes in fair value of indemnification assets	-	210	-	-
Amortisation of transaction costs on borrowings	1,031	1,384	415	391
Lease concessions	(1,292)	-	-	-
Interest income	(702)	(546)	(3,387)	(3,219)
Interest expense	22,523	22,372	12,371	12,160
Dividend income	-	-	(3,630)	(18,080)
Reclassification of Azure	2,802	-	-	-
Net exchange differences	12,267	(7,322)	417	-
	85,013	52,562	18,285	(9,091)

36. Cash flow information - continued

36.2 Reconciliation of financing liabilities

The Group						
	Assets placed under trust arrangement €'000	Bonds €'000	Bank loans €'000	Other financial liabilities €'000	Lease liabilities €'000	Total €'000
As at 1 Jan 2019						
- Principal	3,767	(202,507)	(352,177)	(4,612)	-	(555,529)
- Accrued interest	-	(4,074)	(931)	-	-	(5,005)
- Net	3,767	(206,581)	(353,108)	(4,612)	-	(560,534)
- Initial application of IFRS 16	-	-	-	-	(13,814)	(13,814)
Cash flows	53	(8,835)	11,479	3,716	2,860	9,273
Acquisition of subsidiaries	-	-	(150)	-	(1,004)	(1,154)
Foreign exchange adjustments	-	-	7,118	-	-	7,118
Currency translation	-	-	(16,688)	-	-	(16,688)
Other movements	-	(11,244)	(12,512)	896	(2,039)	(24,899)
As at 31 December 2019	3,820	(226,660)	(363,861)	-	(13,997)	(600,698)
Comprising:						
- Principal	3,820	(222,584)	(362,797)	-	(13,997)	(595,558)
- Accrued interest	-	(4,076)	(1,064)	-	-	(5,140)
As at 31 December 2019	3,820	(226,660)	(363,861)	-	(13,997)	(600,698)
As at 1 Jan 2020						
- Principal	3,820	(222,584)	(362,797)	-	(13,997)	(595,558)
- Accrued interest	-	(4,076)	(1,064)	-	-	(5,140)
- Net	3,820	(226,660)	(363,861)	-	(13,997)	(600,698)
Cash flows	1,817	11,028	570	(401)	1,847	14,860
Foreign exchange adjustments	-	-	21,602	-	-	21,602
Currency translation	-	-	(11,998)	-	-	(11,998)
Other movements	-	(11,468)	(11,331)	-	73	(22,726)
As at 31 December 2020	5,637	(227,100)	(365,018)	(401)	(12,077)	(598,959)
Comprising:						
- Principal	5,637	(222,999)	(363,385)	(401)	(12,077)	(593,226)
- Accrued interest	-	(4,101)	(1,633)	-	-	(5,733)
As at 31 December 2020	5,637	(227,100)	(365,018)	(401)	(12,077)	(598,959)

36. Cash flow information - continued

36.2 Reconciliation of financing liabilities - continued

The Company		Liabilities from financing activities				
	Assets placed under trust arrangement €'000	Bonds €'000	Bank loans €'000	Other financial liabilities €'000	Lease liabilities €'000	Total €'000
As at 1 Jan 2019						
- Principal	3,767	(202,507)	(10,176)	(26,112)	-	(235,028)
- Accrued interest	-	(4,074)	(5)	-	-	(4,079)
- Net	3,767	(206,581)	(10,181)	(26,112)	-	(239,107)
- Initial application of IFRS 16	-	-	-	-	(626)	(626)
Cash flows	53	(8,835)	(1,173)	(750)	292	(10,413)
Other movements	-	(11,244)	(1,311)	(13,017)	(127)	(25,699)
As at 31 December 2019	3,820	(226,660)	(12,665)	(39,879)	(461)	(275,845)
Comprising:						
- Principal	3,820	(222,584)	(12,590)	(39,879)	(461)	(271,694)
- Accrued interest	-	(4,076)	(75)	-	-	(4,151)
As at 31 December 2019	3,820	(226,660)	(12,665)	(39,879)	(461)	(275,845)
As at 1 Jan 2020						
- Principal	3,820	(222,584)	(12,590)	(39,879)	(461)	(271,694)
- Accrued interest	-	(4,076)	(75)	-	-	(4,151)
- Net	3,820	(226,660)	(12,665)	(39,879)	(461)	(275,845)
Cash flows	1,817	10,865	(4,479)	-	127	8,330
Other movements	-	(11,267)	(1,519)	3,028	(246)	(10,004)
As at 31 December 2020	5,637	(227,062)	(18,663)	(36,851)	(580)	(277,519)
Comprising:						
- Principal	5,637	(222,999)	(17,409)	(36,851)	(580)	(272,202)
- Accrued interest	-	(4,063)	(1,254)	-	-	(5,317)
As at 31 December 2020	5,637	(227,062)	(18,663)	(36,851)	(580)	(277,519)

36.3 Significant non-cash transactions

As disclosed in Note 39, the Group obtained control of the catering companies and the Corinthia brand from CPHCL for €3.7m in 2019. The consideration was settled through a set-off of amounts receivable from the same party.

37. Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	The Group 2020 €'000	2019 €'000
Contracted for:		
Property, plant and equipment	<u>5,958</u>	<u>3,500</u>
Authorised but not yet contracted for:		
Property, plant and equipment	<u>109,149</u>	<u>71,078</u>
	<u>115,107</u>	<u>74,578</u>

The board of directors of joint ventures have not authorised capital commitments for property, plant and equipment during the year (2019: nil).

38. Contingent liabilities

A claim in relation to brokerage fees on the sale of Lisbon Hotel to IHI p.l.c. in 2000 amounting to €1.7 million is being made by an individual against 8 defendants including IHI p.l.c. No provision has been made in these financial statements for this claim as the Company and the Group believe that it has a strong defence in respect of these claims.

A client has instituted proceedings against QPM Limited for damages sustained in relation to professional works. The directors do not expect that the cash outflow net of insurance recoveries to be material.

39. Business combinations

Business combinations during 2019

On 12 June 2019 and 15 June 2019, the Group acquired 100% of Catermax Limited and Corinthia Caterers Limited from its parent, CPHCL. During the same period, the Group also contracted to acquire from CPHCL any and all residual rights relating to the Corinthia Brand in relation to catering as well as any other additional right to use the Corinthia brand name exclusively. The rights are incremental to those previously held by the Group when it had acquired the Corinthia brand in 2010.

39. Business combinations - continued

Business combinations during 2019 - continued

Although legally considered as three separate contracts, the substance of these acquisitions was deemed to be that of one business combination, and the details of the purchase consideration, fair value of the net identifiable assets and liabilities acquired, and goodwill are presented in aggregate below:

The Group	Catermax and Corinthia Caterers €'000
Purchase consideration:	
Cash consideration (see below)	3,700
	3,700
Recognised amounts of identifiable assets acquired	
Cash and cash equivalents	677
Property, plant and equipment	2,417
Right-of-use assets	1,004
Deferred tax asset	511
Intangible assets: Corinthia brand	2,400
Inventories	300
Trade and other receivables	862
Trade and other payables	(2,853)
Lease liabilities	(1,004)
Borrowings	(150)
Net identifiable assets acquired	4,164
Add: goodwill	1,215
Deduct: net receivables given up on acquisition	(1,679)
Net assets acquired	3,700

The goodwill is attributable to expected synergies from centralisation and consolidation of support services now that all catering operations are owned by the Group.

The fair value of acquired receivables is €1.7m, none of which is expected to be uncollectible.

The acquired business contributed revenues of €4.9m and a net loss of €0.1m to the Group for the period from acquisition date to 31 December 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been €271.8m and €6.3m respectively.

Purchase consideration - cash outflow

The Group	Catermax and Corinthia Caterers €'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Balances acquired:	
Cash and cash equivalents	(677)
Net outflow of cash – investing activities	(677)

39. Business combinations - continued

Business combinations during 2019 - continued

The cash consideration of €3.7m payable by the Group to its parent was set off against amounts receivable from the parent.

40. Related parties

The Company and its subsidiaries have related party relationships with CPHCL, the Company's ultimate controlling party (Note 43), all related entities ultimately controlled, jointly controlled or significantly influenced by CPHCL. Related parties also comprise the shareholders of CPHCL, other major shareholders of IHI, the Group's associates and joint ventures (Note 18) together with the Group companies' key management personnel.

Key management personnel includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is disclosed in Note 40.2.

No guarantees were given or received. Amounts owed by/to related parties are shown separately in Notes 19, 21, 32 and 34.

40.1 Transactions with related parties

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Revenue				
Services rendered to:				
Parent company	687	1,233	687	1,100
Subsidiaries	-	-	1,973	3,466
Other related parties	430	2,179	-	-
Dividends received from:				
Subsidiaries	-	-	3,630	18,080
	1,117	3,412	6,290	22,646
Financing				
Interest income				
Parent company	76	161	50	73
Subsidiaries	-	-	3,337	3,146
Other related parties	428	34	-	-
Interest expenses				
Subsidiaries	-	-	(835)	(833)
Other related parties	(6)	-	-	-
	498	195	2,552	2,386
Equity transactions				
Dividend distributed to:				
Parent company	-	7,120	-	7,120

During 2019, the Group acquired the operations of Corinthia Catering Ltd and Catermax Ltd from its ultimate parent company, as disclosed in Note 39.

40. Related parties - continued

40.1 Transactions with related parties - continued

As explained in Note 3.1, the Company has secured a line of credit from its parent company, CPHCL, to ensure funding is available in case of any cash flow shortfalls.

40.2 Transactions with key management personnel

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

In 2020, the remuneration of the executive Chairman and Senior Executives of the Company and its subsidiaries amounted to €5.1m (2019: €7.9m). The foregoing comprises a fixed portion of €5.1m (2019: €5.6m) and a variable portion of Nil (2019: €2.3m). In 2020 no bonuses were accrued for as per management's decision.

41. Events after the reporting period

Business Combinations

During the first quarter of 2021, the Group acquired the remaining 50% share in Golden Sands Resort Limited to consolidate its holding in this asset.

The Group's carrying amount of the joint venture in this respect will accordingly be derecognised in 2021. The fair value of the previously held 50% interest equates to the carrying amount of the investment and accordingly, no gain or loss will be recognised upon re-measurement of the previously held interest.

Details of the purchase consideration and the carrying amount of the net identifiable assets and liabilities acquired are as follows:

	Golden Sands Resort €'000
Purchase consideration:	
Value of the previous 50% held as at 31 December 2020	19,646
Purchase consideration for the remaining 50%	13,000
Adjustment for monetary assets	(2,830)
	29,816
Carrying amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	90
Property, plant and equipment	61,646
Right-of-use assets	146
Deferred assets	(9,980)
Intangible assets	6
Inventories	1,444
Trade and other receivables	311
Trade and other payables	(4,264)
Taxation	24
Lease liabilities	(148)
Borrowings	(13,918)
Other financial liabilities	(10,107)
Net identifiable assets acquired	25,250

The purchase price allocation for this acquisition is still being finalised.

41. Events after the reporting period - continued

Libyan Dinar devaluation

Effective 3 January 2021, the Central Bank of Libya issued an exchange rate modification. The Libyan Dinar was modified to equate to 4.48 Dinars to the US Dollar. On this day, 5.4416 Libyan Dinars were equal to one Euro (31/12/2020: LYD 1.6428:€1). The Group has certain assets and liabilities denominated in Libyan Dinars, and the Group's net exposure is as follows:

The Group	Original currency €'000	Unrealised Gain/loss 3 January 2021 €'000
Non-financial assets:		
Impact on subsidiaries	(1,660)	(705)
Impact on associates	20,019	(8,507)
Loss on exchange through OCI	18,359	(9,212)
Financial assets and liabilities:		
Cash and bank balances	6,373	(2,626)
Trade and other receivables	5,686	(2,684)
Trade and other payables	219	(93)
Loss on exchange through income	11,840	(5,218)
Total impact on Group	30,199	(14,430)

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.

42. 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.

42. 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 42.5 for a summary of the Group's financial assets and liabilities by category.

42.1 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 balance sheet date, as summarised below:

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
<i>Classes of financial assets - carrying amounts</i>				
Long-term loans	6,739	1,801	90,972	86,478
Short-term loans	43	125	2,556	91
Assets placed under trust arrangement	5,637	3,820	5,637	3,820
Trade and other receivables, including contract assets	31,359	38,825	46,465	40,330
Cash in hand and at bank	46,145	72,699	4,943	15,043
	89,923	117,270	150,573	145,762

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

(i) 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.

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

The Group does not require collateral in respect of trade and other receivables. The Group establishes an allowance for doubtful recoveries that represents its estimate of losses in respect of trade and other receivables.

42. Risk management objectives and policies - continued

42.1 Credit risk - continued

(i) Risk management and security - continued

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 losses from non-performance or default. Accordingly, credit risk with respect to these receivables is expected to be limited.

(ii) 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 a period of 3 to 4 months before 31 December 2020 and 31 December 2019 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 2020 and 31 December 2019 is deemed immaterial by management.

The Group's loss allowance balance on trade receivables and contract assets as at 31 December 2020 and 2019 mainly comprises a provision on an amount due from an individual counterparty that did not have an impact on the identified loss rates and expected credit losses on the rest of the Group's trade receivables and contract assets. On this basis, the information pertaining to loss rates and loss allowances in the Group's provisions matrix, which would have otherwise been required by IFRS 7, is not presented as at 31 December 2020 and 31 December 2019.

42. Risk management objectives and policies - continued

42.1 Credit risk - continued

(ii) Impairment of financial assets - continued

Trade receivables and contract assets - continued

The closing loss allowances for trade receivables and contract assets as at 31 December 2020 reconcile to the opening loss allowance as follows:

The Group	Trade receivables and contract assets	
	2020 €'000	2019 €'000
Opening loss allowance as at 1 January	5,982	5,740
Increase in loss allowance recognised in profit or loss during the year	380	224
Business combinations	-	153
Receivables written off during the year as uncollectible	40	(135)
Currency translation differences	(12)	-
At 31 December	6,390	5,982

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 by the Group to provide original documentation in case of invoices contested by the customer.

During 2020, the Company wrote off an amount receivable of €11.8m from subsidiary undertakings following the dissolution of Costa Coffee Spain.

Impairment 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. All impaired balances were unsecured.

Other financial assets at amortised cost

The Group's and the Company's other financial assets at amortised cost which are subject to IFRS 9's general impairment model mainly include the following balances:

	The Group		The Company	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Amounts due from ultimate parent entity	672	745	672	672
Amounts due from subsidiaries	-	-	92,856	85,806
Amounts due from other related parties	1,000	1,000	-	-
Amounts due from other investees	4,972	-	-	-
At 31 December	6,644	1,745	93,528	86,478

42. Risk management objectives and policies - continued

42.1 Credit risk - continued

(ii) Impairment of financial assets - continued

Other financial assets at amortised cost - continued

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, the resulting impairment charge required was deemed to be immaterial.

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.

Financial assets at fair value through profit or loss

The Group is also directly and indirectly exposed to credit risk in relation to certain bond funds that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments €1.05m. (2019: €0.5m).

42.2 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 exposure and management of liquidity risk as 31 December 2020 is disclosed below.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions. 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, financing facilities are expected to be required. 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.

42. Risk management objectives and policies - continued

42.2 Liquidity risk - continued

The Group's liquidity risk is 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. During the year, the Group has been successful in securing €24.5 million banking facilities with local banks under the Malta Development Bank COVID-19 Guarantee Scheme for a five year term. The approved loans have not been fully drawn as at the date of approval of these financial statements, the undrawn portion amounting to €12 million, will be utilised during 2021. 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.

As at 31 December 2020 and 31 December 2019 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Group	Current Within 1 year	Non-current 1-5 years	More than 5 years
31 December 2020	€'000	€'000	€'000
Non-derivatives:			
Bank borrowings	29,087	312,592	95,876
Bonds	30,965	130,839	156,486
Lease liabilities	2,927	5,337	19,956
Bank overdraft	10,152	-	-
Trade and other payables	55,256	2,769	-
Other financial liabilities	151	319	-
	128,538	451,856	272,318

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

The Group	Current Within 1 year	Non-current 1-5 years	More than 5 years
31 December 2019	€'000	€'000	€'000
Non-derivatives:			
Bank borrowings	45,000	266,905	77,131
Bonds	11,028	105,052	171,788
Other financial liabilities	2,748	6,339	20,549
Bank overdraft	7,525	-	-
Trade and other payables	59,910	3,299	-
	126,211	381,595	269,468

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

42. Risk management objectives and policies - continued

42.2 Liquidity risk - continued

As at 31 December 2020 and 31 December 2019 the Company has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Company	Current Within 1 year €'000	Non-current 1-5 years €'000	More than 5 years €'000
31 December 2020			
Non-derivatives:			
Bank borrowings	2,453	11,440	2,300
Bonds	30,965	130,839	156,486
Other financial liabilities	621	38,695	-
Bank overdraft	230	-	-
Lease liabilities	279	144	1
Trade and other payables	11,752	829	-
	46,300	181,947	158,787

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

The Company	Current Within 1 year €'000	Non-current 1-5 years €'000	More than 5 years €'000
31 December 2019			
Non-derivatives:			
Bank borrowings	2,331	9,382	2,466
Bonds	11,028	105,052	171,788
Other financial liabilities	97	169	43,625
Trade and other payables	301	186	7
	10,411	822	-

42.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, and quoted 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

Foreign currency 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.

All Group entities have euro as their functional currency with the exception of IHI Benelux BV, with Russian Rouble as its functional currency, the entities within the NLI Group, with the pound sterling as their functional currency, and Libya Hotels Development and Investment JSC, with Libyan dinars as its functional currency. IHI Benelux BV is exposed to foreign currency risk mainly with respect to a portion of revenue and purchases, which are denominated in euro, and all the entity's borrowings which are also denominated in euro.

42. Risk management objectives and policies - continued

42.3 Market risk - continued

(i) Foreign currency risk - continued

The Group operates internationally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of Group entities, the euro.

The Group has operations in Russia, Hungary, Czech Republic, United Kingdom and Libya and has subsidiaries domiciled in those territories. These entities are exposed to foreign currency in respect of a portion of their respected revenue and purchases which are denominated in foreign currencies.

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

The Group	2020				2019			
	Functional currency				Functional currency			
	EUR			RUB	EUR			RUB
	HUF	LYD	CZK	EUR	HUF	LYD	CZK	EUR
	€'000	€'000	€'000	€000	€'000	€'000	€'000	€'000
Group								
Assets:								
Loans and receivables:								
Trade receivables	56	1,309	13	-	1,774	1,352	581	-
Other receivables	235	24	82	-	596	155	523	-
Liabilities:								
Bank borrowings	-	-	-	(46,018)	-	-	-	(46,187)
Trade payables	(121)	(795)	(235)	-	(770)	(1,137)	(1,180)	-
Other payables	(2,036)	(2,928)	(1,676)	-	(2,805)	(2,867)	(2,385)	-
Net exposure	(1,866)	(2,390)	(1,816)	(46,018)	(1,205)	(2,254)	(2,461)	(46,187)

42. Risk management objectives and policies - continued

42.3 Market risk - continued

(i) Foreign currency risk - continued

At 31 December 2020, if the euro had weakened/strengthened by 10% (2019: 10%) against the Rouble with all other variables held constant, Group post-tax profit for the year would have been €5.1m lower/€5.1m higher (2019: €5.1m lower/€5.1m 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 €54.0m (2019: €54.1m) and €15.5m (2019: €13.8m) respectively, are considered 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 2020, if the euro had weakened/strengthened by 10% (2019: 10%) against the Rouble with all other variables held constant, the Group's equity would have been €7.9m lower/€7.9m higher (2019: €7.8m lower/€7.8m higher) as a result of foreign exchange losses/gains recognised in other comprehensive income on translation of the euro denominated payables.

Management does not consider foreign currency risk attributable to recognised assets and liabilities arising from transactions denominated in foreign currencies where the respective entities' functional currency is/was the euro, presented within the tables above, to be significant. Accordingly, a sensitivity analysis for foreign currency 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.

Borrowings required to fund certain operations are generally denominated in currencies that match the cash flows generated by the respective operations of the Group so as to provide an economic hedge.

42. Risk management objectives and policies - continued

42.3 Market risk - continued

(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	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000

Fixed rate instruments

Financial assets:

Parent company loan and other loans receivable	5,781	926	37,419	32,425
Assets placed under trust arrangement	5,637	3,820	5,637	3,820

Financial liabilities:

Bonds	(222,999)	(222,584)	(222,999)	(222,584)
Other financial liabilities	(401)	-	(3,887)	(6,900)
	(211,982)	(217,838)	(183,830)	(193,239)

Variable rate instruments

Financial assets:

Loans to related company	-	-	53,553	54,053
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Financial liabilities:

Bank borrowings	(373,147)	(370,033)	(17,639)	(12,590)
Other financial liabilities	-	-	(13,000)	(13,000)
	(373,147)	(370,033)	22,914	28,463

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 subject to fixed rates of interest whenever as much as is practicable. The Group is exposed to fair value interest rate risk on its financial assets and liabilities bearing fixed rates of interest, but 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 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, 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 €3.7m (2019: €3.5m) lower/higher as a result of higher/lower net interest expense.

At 31 December, if interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year for the Company would have been €131.8k (2019: €99.8k) lower/higher as a result of higher/lower net interest expense.

42. Risk management objectives and policies - continued

42.3 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 balance sheet as financial assets at fair value through profit or loss. As at 31 December 2020, the carrying amount of these investments amounted to €16.4m (2019: €17.3m).

€9.2m (2019: €8.9m) of investments are publicly traded. Management does not consider that a reasonable shift in indexes 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 indexes that were reasonably possible at the end of the reporting period is not deemed necessary.

In addition to the above, the Group holds a 10% investment in two private equities that were purchased in 2019. As at year-end, management do not consider that reasonable movements in market prices will impact the fair value of these investments materially.

42.4 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 amount of dividends paid to 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.

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

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Bank loans (Note 31)	363,385	362,797	17,409	12,590
Other financial liabilities (Note 33)	401	-	36,851	39,879
Bonds (Note 32)	222,999	222,584	222,999	222,584
Lease liabilities (Note 17)	12,077	13,997	581	461
Less: cash and cash equivalents (Note 24)	(36,383)	(65,463)	(4,713)	(15,043)
Net debt	562,479	533,915	273,127	260,471
Total equity	773,176	897,147	651,003	747,724
Total capital	1,335,655	1,431,062	924,130	1,008,195
Net debt ratio	42.11%	37.3%	29.54%	25.8%

42. Risk management objectives and policies - continued

42.4 Capital management policies and procedures - continued

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.

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 3.14 for explanations about how the category of financial instruments affects their subsequent measurement.

42.5 Summary of financial assets and liabilities by category

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Assets				
Other financial assets at amortised cost				
Cash and cash equivalents	36,383	65,463	4,713	15,043
Trade receivables	6,486	18,446	31	36
Other receivables	8,242	5,270	1,343	2,330
Amounts due from Group and related companies	18,303	16,854	306,490	302,699
Assets placed under trust arrangement	5,637	3,820	5,637	3,820
Amounts due from other investees	4,972	-	-	-
Financial assets measured at fair value				
<i>Equity securities</i>				
Private equities:				
Investments in subsidiaries	-	-	618,039	714,517
Investments in associates and joint ventures	-	-	12,184	12,790
Financial assets at fair value through profit or loss	7,198	8,401	-	-
Listed equities:				
Financial assets at fair value through profit or loss	4,236	4,641	-	-
<i>Funds and mutual funds</i>				
Financial assets at fair value through profit or loss	5,010	4,268	-	-
Unlisted equity securities	4	-	-	-
Total assets	96,471	127,163	948,499	1,051,235

42. Risk management objectives and policies - continued

42.5 Summary of financial assets and liabilities by category - continued

	The Group		The Company	
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
Other financial liabilities measured at amortised cost				
Bank borrowings	373,147	370,033	17,639	12,590
Bonds	222,999	222,584	222,999	222,584
Other financial liabilities	401	-	36,851	39,879
Lease liabilities	12,077	13,997	581	461
Trade payables	11,826	19,054	522	256
Other payables	24,110	21,957	4,937	4,452
Accruals	22,089	22,198	7,121	6,525
Total liabilities	666,649	669,823	290,650	286,747

42.6 Financial instruments measured at fair value

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

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

The 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 balance sheet are grouped into the fair value hierarchy as follows:

The Group	2020	2019
	€'000	€'000

Level 1

Investments in publicly-traded securities measured at fair value through profit or loss

9,250 8,909

Level 3

Investments in unlisted equities measured at fair value through profit or loss

7,198 8,401

42. Risk management objectives and policies - continued

42.6 Financial instruments measured at fair value - continued

The Company	2020 €'000	2019 €'000
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Level 3

Investments in subsidiaries (a)	618,039	714,517
Investments in associates and joint ventures (b)	12,184	12,790

Measurement of fair value

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

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 as well as the investment in Azure Resorts Group, which was transferred from equity in joint ventures during the current year. 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.

Movements in these investments are portrayed in the table below:

The Group	2020 €'000	2019 €'000
	Level 3	
At 1 January	8,401	-
Acquisitions	-	8,401
Transfer to financial assets at amortised cost	(5,196)	-
Transfer from equity in joint ventures	5,460	-
Fair value movements	(1,467)	-
At 31 December	7,198	8,401

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 the underlying assets or business. The fair value of the liability from 1 January to settlement date decreased by €4.4m, thereby resulting in a gain recognised in profit or loss.

42. Risk management objectives and policies - continued

42.7 Financial instruments not measured at fair value - continued

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

a. Investment in subsidiaries

The fair value of investment in subsidiaries have been determined by reference to the fair values of the underlying properties or enterprise value as outlined in Note 15.1. Movements in the carrying amounts of investments in subsidiaries are indicated in Note 17.

a. Investment in associates and joint ventures

Investment in associates and joint ventures are accounted for as financial assets at fair value through other comprehensive income in the Company's balance sheet as outlined in Note 18. The fair value of investments in associates and joint ventures has been determined in the same manner as outlined above.

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

Disclosure in respect of the fair value of financial instruments not carried at fair value are presented within Notes 19, 21, 30, 31, 32 and 34. The directors consider the carrying amount to be 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.

The following tables provide an analysis of the Group and the Company's financial instruments disclosed above, grouped into Levels 1 to 3:

	The Group			
	2020	2019	2020	2019
	€'000	€'000	€'000	€'000
	Level 1		Level 3	
Financial assets				
Other financial assets at amortised cost	-	-	6,781	1,926
Trade and other receivables	-	-	31,359	38,825
Assets placed under trust arrangement	-	-	5,637	3,820
	-	-	43,777	44,571
Financial liabilities				
Bank borrowings	-	-	373,147	370,033
Bonds	222,999	222,584	-	-
Other financial liabilities	-	-	401	-
Lease liabilities	-	-	12,077	13,997
Trade and other payables	-	-	55,256	59,910
	222,999	222,584	440,881	443,940

42. Risk management objectives and policies - continued

42.7 Financial instruments not measured at fair value - continued

	2020 €'000	The Company 2019 €'000	2020 €'000	2019 €'000
	Level 1		Level 3	
Financial assets				
Loans receivable	-	-	261,399	264,826
Trade and other receivables	-	-	46,465	40,330
Assets placed under trust arrangement	-	-	5,637	3,820
	-	-	313,501	308,976
Financial liabilities				
Bank borrowings	-	-	17,639	12,590
Bonds	222,999	222,584	-	-
Other financial liabilities	-	-	36,851	39,879
Lease liabilities	-	-	581	461
Trade and other payables	-	-	11,751	10,411
	222,999	222,584	66,822	63,341

43. Ultimate controlling party

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

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