INTERNATIONAL HOTEL INVESTMENTS P.L.C.

COMPANY ANNOUNCEMENT

Financial Statements for 2018

The Board of Directors of International Hotel Investments p.l.c. has approved the financial statements for the year ended 31 December 2018.

A full copy of the financial statements is attached to this company announcement and is also available on the following link: http://www.ihiplc.com/investors/financial-reports.

Alfred Fabri
Company Secretary

Encl.

30 April 2019

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International Hotel Investments p.l.c.

Report & Financial Statements

31 December 2018

Company registration number: C 26136

PRINCIPAL MILESTONES AND ACHIEVEMENTS

1 Net profit before tax has increased by 28% to €8.472m in 2018.

2 Adjusted EBITDA has grown to €61.333m in 2018, almost double the €33m in 2014.

3 We have acquired a 10% shareholding in the Global Hotel Alliance, the world's largest alliance of independent hotel brands and operator of the loyalty program Discovery.

4 We have continued to grow our global footprint, with the acquisition of a shareholding in a hotel and residential development in Moscow.

5 Five luxury Corinthia Hotel projects are underway in various stages of design and completion. These are located in Dubai, Bucharest, Brussels, Moscow and Malta.

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GROUP STRUCTURE

IHI is a luxury hospitality and real estate group focused on the market-leading Corinthia brand. 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 hotel brand, pursue related real estate opportunities, 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

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

CDI DEVELOPMENTS

Corinthia Developments International Limited (CDI) is a development company which originates, plans, structures, transacts and manages the Group's ongoing developments.

QP MANAGEMENT

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

OUR PORTFOLIO

HOTELS
OWNED & MANAGED

BRUSSELS
CORINTHIA HOTEL
(OPENING 2021 FORMER GRAND HOTEL ASTORIA)
125 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

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 / 50% 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 2022)
53 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

OUR PORTFOLIO - continued

HOTELS
MANAGED

BUCHAREST
CORINTHIA HOTEL
(OPENING 2020 FORMER
GRAND HOTEL DU BOULEVARD)
50 ROOMS

BUDAPEST
ACQUINCUM HOTEL
310 ROOMS

DOHA
CORINTHIA HOTEL & RESIDENCES
(OPENING 2022)
118 ROOMS

DUBAI
CORINTHIA MEYDAN BEACH HOTEL
(OPENING 2020)
360 ROOMS
THE MEYDAN HOTEL
284 ROOMS
BAB AL SHAMS DESERT RESORT
115 ROOMS

KHARTOUM
CORINTHIA HOTEL
230 ROOMS

PRAGUE
PANORAMA HOTEL
440 ROOMS

TUNIS
RAMADA PLAZA
309 ROOMS

OUR PORTFOLIO - continued

LAND & COMMERCIAL

BUDAPEST
ROYAL RESIDENCES

LONDON
10, WHITEHALL PLACE RESIDENCES

MALTA
OASIS AT ĦAL FERĦ

MOSCOW
CORINTHIA RESIDENCES

ST PETERSBURG
NEVSKIJ PLAZA SHOPPING & OFFICE CENTRE

TRIPOLI
CORINTHIA COMMERCIAL CENTRE

Board of Directors

JOSEPH J. VELLA
Partner in a leading law practice, and a director on the boards of several major companies. He is also Chairman of the Nomination and Remuneration Committee.

ABUAGILA ALMAHDI
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.

DOURAID ZAGHOUANI
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.

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.

ALFRED FABRI
Company Secretary since IHI's inception. He joined the Corinthia Group in 1989 and has occupied various senior positions in the private and public sectors.

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 15 NOVEMBER 2018
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.

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.

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

WINSTON V. ZAHRA
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. Mr Zahra is also a director of Caritas.

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.

Chairman's Statement

Dear Shareholders,

It is my pleasure to report to you that 2018 was another successful year for the Company. Our adjusted EBITDA has increased to €61.3m driven by increased profitability and improved performance from our various business segments. Our profit before tax for the year under review is €8.5m.

We have achieved profitability whilst also improved the balance sheet share value of the Company through further uplifts in our property values. As a result of this sustained performance, the strategy announced last year by the Board of Directors to maintain a regular dividend stream is being achieved and in consequence, the Board will be recommending a dividend, net of tax, of 2 cents per share for your approval at the forthcoming Annual General Meeting.

Having said the above, I would like to bring to the attention of our dear Shareholders that over recent years, when it was not advisable to issue dividends, the Company, through the strengthening of its balance sheet from uplifts in property values, rewarded our Shareholders with the issue of bonus shares on a regular basis. In fact, over the last 11 years we distributed 32.7% scrip dividends (bonus shares), apart from the occasional cash dividend. It is pertinent to point out that the dividend we issued last year and the dividend we are recommending this year is computed not only on the original shares invested by the public and institutions, but also on the bonus shares issued over this time period.

Looking forward, we shall use our best endeavours to maintain a regular cash dividend policy, yet I do not exclude the possibility that through the ever-increasing value of our assets, our accumulated reserves will likewise provide us with the possibility of issuing further bonus shares together with cash dividends.

I truly believe that the value of our Company is today better recognised by all, and particularly the institutions who have a long-term vision of our Company's growth. In fact, in recent months we have seen a substantial purchase of shares from institutions.

As the Founder and Chairman of your Company, I think it is pertinent for me to constantly highlight the special strength and wholesomeness of our Company, IHI. We are not only owners of hotels and real estate, but we are also supported through three wholly-owned companies that have knowhow in development under CDI, project management through QP, and ultimately the service of managing hotels under the brand Corinthia, CHL. As I have stated on numerous occasions, we are possibly unique in providing a one-stop-shop for hotel and real estate developments, as I do not know of any other company internationally that provides all these services under one roof. Therefore, not only do we hold valuable properties which are achieving good profitability plus yearly appreciation, but we are also supported in offering a number of services to the hotel industry, a combination of activities that collectively provide added value. However, and more important, I am proud to say that we have an extremely committed work force who reflect a special spirit which we call the Spirit of Corinthia. The commitment of our personnel, the commitment of our colleagues, in all positions, all share a common bond of ownership. To me, this is an added value which is not read on the balance sheet and provides our Company with a certain wholesomeness that, in itself, carries tremendous strength and value.

Based on the foundations that we have built over the years, I am more and more confident of our bright future, now that we have reached a platform when cash dividends and possibly also bonus shares are a regular practice. More so, as the economic uncertainties in the United Kingdom may ultimately stabilise, leading possibly to the strengthening of sterling. Last year, the further weakening of sterling has adversely affected our income statement, since our financial results are denominated in euro, whilst the income from our London hotel is generated in sterling. Likewise, we also notice the gradual strengthening of the Russian rouble, as the Russian Federation is now becoming more and more self-reliant with a productive economy which ultimately will also strengthen its currency. You do appreciate, that currency fluctuations have a significant bearing on our profitability.

Chairman's Statement - continued

Long as it has taken, I am hopeful that ultimately a turnaround will take place in Libya, the country where our beautiful iconic 300-room hotel in Tripoli, will again be supporting our financial statements to the tune of €18m in EBITDA annually. At present, this property is maintained in pristine condition since we have kept a core complement of personnel in readiness for when the business resumes. It is also pertinent to point out that the depreciation incurred on this property and the interest being paid on the bank loan has been continually met and accounted in our income statement, meaning that once the operation is back to normality, the €18m EBITDA that we have enjoyed in the past will go straight to the bottom line and increase our profitability with a corresponding amount.

As to the strategic direction that the Company is pursuing, we are further consolidating our acquisition of new properties, although the board's policy has been to participate in joint ventures rather than do it alone, so that our excess funds can be distributed to the acquisitions of more than one property. In consequence, the funds available for investment are better utilised by investing in a number of properties with the support of third-party shareholders joining us specifically in these individual developments. This means that rather than being sole owners of a new hotel we will share these acquisitions with third party investors. The ultimate objective is that many more hotels will carry the Corinthia flag. Looking forward, and as a policy, we are still very much determined to fly our flag in Rome, in Paris and in New York. However, the globalisation and the shifting growth that we see in other continents attract our attention to seriously look at new destinations such as China, India and very much so, the emerging countries in Africa. It is the Board's intention to open offices in these regions to market our expertise and likewise repeat what we have done in Europe in these developing economies.

In this context, we have this year announced our minority investment in a luxury Corinthia Hotel & Residences project in Moscow. IHI acquired a minority share in a company which was formed with a consortium of investors to develop a landmark property on Moscow's principal avenue, close to the Kremlin and Red Square. The property has a listed façade, and houses a beautiful 19th century Bakery, which we will restore to its former glory but put to good use in the operation of the hotel. Zoning permits are in hand, allowing us to develop up to 50,000m2 whilst retaining the listed frontage, similar to what we had previously done in Budapest, London and St Petersburg. The consortium has plans to create a luxury Corinthia Hotel and branded serviced apartments. All this will be supported with high-end retail shops.

I believe that all our Shareholders appreciate the expertise we have in developing hotels and real estate from greenfield sites. With the support of our knowhow, we have always chosen good sites and invested wisely. This formula of doing it ourselves from beginning to end, provided us with a substantial capital appreciation on the day we open the hotel doors to the public. This is no less than what all developers do who ultimately realise their gain on completion of their project. To my mind, doing it all ourselves provides us with as much as 20% to 25% capital gain each time we complete and open a new property. In our case, we have, up to now, held on to our hotels in order to fly our flag and achieve our objective of developing the Corinthia brand. This is what we have done in St Petersburg, in Budapest, in London, in Tripoli, in Lisbon and others. Although the valuation provided in the financial statements is based on the enterprise value, which at present translates into a share value of €1.11, we are sure that the market value for each of our properties is well above our balance sheet figures, which would ultimately translate in a higher share value.

We are firm in our belief that our business policy which we have followed over the years has proved successful, and this enforces our commitment to further pursue this line of business in the future. The only difference going forward, as already mentioned, is that rather than holding 100% in each project, we shall share these developments with third parties, as we did in London, Brussels and very recently in Moscow. In following this strategy, we will also be engaging our subsidiary companies like CDI, QP and CHL, providing a strong spin-off also for these subsidiaries, which subsidiaries will in turn support IHI's own balance sheet.

It is clear, and in fact everyone readily appreciates that the more properties we develop, the more in-house work is generated to our subsidiary companies. This is a win-win situation and a vision that I, as Founder, have successfully pursued through the 58 years of fathering the Corinthia name.

Chairman's Statement - continued

However, in order to recycle our balance sheet, the board is also considering to strategically exit the ownership of specific assets which have reached maturity in their capital gain. These sales will ideally be accompanied by a management agreement that secures our hotel management of these properties. In the process, we shall also consider sale and leaseback options, as this potentially widens the net of investors seeking lower returns, and thus higher valuations, and allows us to retain some of the residual hotel income above the lease payment guarantee. In this way we will free up cash which would allow us to finance new acquisitions and developments and/or provide support in the form of key money or guarantees to secure more management agreements, restructure our debt funding and consider ad hoc distribution of profits.

In the meantime, our Company is pursuing an ambitious expansion plan. For instance, besides our involvement in the development of a hotel and real estate in Moscow, five new luxury hotels will open in the next three years and there are others in the pipeline.

In 2020, we shall be opening our first hotel in the Middle East where we have entered into a strategic partnership with the Meydan Group. The project is currently at the 35th floor, rising fast towards the full 55 floors which will comprise the 360-room Corinthia Meydan Beach Hotel, located on the prestigious Jumeirah Beach Resort in Dubai, reflecting the enriching brand values for which Corinthia is known. As such, this opening represents an important, landmark moment for Corinthia in both the region and worldwide and will surely open up more opportunities for our brand and management services in the Gulf region. It is important to mention that Corinthia Hotels Limited is already providing management services to Meydan in two of their other hotels in Dubai, namely the Meydan which is known for its state-of-the-art horse racing track, where the Dubai World Cup is held and the Bab al Shams Desert Resort, both of which we operate on behalf of the owners.

In Brussels, Corinthia is redeveloping the Grand Hotel Astoria to its former glory and which property is 50% owned by IHI. This Grande Dame of the city on Rue Royale was built in 1909 at the request of King Leopold II and was the meeting place of royalty and dignitaries. It will comprise 125 bedrooms and suites, extensive banqueting, dining and spa facilities. It is scheduled to open in 2021.

In Bucharest, the Corinthia Bucharest will be the Company's first boutique hotel. Located in the heart of the city, the hotel is a listed building, having been built in 1867 and last operated as a hotel some ten years ago under the name Grand Hotel du Boulevard. The hotel's lavish ground floor has already been restored to its former glory, with exquisite dining rooms and a grand ballroom, while elsewhere the hotel will offer beautiful meeting spaces and a luxury spa. It is expected that the hotel will start operating in 2020. In this instance, Corinthia does not hold ownership but is providing the expertise of development and hotel operations.

Other projects we are pursuing include property developments and management opportunities in Cannes, Rome, Vienna, Saudi Arabia, Tunis, Beirut and New York.

As a Maltese company, I believe that Corinthia has an obligation to invest in its homeland. We want to replicate in Malta the high standards that we have achieved in the development of our hotels overseas and particularly, our London Hotel. We are convinced that in consequence of our expertise in building and operating six-star properties in various destinations outside Malta, and where in each case we have been successful, there is no reason why we cannot also be successful to introduce a six-star development in our homeland. Corinthia is best placed to do this since it has been successfully achieving high standards in all our overseas properties during these many years. I, as a Maltese, have strong belief in our island that our future is to become a six-star destination, and this not necessarily only in our San Gorg development. This is Malta's future and we as Corinthia are taking steps to demonstrate our belief in redeveloping the existing Corinthia Hotel in St George's Bay into the island's first luxury grand hotel with 220 bedrooms and suites, multiple dining and leisure amenities in Malta's prime location.

Chairman's Statement - continued

We are so convinced that this is the future for our island that Corinthia is prepared to lead by example and provide the first six -star hotel and six-star residential apartments. We shall turn the St George's peninsula into a haven of luxury not yet experienced on our island. This is a development that will be unique in standards and that will put the island on a new level of opulence that will in turn attract a higher spending tourist and investor to Malta. Many have argued against the good intentions of our development, no doubt prompted by misunderstanding, however, we shall nonetheless pursue this belief in the island and we shall move forward to provide Malta with a unique development that will translate into a new understanding in the value of our country.

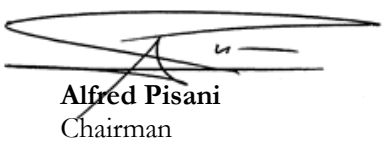
Dear Shareholders, going forward we must keep our focus on quality. In all our projects we pay particular attention to aesthetics and the surrounding environment. However, and more important, our service is indeed second to none, as witnessed recently on two BBC documentaries. All this continues to strengthen our Corinthia brand around the globe. Our people are our main asset and I sincerely believe that we employ the best in terms of knowledge, expertise, integrity and commitment.

The Corinthia brand does not only tell you a lot about our impeccable service. It also speaks volumes about our discipline at work, our family values and excellent craftmanship. But above all, the Corinthia brand encapsulates a company of successfully realised visions.

2018 saw the 56th anniversary of the Corinthia brand. This was a wonderful moment to reflect on the lessons of the past and consider how best to position ourselves for the future. While the Company has a great history, it must also be ready and dynamic to adapt to the future. We have recently refreshed our visual identity and sharpened our mission. With this in mind, we have adopted a phrase that encapsulates what we have always stood for, and what we will continue to stand for in the future: this is the Spirit of Corinthia, the Spirit of Uplifting Lives.

While we move ahead with well-calculated decisions, we must believe in ourselves that all is possible, and all is within our reach. We have a solid foundation, not only based on strong financial disciplines but also embodied with the sentiment of family values. This for me carries the best of both worlds - governance supported by the sentiment of caring. We must always ensure that no matter how professional and how efficient we become, it is as relevant and important to hold on to and manifest the family sentiments. This is the most important mark which will distinguish us from the competition. This is why we are successful. May I conclude by thanking you, our Shareholders, for the faith that you have shown in us, a faith that heightens the Board's and Management's responsibility to further strengthen our Company. Obviously, this platform of success would not have been possible without the unbending commitment of all our colleagues, namely the general employees, supervisors, Heads of Departments and ultimately the Senior Executives. To all these, I echo my Board's heartfelt gratitude for their unstinting support.

Thank you,



Alfred Pisani
Chairman

CEOs' Report

Dear Shareholders,

It is our pleasure as your CEOs to report on another year of growth for the IHI group.

We have increased our pre-tax profit by 28% year-on-year. We have expanded the reach of our international footprint, with active businesses in 14 countries, besides representative offices in several others, across the globe.

Our report updates you on all our fronts, including those relating to a financial or operational nature.

IHI is a diversified business with one principal mission, that is the global expansion of our Corinthia brand through our activity as investors, developers and operators of luxury hotels and branded real estate.

We set up the Company in April 2000 with one owned hotel in Malta and a development site in Budapest, and have since then grown the business over the years to now count:

- **Ownership stakes in 13 hotels** in London, Brussels, Prague, Budapest, St Petersburg, Tripoli, Lisbon and, more recently in Moscow too, besides five owned hotels in Malta.

- Ownership of the **Corinthia Brand and Corinthia Hotels Limited**, a management company that operates 22 hotels, of which 13 are branded Corinthia.

- The recent formation of our wholly owned subsidiary, **Corinthia Developments International Limited**, a developer that originates and executes branded real estate projects for IHI and other investors.

- **QP Limited**, another wholly owned subsidiary, a technical, design & project management company, the largest in Malta, but also operating internationally.

- **Corinthia Caterers**, an event & industrial catering company, that also owns the Costa Coffee franchise in Malta and Spain.

as well as

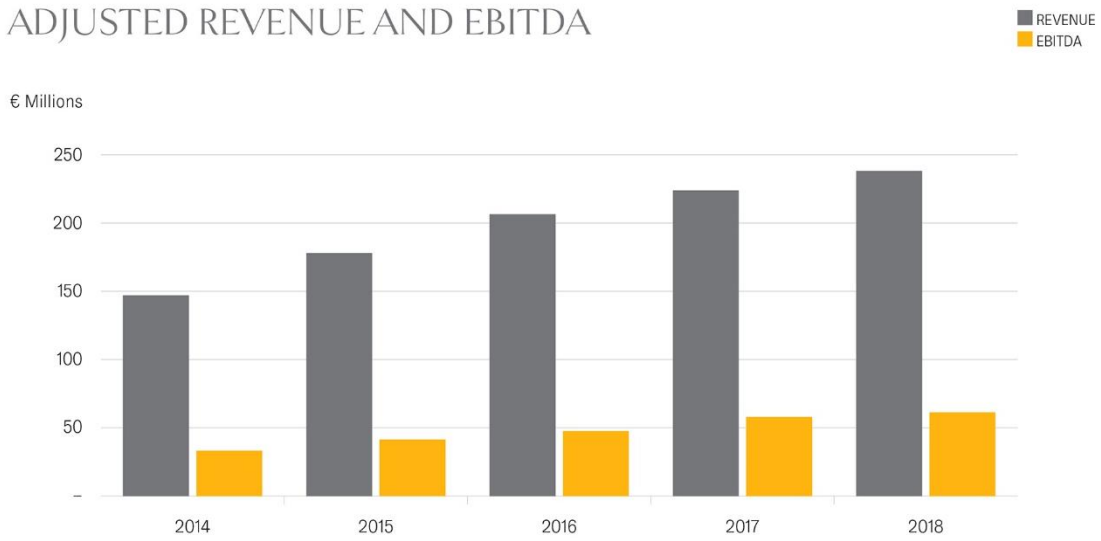
- **Land, commercial & residential real estate** property in Malta, Tripoli, London, St Petersburg, Budapest and Moscow.

It is our pleasure therefore to report to you on our financial performance, as well as highlight our more significant milestones and achievements in 2018.

CEOs' Report - continued

Financial review and key performance indicators

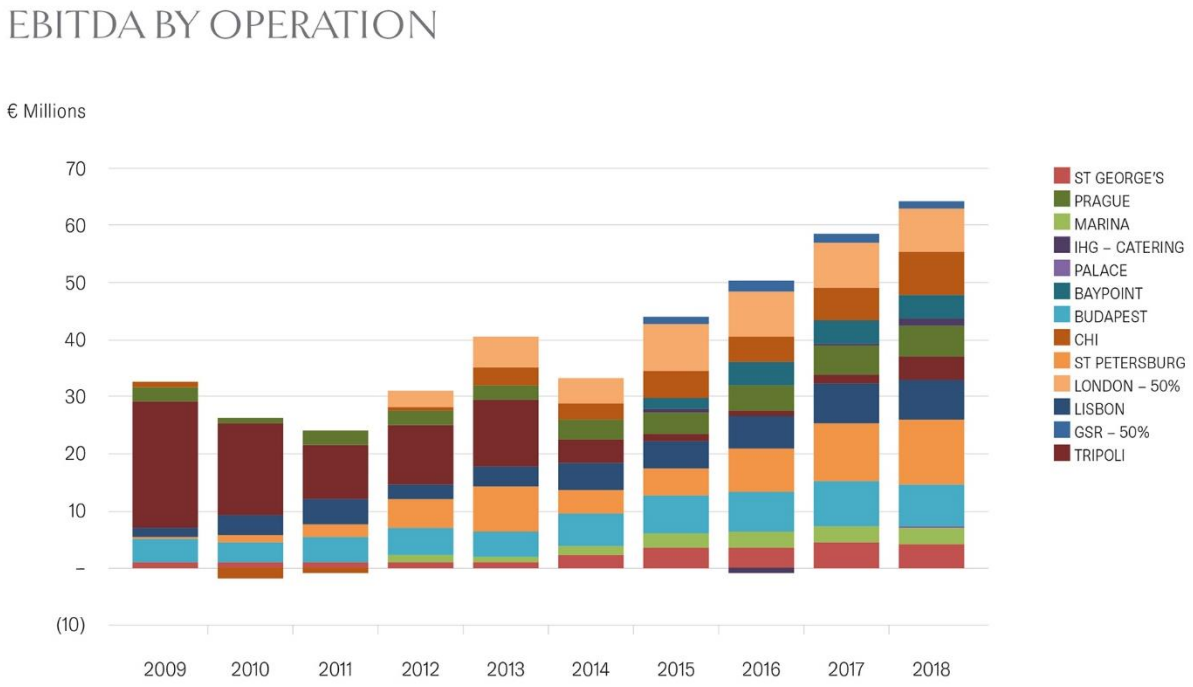
Our financial performance in 2018 builds further on the record performance set in 2017.



Our key measure of operational success is adjusted EBITDA, which establishes our earnings from our various subsidiaries and operations as recalculated to factor in our associated shareholdings too, and not just our wholly-owned or controlled subsidiaries. This is particularly important as it includes the relevant earnings attributable to IHI from our London hotel and residences and that in the Golden Sands resort in Malta, in both of which we own a 50% shareholding.

Over the past five years, we have almost doubled our adjusted EBITDA, from €33m in 2014 to €61m in the year under review. This growth is a result of acquisitions of new businesses, but mostly attributed to improving financial performances in our subsidiaries, especially in our owned hotels and the Corinthia Hotels management company.

CEOs' Report - continued



	Audit 2017	Audit 2018
Owned Hotels Revenue	195,990	209,514
Rental Income	13,449	12,835
Catering Income	23,114	24,815
Fee Income from third parties	9,860	9,150
TURNOVER	**242,413**	**256,314**
EBITDA	**63,895**	**67,504**
	26.36%	26.34%
Adjusted EBITDA*	57,997	61,333
NET PROFIT BEFORE TAX	**6,618**	**8,472**
Tax	5,288	(13)
NET PROFIT AFTER TAX	**11,906**	**8,459**

The financial statements reproduced later in this report give a fuller, more detailed picture of our performance in 2018. In summary, revenues are up to €256m, an improvement of €14m relative to the previous year, partly arising from the acquisition of the Corinthia Palace Hotel as of April 2018, but mostly due to improved revenues from existing businesses.

81.7% of this revenue is driven by the operation of our owned hotels. This revenue is described in more detail later in this report.

Rental income comprises the leasing of offices and retail units at our purpose-built commercial centers in Tripoli and St Petersburg, as well as the rental of our luxury residential penthouse in London. Total rental income saw a slight drop in 2018, in consequence of a period of time in the year when our London residential penthouse was vacant. The penthouse has since been re-let at £1.8m per annum, which means 2019 numbers will return to growth, also because remaining vacant areas in our commercial office centre in Tripoli have since been rented.

CEOs' Report - continued

Fee income from third parties is derived principally from charges levied by Corinthia Hotels Limited and QP Limited, our design and project management company, to third party owned hotels and real estate projects, as fee charges to Group companies are netted off on consolidation. The growth of this line item is a strategic focus of the Group, as we double up efforts to grow QP into an international force and, above all, expand Corinthia Hotels as a management company that operates hotels owned by other investors across the globe. The manner in which such fees are structured include a portion of pre-opening fees levied for services rendered before hotels are actually up and running. These naturally follow progress on such third-party projects, hence the slight dip in income in 2018 which is expected to recover in 2019 as ongoing projects in Dubai, Bucharest, Brussels and Moscow progress towards completion. Fee income in 2018 was also adversely impacted by exchange differences in properties managed in Khartoum and Tunis.

By way of a summary explanation on the costs and income below EBITDA, the most significant movements include:

- Depreciation [€33.2m in 2018 relative to €31.0m in 2017]
- Net finance costs [€20.7m in 2018 relative to €21.12 in 2017]
- Net adjustment to the value of property and intangible assets [€3.9m in 2018 relative to €0.90 in 2017]
- Gains or losses on exchange rate fluctuations [an €8m loss in 2018 relative to a loss of €3.2m in 2017]

These are significant considerations when evaluating net profit before tax performance in 2018 relative to 2017.

In particular, the fair value adjustment of investment property values for 2018 is being reported at an uplift of €7m, netted against write-downs of other intangible assets in the above figure. Your board had decided, in recent years, not to revalue our hotel assets on a year by year basis, unless significant market events warrant a fresh evaluation. However, in the case of investment property, we are obliged to revalue our investments annually, and for the year under review, this has resulted in an uplift of €5.5m in the value of the commercial centre in Tripoli given its increasing annual rental income, €2.12m at the Nevskij Plaza commercial centre in St Petersburg, likewise for increasing rentals, and a €0.5m uplift on a block of apartments the Company owns in Lisbon, net of an impairment of the London apartment of €1.12m (£1m).

Differences on exchange are another significant driver of the profit before tax being reported. These mainly refer to currency exchange fluctuations recorded by our operation in St Petersburg on its bank debt, which is denominated in Euro, whilst the Company's reporting currency is in Rubles. This has been calculated at an exchange rate of Ruble 79.46 to the Euro in 2018 relative to an exchange rate of 68.86 at the end of 2017.

Taxation in 2017 included a one-time positive effect of recognizing the benefit of tax losses available to the London operation, which was not repeated in 2018. This recognition arose in consequence of exercising control at IHI level over the London operation. In 2018, another favourable tax adjustment relating to the transfer of the brand from IHI to CHL was recognized reducing the overall tax charge this year by €4.2million.

The above results in a net profit before tax of €8.5m, a 28% increase over the corresponding figure in 2017.

Clearly, the IHI Group is a healthy business with sound efficiencies on conversion of revenue to profit, and debt sustainability. It is also worth noting that the 2018 performance, and net results, have been achieved in spite of continuing challenges in our investments in Tripoli, Libya, where a significant portion of our capital has been deployed for over 10 years at our hotel and commercial centre. Notwithstanding, this business in Libya makes a considerable contribution to the EBITDA results when one combines the hotel performance to the rental income generated from the commercial centre.

CEOs' Report - continued

In conclusion, net value attributable to the shareholders at end of 2018 is of €683.4m, representing a value per share of €1.11 against €1.09 in 2017. The 2018 position is after deducting the net dividend distributed of 2 cents per share in 2018.

Owned Hotels' Operating Profits and EBITDA

81.7% of our revenue is derived from our owned or partially owned hotels. The tables hereunder show the EBITDA performance of each of our owned hotels, indicating an improved year-on-year result in most operations. The results for the hotels in London and St Petersburg are shown in Sterling and Ruble respectively, besides in Euro, highlighting the impact of significant currency fluctuations.

	2014 Audited €'000	2015 Audited €'000	2016 Audited €'000	2017 Audited €'000	2018 Audited €'000
CORINTHIA HOTEL BUDAPEST					
GOP	6,498	8,364	8,728	9,601	8,953
EBITDA	5,591	6,671	7,100	7,988	7,514
EBITDA margin	26%	29%	30%	31%	29%
CORINTHIA HOTEL LISBON					
GOP	5,674	6,242	6,808	8,202	8,668
EBITDA	4,673	4,718	5,616	7,056	7,125
EBITDA margin	24%	23%	26%	29%	27%
CORINTHIA HOTEL PRAGUE					
GOP	4,064	4,931	5,155	5,920	6,374
EBITDA	3,278	3,947	4,191	4,905	5,323
EBITDA margin	21%	23%	25%	25%	26%
CORINTHIA HOTEL ST GEORGE'S BAY					
GOP	3,049	4,244	4,500	5,342	4,828
EBITDA	2,485	3,511	3,773	4,475	4,112
EBITDA margin	17%	23%	24%	27%	25%
MARINA HOTEL					
GOP	1,822	2,957	2,979	3,293	3,356
EBITDA	1,566	2,583	2,603	2,833	2,972
EBITDA margin	23%	27%	26%	28%	29%

	2014 Audited €'000	2015 Audited €'000	2016 Audited €'000	2017 Audited €'000	2018* Audited €'000
CORINTHIA PALACE HOTEL & SPA					
GOP					810
EBITDA					218
EBITDA margin					3%
*2018: Nine month since acquisition on 1.4.2018					
CORINTHIA HOTEL TRIPOLI					
GOP	(1,211)	(3,004)	(3,030)	(2,979)	(1,827)
Net rental income	5,863	5,088	4,553	4,874	6,423
EBITDA	4,227	1,076	1,198	1,605	4,061
EBITDA margin	29%	18%	11%	13%	24%

CEOs' Report - continued

	2014 Audited RBL'000	2015 Audited RBL'000	2016 Audited RBL'000	2017 Audited RBL'000	2018 Audited RBL'000
CORINTHIA HOTEL ST PETERSBURG					
GOP	154,319	271,800	427,046	498,545	630,398
Net rental Income	179,415	225,697	304,647	307,941	368,961
EBITDA	210,207	313,194	541,923	656,548	821,849
EBITDA – €	4,096	4,882	7,465	10,041	11,111
EBITDA margin	22%	30%	32%	37%	41%

	2014 Audited £'000	2015 Audited £'000	2016 Audited £'000	2017 Audited £'000	2018 Audited £'000
CORINTHIA HOTEL LONDON					
GOP (100%)	14,374	16,546	16,984	18,449	20,574
EBITDA (100%)	7,160	11,673	13,041	13,311	13,425
EBITDA (50%) – €	4,475	8,040	7,965	7,596	7,565
EBITDA margin	15%	22%	24%	22%	22%

	2014 Audited €'000	2015* Audited €'000	2016 Audited €'000	2017 Audited €'000	2018 Audited €'000
Radisson Blu Bay point Hotel					
GOP		2,809	4,373	4,692	4,748
EBITDA		1,872	4,492	4,241	4,095
EBITDA margin		27%	35%	31%	29%
*2015: Six month since acquisition on 1.7.2015					
Radisson Blu Golden Sands Resort					
EBITDA – Timeshare		(2,652)	(4,755)	(3,805)	(3,525)
EBITDA – Hotel		3,940	6,743	5,503	4,919
Total EBITDA (100%)		1,288	1,988	1,698	1,394
EBITDA (50%)		644	994	849	697
EBITDA margin		9%	7%	6%	4%
*2015: Six month since acquisition on 1.7.2015					

Funding Highlights

We have, in 2018, successfully concluded the refinancing of our bank loan on the Lisbon property. The financing bank in Lisbon is the same bank that financed our hotel property in London. This refinancing, other than releasing part of the equity that we have paid over the years, has also helped us with providing the extensive refurbishment works funds that are being carried out at this property over a three-year period.

In 2018 we also recommenced the loan repayment on our hotel in Tripoli. We had a moratorium on the repayment of the capital portion of this bank loan for a three-year period. During this term, however, interest on the loan was always paid when due, but as from October 2018, on account of the stronger rental income generated from the commercial centre, we started to repay the capital instalments on this loan.

CEOs' Report - continued

Projects Underway

Moscow

During the year under review, the company originated and concluded the acquisition of a prime property on Moscow's main boulevard. The corner site at 10, Tverskaya sits on 5,300m² with zoning permits to develop c. 50,000m² of gross floor areas including basements. The facades on both elevations are protected by the local heritage authorities, but the remaining land will be entirely rebuilt. Our investment in this project comprises a 10% shareholding of a joint venture formed with a consortium of investors. Our obligation is to inject $6m, versus an investment of $54m from the remaining members of the consortium. Over 90% of the funds have since been injected, mostly to finance the property acquisition at $55m, plus surplus funds to finance the joint venture's early operating costs.

The project is agreed by the joint venture as a 53-bedroom luxury Corinthia hotel, 4,700m² in retail and public amenity areas for rent, as well as 16,000m² in high-end branded residential apartments for sale. The income from the sale of the residences is expected to cover the total cost of the project. We expect works to commence on site later in 2019, subject to revised plans being approved by the local authorities.

Dubai

Construction on the Corinthia Hotel in Dubai is gaining momentum. The project is located on a prime beachfront site at Jumeirah Beach Residence, the Emirate's foremost stretch of beach, facing the newly erected Dubai Eye at one end, and the Palm on the other. Construction is at the 35th floor, rising fast towards the full 55 floors which will comprise the 360-room hotel. A target opening date of summer 2020 has been set.

Our role in this landmark development is that of operator, with Corinthia Hotels providing technical services support and, once open, managing the hotel. A high-calibre management team has been assembled and is on site, setting out and implementing plans and strategies for the launch of the hotel.

Bucharest

Our role here is as project managers via QP Limited and hotel operators via Corinthia Hotels.

The project includes the refurbishment of the Grand Hotel du Boulevard dating back to 1867, into a Corinthia Hotel featuring two restaurants and bars, a spa, a private members' lounge, a ballroom, and 34 suites. The design of the public areas and bedrooms has gone through various iterations and is now almost finalized. The strip-out of the existing property is underway and fit-out works will commence later this year. Opening is set for 2020.

Brussels

We are nearing the end of a lengthy design process and discussions with selected pre-qualified contractors to award a main contract for the redevelopment of the landmark Grand Hotel Astoria into the Corinthia Brussels.

Our development company CDI is driving the development process, with QP acting as project manager and Corinthia Hotels providing technical services and eventually, hotel management. The hotel is owned NLI Holdings, by the same company that owns the London hotel and residences, and in which we have a 50% interest.

CEOs' Report - continued

The project is a delicate reconstruction of the upper floors of this listed 1909 property, and the restoration and conversion of the highly protected ground floor. Work to firm up our design has been ongoing for several months, following which discussions have been entered into with a number of pre-qualified contractors. We aim to commence works soon in 2019 and complete the entire 16,000m² development by 2022. Tentative costs per meter have been established, putting our budgets at par with comparable high-end developments in Europe. In pursuing this project, NLI has called on its two shareholders to inject a further €10m each. Our share has since been raised through a bond on the Malta Stock Exchange and set aside for this purpose. The remainder of the €90m project has been financed by way of a €45m project finance loan, signed and agreed with Aresbank of Spain, as well as funds injected directly from NLI's own cash flow surpluses in London.

Acquisition of a strategic shareholding in the Global Hotel Alliance

In 2018, our operating company Corinthia Hotels Limited entered into an option agreement to acquire a 10% shareholding in the Global Hotel Alliance, alongside the founding shareholders Kempinski, Omni Hotels, the tech giant Oracle, and newly incoming shareholders Pan Pacific and Minor Hotels. CHL has since exercised the option. Our acquisition was completed at USD3.5m, based on an agreed valuation shared by all incoming investors.

By way of background, GHA is the world's largest alliance of independent hotel brands and operator of the loyalty programme, DISCOVERY. Some 32 brands worldwide are members, with over 550 hotels participating in the alliance's loyalty programme. The alliance is also a platform for member brands to retain their identity and separate ownership, but act in unison and negotiate collectively when procuring technology, driving innovation and entering agreements with travel companies.

The scope to do more as a conglomerate is immense, hence why GHA's management initiated the process to invite three new shareholders to join their ownership structure, not only to provide new capital, but more so to support and shape the future of the alliance. It is our aim now to work to a business plan to establish the alliance at the forefront of the global hotel industry. Strength in global distribution remains key to drive income.

Whilst our participation in the alliance therefore gives us an opportunity to benefit and even shape its future, it is a profit-making entity and we will receive our share of dividends and income, as per the terms of our subscription agreement. Besides, the continuing terms of our own hotels' use of the alliance's services have been renegotiated at a lower cost, saving some €100,000 annually. In any case, our cost to use the alliance's services by way of fees to cover the servicing of our loyalty program for repeat customers, versus the income from bookings received from customers who are members of other brands' programs, remains entirely positive in our favour, as had been originally envisaged.

Capital Investment

We have continued to allocate funds towards the ongoing improvement of our owned hotels. As per standard industry practice for capital reserve funds, our hotels allocate between 2.5% and 4% of their total revenue towards capital expenditure. The range of % is a function of company policy as well as covenants entered into with various funding banks on specific hotels.

CEOs' Report - continued

London Hotel

Major projects completed and funded by our CAPEX reserve funds included two in particular. In September 2018, we launched one of the hotel's two restaurants as the award-winning Kerridge's Bar & Grill, following a short period of extensive refurbishment. The new operation has been a major success, establishing the restaurant among the more successful venues in the city, supported by the international acclaimed celebrity chef Tom Kerridge, who is among the country's best-known chef personalities. We also converted 22 of our smaller bedrooms into 11 suites, marketed as the London Suites and the Garden Suites. This was done to match demand for high-rated suites in the city, and since their completion in June 2018, monthly revenues for these 11 suites have surpassed the commensurate revenue generated in 2017 from the original 22 rooms.

Special CAPEX

Over and above CAPEX reserve funds allocated to the ongoing routine upkeep and improvements, we are also midway through four major refurbishment projects spanning three years of dedicated investment.

In Lisbon, we continued to work our way through a total refurbishment of the hotel's 518 bedrooms. A budget of €13m has been allocated to the fundamental refresh of the hotel's bedrooms and bathrooms, with the project currently having completed 363 bedrooms. In spite of significant numbers of bedrooms and floors taken out of operation for refurbishment at any given time, the hotel has yet again posted year-on-year profit increases.

In Budapest, we are also midway through a three-year program to refurbish the hotel's corridors and all of the property's bathrooms, for a total cost of €4.3m. 122 of the hotel's 440 bathrooms are done, with completion slated for 2020.

In Malta, a €7m refurbishment of the Corinthia Palace Hotel is underway, with major investments going into the hotel's bedrooms, plant & equipment, as well as a state-of-the-art gym and spa scheduled for re-opening in 2019.

In Malta too, we have converted an entire floor of Sands Tower at the Golden Sands Resort into 9 luxury suites, for sale on a timeshare basis.

St George's Bay

We have for some time now been focused on regenerating our property at St George's Bay, in Malta. At this peninsula, we own three hotels, on a land plot of some 80,000m2. The guiding beacon for this major commitment is the standard set by our Corinthia brand worldwide, which we wish to replicate in Malta, our home base. To this end, plans have been finalized for the conversion of the current Corinthia Hotel into a six-star 220-bedroom luxury hotel. Given the extent and scope of the location, we are also negotiating terms for Government to permit the redevelopment of the site into a mixed-use destination, featuring luxury branded residences alongside another five-star hotel to replace the existing hotels. Negotiations on the form and value of our restated land title are ongoing and will require a number of regulatory and Parliamentary processes to be finalized. We augur that significant progress in this regard will be registered in 2019.

St Petersburg

Our focus in St Petersburg has been the maximization of income from our non-hotel property. The Nevskij Plaza commercial centre and all our commercial areas on the front-facing Nevskij Boulevard are let to third parties with stable rent income being generated. Our sights have now turned towards two stand-alone properties we own on the street parallel to Nevksij Boulevard, which so far have been used as back-up offices for our own operation as well as rented to third parties. We intend to redevelop these properties through cashflow funding from the existing operations.

CEOs' Report - continued

Tripoli

In Tripoli, room occupancy at the hotel remains modest and mostly locally generated. On the other hand, food and beverage revenue increases year-on-year through local events, conferences and restaurant operations. Whilst the hotel does not break-even at EBITDA level, there has been a significant reduction in the operating losses in 2018 relative to 2017. On the other hand, we have increased the rental income from the adjoining commercial centre with 95% of the space available all leased to international blue-chip companies. The joint operation not only makes a positive contribution at EBITDA level but is also able to fund the interest and capital repayment on the bank loan through its cash flow generation.

QP Limited

QP Limited, became a fully owned subsidiary in 2017 when IHI bought the remaining 80% shareholding in this company which was previously owned by the parent company, Corinthia Palace Hotel Company Ltd. More than 80% of QP's revenue generation in 2018 has been to third party clients. There has also been a significant improvement in the performance of QP in 2018 relative to the 2017 results.

Corinthia Caterers

Corinthia Caterers includes industrial operations in Malta as well as the operation of the Costa Coffee brand in Malta and parts of Spain. The Costa Coffee operation is a business in its infancy with challenges being faced in Spain. Measures have been taken in 2018 to close non profitable outlets in Spain.

On behalf of our colleagues and team,, may we conclude our report by thanking you, our shareholders, for the support you have given us throughout the year.

Simon Naudi
Chief Executive Officer

Joseph Fenech
Chief Executive Officer

Directors' Report
Year ended 31 December 2018

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 2018.

Principal activities

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

Review of business development and financial position

Total revenue for the year under review amounted to €256.3m compared to €242.4m the year before. The increase in revenue is partly attributable to the revenues of €6.9m generated by the Corinthia Palace Hotel which was acquired in April 2018, while the remaining €7.0m is the result of continued performance improvements in the other operations of the Group.

EBITDA for 2018, excluding the consolidation of the results of jointly controlled companies, amounted to €67.5m compared to €63.9m achieved in 2017. The increase of €3.6m is mainly attributable to an improved performance from our operations in Libya which registered a year-on-year increase of €2.5m on account of increasing the occupancy at the Commercial Centre to almost full capacity.

This year's performance was again dampened by the exchange losses recorded in St Petersburg, on account of the weakened rouble compared to last year.

The Group's share of the associates and joint ventures, reflecting the Golden Sands operation, contributed €1.4m to the Group's EBITDA.

On an adjusted basis, the EBITDA for the Group including our share of the joint venture's EBITDA is €61.3m compared to € 58m in 2017.

In 2018, the Group registered net property uplifts of €42.8m before tax on account of the continued improved trading performance of the Group's assets.

On account of the weakened sterling and rouble relative to the reporting currency of the Group which is Euro, the Group recorded a combined currency translation loss of €14.7m.

The Group registered a total comprehensive income of €25.3 versus €37.0 registered in 2017 with the difference mainly attributable to a one-off tax income recognised in 2017.

At 31 December 2018, the Group is again reporting a positive working capital of €9.9m compared to €48.1m in 2017. The reduction on the previous year is mainly explained by the offset of €18m in loans receivables against the consideration paid for the acquisition of the Corinthia Palace Hotel, which is now recognised as a non-current asset and additional bank loan repayments due within 12 months.

Future developments

IHI's business as a developer and operator of hotels and real estate has evolved and its dependence on any single hotel is now marginal. The outlook for 2019 in all the Company's hotels, excluding Libya, remains positive.

Work on the redevelopment of the Corinthia Hotel Brussels is progressing at a good pace. The main construction contract is expected to be awarded soon, following extensive cost engineering exercises and negotiations.

Directors' Report - continued
Year ended 31 December 2018

Works on the property to be branded Corinthia Hotel & Residences Meydan Beach in Dubai are progressing as planned, with floor 35 out of 55 having already been constructed and opening is set for 2020.

The redevelopment works of the former Grand Hotel du Boulevard as the Corinthia Hotel Bucharest are progressing with opening set for 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 competition and many of the Group's current and potential competitors may have longer operating histories, bigger name recognition, larger customer bases and greater financial and other resources than the companies within the Group.

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

The Group is exposed to various risks arising through its use of financial instruments including market risk, credit risk and liquidity risk, which result from 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 January 2019, the Group finalised the acquisition of its 10% share in a prime property, earmarked for development on Moscow's main boulevard. The project once completed, will include a 53-bedroom luxury Corinthia hotel, 4,700m² of retail and public amenity areas for rent, as well as 16,000m² in high-end branded residential apartments for sale.

In March 2019, Corinthia Hotels Limited, the Group's hotel operating arm acquired a 10% shareholding in the Global Hotel Alliance. GHA is the world's largest alliance of independent hotel brands and operator of the Discovery loyalty programme.

Directors' Report - continued
Year ended 31 December 2018

Reserves

During the year, the company declared and paid a dividend of €12.3m. 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 Hamad Buamim
Mr Abuagila Almahdi
Mr Douraid Zaghouani
Mr Joseph Pisani
Dr Joseph J. Vella
Mr Winston V. Zahra
Mr Khaled Algonsel – resigned 15 November 2018

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 30 April 2019 and signed 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 elsewhere 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, guests and the community at large.

The Group envisages it will further integrate and generate awareness on sustainability practices throughout its operations in the countries it operates. It aims at engraining the concept of sustainability in each of its employees, thus 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 polices 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. 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 Tread-way Commission) standard for Enterprise Risk Management.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

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 a purpose to minimise the risk of fraud and maintain integrity in the Group's business dealings. The Anti-Fraud and Whistleblower policy is implemented in 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.

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 outline its approach to issues such 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.

The Group encourages and enables employees, staff and external parties, such as agents, advisors and representatives, to raise serious concerns within the Group rather than overlooking a problem or blowing the whistle to the media or other external bodies.

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

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

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 Corinthia Hotels' aims and objectives with regard to equal opportunities.

Social and Employee Matters

Employees

As at 31 December 2018, the Group employed 2,737[1] (2017 – 2,735) full-time staff across its businesses worldwide. Of these 1,520 (2017 –1,529) were males and 1,217 (2017 – 1,206) were females. Agency services are used for part-time employees across all jurisdictions. Employees in the various jurisdictions are represented by in-house union representatives who liaise with sectorial unions covering the various industry trades.

TABLE OF EMPLOYEES

Information on employees and other workers	2017						2018					
Contract type	Permanent			Temporary			Permanent			Temporary		
By region, by gender	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Russia	86	138	224	13	21	34	72	130	202	8	9	17
Portugal	59	62	121	45	40	85	48	53	101	62	54	116
UK	385	367	752	8	20	28	419	374	793	31	26	57
Libya	117	8	125	0	0	0	115	15	130	0	0	0
Czech Republic	78	104	182	0	0	0	84	104	188	0	0	0
Hungary	129	116	245	0	0	0	128	118	246	0	0	0
Costa Coffee - Spain	70	60	130	43	40	83	51	55	106	0	0	0
Malta - San George	92	49	141	35	37	72	90	63	153	29	13	42
Malta - Marina	52	26	78	51	56	107	46	27	73	27	16	43
Malta - Palace	N/A	N/A	N/A	N/A	N/A	N/A	77	40	117	20	14	34
Malta - Radisson St. Julians	102	35	137	1	0	1	92	39	131	0	0	0
Malta - CHL	26	11	37	0	0	0	26	14	40	0	1	1
Malta - CHL (London)	4	10	14	0	0	0	4	17	21	0	0	0
Malta - Costa Coffee	59	87	146	0	0	0	64	94	158	0	0	0
Malta - ICL	238	118	356	0	4	4	162	56	218	73	51	124
Malta - QPM	32	15	47	0	0	0	42	18	60	0	0	0
Total	**1,529**	**1,206**	**2,735**	**196**	**218**	**414**	**1,520**	**1,217**	**2,737**	**250**	**184**	**434**

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-exposure 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.

[1] The number of employees represents head count at the end of the financial period. 2017 figures have been restated to include the CHL (Malta and London) head count which were not included in last year figures.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

The Group's Human Resource function developed a Learning and Development Five-Tier strategy which includes:

Tier 1 - Craftsmanship of Care

Tier 2 - Corinthia Supervisory Programme

2016 - e-learning based programmes (Skillsoft)
2017 - Class room-based programmes

Tier 3 - Corinthia Management Programme

This programme was run by Multiplex. Multiplex are training providers

Tier 4 - Corinthia Advanced Management Programme (CAMP)
First edition 2014-2015. Second edition 2017-2018

Tier 5 - Corinthia Leadership Programme
eCornell programme for General Managers

Uplifting Lives – Philosophy

2018 saw the 50th anniversary of the Corinthia brand. This was a wonderful moment to reflect on the lessons of the past and consider how best to position the Group for the future.

Two things have always been most important:

1. The first is the overall philosophy on why Corinthia exists. Corinthia's purpose from its earliest days has been to help all colleagues achieve their fullest potential, and in doing so uplift their lives, the lives of their families, and the lives of the guests. With this in mind, the Group adopted a phrase that encapsulates what it has always stood for, and what will continue to stand for in the future: Uplifting Lives.

2. The second is the spirit of Corinthia. It is the bond that unites all Corinthians and that underpins the ability to uplift the lives of guests and each other.

It starts with the heart – being genuine and embracing a positive attitude. It has always been about openness – the resolve to share knowledge and to empower each other.

It continues with the head – to be thoughtful and creative – adapting and changing with the needs of the guests and colleagues. In those early decades, the first generation of Corinthians were true entrepreneurs, bold in their approach, working with absolute determination, and exacting standards. The future success requires all Corinthians to embrace this entrepreneurial spirit, seizing the opportunities and straightening the nails.

It ends with the hands – to support one another, to do things with finesse, and to be connected with the surroundings.

Finally, it is even more important to feel like part of a family as the Company grows. We are all part of a family of uplifting destinations. Every property has its unique character but we are all connected through our purpose of uplifting lives and the Corinthia spirit we all share. The philosophy emphasizes the importance of living by the Group's purpose and spirit, thereby creating a positive energy that uplifts all those whose lives we touch.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

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 44.4 per cent of the Group's workforce is female, with the highest participation rate experienced in Russia (64.3 per cent) and the Czech Republic (55.3 per cent).

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

TABLE PARENTAL LEAVE

Parental Leave	2017		2018	
	M	F	M	F
Total number of employees that took parental leave	11	50	17	75
CHB	0	13	0	14
CHLondon	5	11	9	13
CHSP	0	10	0	18
CHLSB	6	9	3	5
CHT	0	0	0	1
CHP	0	6	0	19
Spain	N/A	N/A	N/A	N/A
Malta - San George	0	0	2	2
Malta - Marina	0	0	0	0
Malta - Palace	N/A	N/A	0	0
Malta - Radisson St. Julians	0	0	0	0
Malta - CHL	N/A	N/A	1	2
Malta - Costa Coffee	0	0	0	0
Malta - ICL	0	0	0	0
Malta - QPM	0	1	2	1

Health and safety

The Group ensures the health and safety of guests and employees at all its entities and on all its premises. It has and will continue 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 where the risk is considered to be higher.

To standardise procedures for handling any security concerns in the various jurisdictions where the Group operates, the Group has developed operational emergency action plans to comply with local and international health and safety standards. These standards are being rolled out across its operations.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

During 2018 system upgrades have remained a major priority and mainly focused on:

- CCTV systems;
- Guest Rooms' door lock systems;
- Scanning machines;
- The undertaking of security risk assessments; and
- The introduction of electronic key control systems.

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.

To standardise procedures for handling any security concerns, the Group has developed an operational Emergency Action Plan to align the principles of the applicable standards which is being rolled out across its operations.

The Emergency Action Plan is split into three sections namely:
- Preparing for emergencies/crises;
- A security assessment toolkit; and
- Dealing with emergencies.

Food Safety

During 2018 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). HACCP 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.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

They may be approved in terms of product quality, brand, adherence to health and safety requirements, HACCP requirements, Group stability, reliability and reputation.

Environment

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

Over the years, the Group has developed informal policies and procedures for energy and water 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.

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.

Going forward, the Group will continue to set internal key performance indicators, as well as implement strategies to further reduce its overall environmental footprint in line with industry benchmarks.

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 including:

- The replacement of all halogen bulbs with LED lighting in all areas of the hotels;
- The constant monitoring of the air-conditioning in guest rooms and public areas according to requirements and external temperatures;
- The replacement of old chillers to ones with a much higher coefficient of performance (COP), use of heat pump chillers, fine tuning with the building management systems (BMS) wherever possible and introduction of 3-way valves for space heating;
- The replacement of old equipment (e.g. calorifiers, kitchen equipment, minibars);
- The carrying out of energy audits, optimisation and general management of energy;
- The installation of double glazed aluminium apertures;
- The installation of automation in the guest room balcony doors such as presence detectors;

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

- The use of detectors lighting control in public toilets;
- The introduction of micro switches with every balcony door which cuts off the air conditioning if door is left open;
- The implementation of key switches in all guest rooms;
- The minimisation of paper usage for notifications to the guests which are done using in-house TV systems;
- The implementation of paperless reservations using digital processing for reservations; and
- The separation of packaging and waste material.

Energy Consumption and Emissions –2017-2018

In 2018, the total energy consumption within the organisation was 411,810,692 mega joules (MJ) (2017 – 414,429,761). The above employed energy saving initiatives yielded a substantial reduction of energy consumption of 0.63 per cent from 2017. The hotels' energy intensity of 2018 is 273.3 (2017 – 274.34) MJ/guest night.

Fuel consumption	**2017**	**2018**
Operation	**Hotel**	**Hotel**
Unit of measurement	**MJ**	**MJ**
Fuel consumed - Diesel	14,178,597	15,241,720
Fuel consumed - LHO	17,432,771	16,160,247
Fuel consumed - Other (LPG/NG)	166,717,812	160,499,366
Fuel consumed - Petrol	184,860	170,687
Total fuel consumed	**198,514,040**	**192,072,020**

Electricity / heating / cooling / steam consumed	**2017**	**2018**
Operation	**Hotel**	**Hotel**
Unit of measurement	**MJ**	**MJ**
Electrical energy purchased	216,066,250	219,968,586
Eletrical energy from PV systems & others	89,345	83,160
Total consumed	**216,155,595**	**220,051,746**

Electricity / heating / cooling / steam sold	**2017**	**2018**
Operation	**Hotel**	**Hotel**
Unit of measurement	**MJ**	**MJ**
Electrical energy purchased (CHP)	239,874	313,074
Eletrical energy from PV systems		
Total sold	239,874	313,074

Total energy consumption	**414,429,761**	**411,810,692**

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 (CHP) units in the properties, replacing old equipment to more efficient ones and introduction of Room Energy Management Systems.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

Using Water Efficiently

Water is an essential commodity that has applications throughout the business, and the Company 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 2018, the Company has consumed 721,951m3 (2017 – 730,840m3) of water, resulting in 1.2 per cent less than the amount used in 2017. This reduction in water consumption is a direct result of:

- 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 reducers;
- The introduction of frequent pipework inspection and immediate fixing of water leaks;
- The reduction of laundry load tonnage by using bath towel change cards (Hotel Green Policy); and
- The encouragement of water efficient behaviours during technical and operational visits.

Water withdrawal by source	2017	2018
Operation	Total Operations	Total Operations
Unit of measurement	m^3	m^3
Municipal/regional water supplies	577,583	557,498
Second Class Water	20,512	17,052
Rainwater	1,829	1,600
Other (Sea Water Reverse Osmosis)	150,834	149,369
Total	**750,758**	**725,519**

Even though there is a substantial decrease in water consumption, the Company is looking into ways to increase the percentage of recycled water since only 4.14 per cent was recycled in 2018 (2017 – 3.23 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	2017	2018
Operation	Total Operations	Total Operations
Unit of measurement	m^3	m^3
Total water withdrawn	750,758	725,519
Total water reused	24,217	30,015
% of recycled water	**3.23**	**4.14**

Managing Waste

The Company proactively manages increasing regulation 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 Company reduces and manages the waste that it produces, encouraging both concepts of recycling and up-cycling throughout the individual operations.

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 Company 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 Company will be introducing energy saving as a key result area (KRA) target in the Balance Score Card (Bonus scheme) 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 (MBS) in its entities and will be implementing a Computer Aided Management (CAFM) 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 Company'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 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 Laundry, 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

Community

The Company remains steadfast in its belief that its business and operations must have a positive impact on the local communities where it operates. The volunteering and community initiatives emphasise the manner and importance of delivering care, a skill that is integral in day-to-day work.

Social and Community Activities

The Company has set up the Corinthia Social Committee which carries out a range of activities for employees in the various jurisdictions where it operates.

The President's Trust

The Company is a sponsor of The President's Trust in Malta, an entity set up to inspire and support young people to build a positive life for themselves. The President's Trust creates initiatives that give vulnerable young people the skills and confidence to overcome barriers in their lives.

Just a drop

On an international level, the Company is a sponsor of Just a Drop (JAD), an international water-aid charity which aims to contribute positively to the reduction of child mortality caused as a result of poor sanitation and unsafe water and to actively reduce 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.

The Company has supported a total of five JAD projects in Tanzania, Zambia, Uganda and Kenya. These projects have brought life-changing clean water to a total of 45,325 children and families over the past four years.

Scholarship programme

Founded in 1995, the New York University School of Professional Studies Jonathan M. Tisch Centre for Hospitality and Tourism (NYU)was established in response to the growing need for hospitality and tourism undergraduate and graduate education. Hospitality and tourism are major global economic sectors, and the Tisch Centre serves these growing industries by offering relevant, cutting-edge curricula that attracts bright, motivated students who seek to become leaders in their fields.

The Company's commitment to education and training is expressed concretely by awarding two annual scholarships to undergraduates who demonstrate financial need and academic merit to enrol for studies at the NYU.

As of the end of the 2017/ 2018 academic year, there will have been 10 scholars. Thanks to the Company, the students have been able to finish their degrees and pursue their career ambitions in the hospitality and tourism Industry.

Conclusion

The Company approaches sustainability with a consistently optimistic, yet realistic attitude. Above everything else it approaches sustainability holistically, including environmental protection, human rights and the social aspects related to it. Perseverance to improve not only the business but also the lives of the team members and the wider community, remains relentless and unbending.

STATEMENT BY THE DIRECTORS

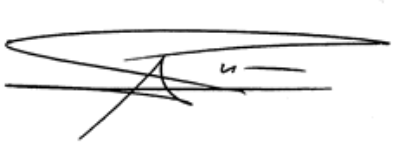
ON NON-FINANCIAL INFORMATION - continued

The Company is ambitious in its desire to make a difference. In its continued efforts to perfect the quality of care, the Company strives to enhance experiences, not only those of its guests but also those of the team members and the wider community.

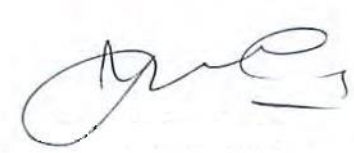
The Company believes that every gift, smile, and effort can make a significant difference.

Though significant improvements have already been successfully realised, the vision remains fundamentally forward-looking.

Signed on behalf of the board of directors on 30 April 2019 by:



Alfred Pisani
Chairman



Frank Xerri de Caro
Senior Independent Director

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

Case study: Corinthia Social Club project at Zejtun

The phrase 'Uplifting Lives' is well known within the Corinthia family. But it is not a Corinthia buzz word, nor a brand gimmick. It reflects and captures a Corinthia prized value. One way of sharing this value is through corporate social responsibility. Find out the needs of others, roll up your sleeves and do something about it.

In March 2019, the Corinthia Social Committee (CSC) did exactly this. A group of fifty Corinthia employees volunteered to clean, whitewash and paint Dar San Guzepp Haddiem, in Zejtun. This is a home with a noble purpose and a modest history.

Way back in September 1995, a priest, Fr Angelo Seychell, decided to help people who have no family or have been abused of or maltreated by their own families. After sharing his own home with disadvantaged persons, he soon became aware that there was need for much more. This led to the formation of Fondazzjoni Nazareth and within a short time three homes were set up.

Conscious that work is an essential part of man's dignity, Fondazzjoni Nazareth set up also a workshop for the residents of these homes in Zejtun. They can now daily attend this workshop at Dar San Guzepp Haddiem and work according to their abilities, under the guidance and assistance of a workshop manager. This place was in dire need of a clean-up, whitewash and paint.

In three days of hard, dedicated work, these thirty Corinthia employees changed this place into a clean and pleasing environment to be enjoyed by all. This is just phase one. Within a short time the facade and other facilities of this home will also receive proper attention, thanks to the overwhelming uplifting response from Corinthia employees.

Case Company – Quality Projects

QP has today established itself as a leading company in its own right specialising in the design, engineering and management of construction, infrastructure and environmental projects. QP is a multi-disciplined team of designers, engineers and project managers that vary in size and use, offering its comprehensive services to a significant portfolio of clients both locally and internationally.

QP believes in CSR policies that are built-in and self-regulating whereby the business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. For QP, CSR is a process which aims to embrace responsibility for the Group's actions and encourages a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

QP has set up Focus Group to work on CSR for QP. One member of staff has been nominated from each of the Group discipline departments with the intent to align and work to strengthen this QP objective sustainably. A number of initiatives taken during 2018 are listed below.

STATEMENT BY THE DIRECTORS

ON NON-FINANCIAL INFORMATION - continued

QP has been chosen by the Malta Business Bureau to participate and lead an event that discussed and shared experiences related to investment in water efficiency on the 28th June 2018. It is being proposed that QP will be hosting a business breakfast event dealing with best practices in sustainable development in conjunction with MBB.

QP has brought together the executive arm of the Considerate Constructor's Scheme with the Minister for Tourism and his team in London. QP will be spearheading this initiative and will be expected to support its launch in a PR campaign soon.

QP's own Sustainability Management Executive was asked to sit on a discussion panel organised by Enterprise Europe Network on the 'Investing in Energy' project. QP provided insights into Energy Auditing for SMEs.

QP has supported one of its own to participate in the 11th edition of the Kilimanjaro Challenge intended to raise money for a kindergarten in Wush Wush Ethiopia.

QP has been requested by Puttinu Cares Foundation to assist in the identification of the appropriate and most suitable real estate opportunity in London (close to Great Ormond Street Hospital) to develop their new patient family accommodation apartments together with office space that may be rented out to third parties and will subsidize the management of the accommodation facility.

QP has started to engage with the St.Jean Antide Foundation in Tarxien which runs the support service for female victims and survivors of intimate partner violence (SOAR). A property in Tarxien has been identified and QP will be assisting in developing redevelopment plans that befits the Foundation's objectives through design, engineering and management.

QP is now active in its tangible support to the HSBC Foundation's Water Programme initiative intended to educate and disseminate water efficiency practices in corporate offices and educational institutions. QP is currently presenting its technical knowledge and suggestions in eight HSBC Foundation roadshow programmes running up to February 2019.

During 2018, QP participated in the 'Leaders for a Day' initiatives organised by JAYE Foundation, that targets young people from 7 to 30 years of age, all designed with the purpose of "Inspiring Young Minds" through entrepreneurship education. During this day, three young programme achievers were hosted at QP to shadow three of the Senior Management Team leaders.

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;
- Acquire a broad knowledge of the business of the Company;

STATEMENT BY THE DIRECTORS

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

- 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.

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.

STATEMENT BY THE DIRECTORS

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

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
Mr Alfred Pisani, Chairman	29 March 2000

Non-executive directors

Mr Salem M.O. Hnesh	15 November 2018
Mr Khaled Algonsel	resigned 15 November 2018
Mr Hamad Buamim	31 December 2013
Mr Abdulnaser Ahmida	21 January 2014
Mr Abuagila Almahdi	16 October 2014
Mr Douraid Zaghouani	3 November 2014
Mr Joseph Pisani	22 December 2014
Dr Joseph J. Vella	29 March 2000
Mr Frank Xerri de Caro	2 July 2004
Mr Winston V. Zahra	9 June 2016

Mr Alfred Fabri acts as Secretary to the board of directors

Principle 5: Board meetings

The board met five 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	5
Mr Salem M. O. Hnesh	1
Mr Khaled Algonsel	2

STATEMENT BY THE DIRECTORS

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

Mr Hamad Buamim …….....2
Mr Abdulnaser Ahmida ……....3
Mr Abuagila Almahdi.....5
Mr Douraid Zaghouani.....5
Mr Joseph Pisani.....5
Dr Joseph J. Vella.....5
Mr Frank Xerri de Caro.....4
Mr Winston V. Zahra.....4

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.

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 12 times. The internal and external auditors were invited to attend these meetings.

Mr Frank Xerri de Caro acts as Chairman, Mr Abdulnaser Ahmida and Dr Joseph J. Vella act as members, The Company Secretary, Mr Alfred Fabri acts as Secretary to the committee.

The board of directors, in terms of Listing Rule 5.118A, 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 2018, 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.

STATEMENT BY THE DIRECTORS

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

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 processes 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.

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 and Mr Frank Xerri de Caro as members. Mr Alfred Fabri acts as Secretary to the committee.

The Nomination and Remuneration committee met nine times in the course of 2018.

Principle 9: Relations with shareholders and with the market

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

In the course of 2018, 16 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 2018 the Company launched the IHI Insider newsletter which is available on the IHI website. 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, Mr Abuagila Almahdi, 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 1,223,389 shares and an indirect beneficial interest of 3,240,835 shares, Mr Winston V. Zahra had an indirect beneficial interest through a family company of 3,953,762 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.

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.

STATEMENT BY THE DIRECTORS - continued

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

NON-COMPLIANCE WITH THE CODE

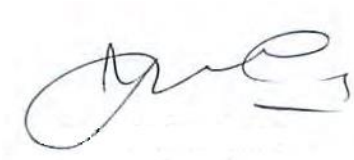
Principle 7: Evaluation of the board's performance

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 2019 and signed on its behalf by:



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

Joseph J. Vella
Director

OTHER DISCLOSURES IN TERMS OF LISTING RULES

Pursuant to Listing Rule 5.64.1

Share capital structure
The Company's issued share capital is 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 2018:

	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 29 April 2018.

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
Alfred Fabri
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 polices 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

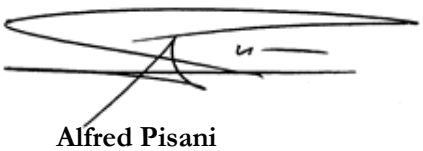
Information and communication

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

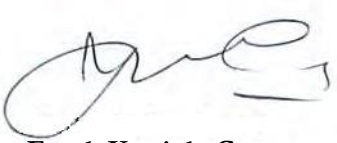
Monitoring and corrective action

There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Audit committee met 12 times in 2018 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 2019 by:



Alfred Pisani
Chairman



Frank Xerri de Caro
Senior Independent Director

REMUNERATION STATEMENT

Directors' fees

The directors' fees for 2018 including those for membership of board committees and other subsidiary boards are:

	€
Mr Alfred Pisani	50,000
Mr Salem M.O. Hnesh	1,932
Mr Khaled Algonsel	13,068
Mr Hamad Buamim	15,000
Mr Abdulnaser Ahmida	50,833
Mr Abuagila Almahdi	22,500
Mr Douraid Zaghouani	15,000
Mr Joseph Pisani	15,000
Dr Joseph J. Vella	89,167
Mr Frank Xerri de Caro	100,000
Mr Winston V. Zahra	25,000

The foregoing amounts all comprise fixed remuneration. There are no variable remuneration considerations or share options.

Remuneration of executive directors and senior executives

The Executive Chairman, in his capacity as a director of the Company or any of its subsidiaries, is not entitled to profit sharing, share options or pension benefits. In terms of non-cash benefits, directors are entitled to a number of services offered by the Company.

For the purposes of this Remuneration Statement, references to senior management shall mean the CEOs, owner representatives, and senior executives of the parent company and the management company.

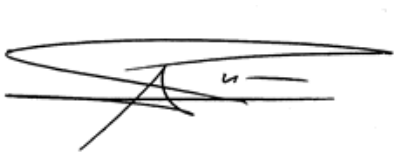
The Executive Chairman and members of senior management are each entitled to a fixed base salary together with a variable performance bonus. The Executive Chairman and CEOs' variable performance bonus is based on a predefined percentage of EBITDA, whereas the bonus of the owner representatives, and senior executives of the parent company and the management company is based on a discretionary percentage of the base salary determined in line with performance of the Company or the hotel they manage. These bonuses constitute the variable remuneration disclosed overleaf.

Senior management are entitled to non-cash benefits in terms of a number of services offered by the Group and to health insurance. None of the senior management are entitled to profit sharing, share options or pension benefits.

The remuneration of the Executive Chairman, senior executives of the management company, the Company and its subsidiaries and paid during 2018 amounted to a fixed portion of €6.2m and a variable portion of €2.3m. This amount includes an accrual that has been made for bonuses relating to 2018. Other than those bonuses that are contractual, the final amounts still need to be formally approved.

REMUNERATION STATEMENT - continued

Signed on behalf of the board of directors on 30 April 2019 by:



Alfred Pisani
Chairman

Frank Xerri de Caro
Senior Independent Director

Registered Office
22 Europa Centre,
Floriana FRN 1400,
Malta

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:

- International Hotel Investments p.l.c.'s Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2018, 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 FS43 to FS166, comprise:

- the Income statement for the Group for the year ended 31 December 2018;
- 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 2018;
- 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 the year then ended;
- 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 a summary of significant accounting policies.

Basis for opinion

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

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

Independent auditor's report - continued

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

Independence

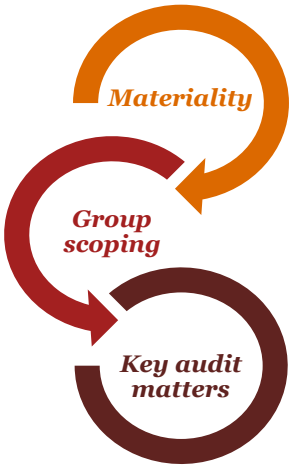
We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive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

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 group and its subsidiaries, in the period from 1 January 2018 to 31 December 2018 are disclosed in Note 8.1 to the financial statements.

Our audit approach

Overview



Overall group materiality: €2,420,000, which represents approximately 1% of 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.

Significant political and economic uncertainties prevailing in Libya

Valuation and impairment of property, plant and equipment and investment properties

Estimates of future profitability

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	€2,420,000 (2017: €2,300,000)
How we determined it	approximately 1% of revenue
Rationale for the materiality benchmark applied	We have applied revenue as a benchmark for determining materiality as we considered that this provides us with a consistent year-on-year basis for determining materiality, reflecting the group's growth and investment plans and 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 benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €242,000 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. 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
Significant political and economic uncertainties prevailing in Libya Refer to Note 6 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 2018 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 €76.4 million and the adjoining investment property with a carrying amount of €103.2 million. 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 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 and have recently started accepting hotel bookings again. During 2018 and 2017, the Group secured further lease agreements resulting in the Commercial Centre being almost fully leased out as from last quarter of 2018, resulting in an increase in fair value of €5.5 million in the investment property. With respect to the hotel, the directors have retained the same expectations for a gradual recovery.	In addition to the procedures listed in the key audit matter below 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. - 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 long detailed discussions about each of these debtors. 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 6 to the financial statements highlights the significant political and economic uncertainties prevailing in Libya and their impact on the Group's results for 2018. The note also explains

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
The assumptions underlying the valuation assessments are explained in more detail in Note 6. 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 economic conditions in Libya also create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2018, in addition to a current tax asset of €2.3 million, Corinthia Towers Tripoli Limited also had amounts due from Government related entities amounting to €3.5 million and other amounts receivable from embassies and corporate clients which are expected to return to Libya once the political situation improves. Increased provisions for impairment have been registered to reflect the net estimated recoverable amounts in this respect.	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. *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.*
Valuation and impairment of property, plant and equipment and investment properties Refer to Note 16 of the Group's financial statements 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 2018. 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 revenues. The existence of significant estimation uncertainty as reflected by the sensitivity of the property valuations to possible shifts in key assumptions as described in Note 16 could result in material misstatement, and is therefore why we have given specific audit focus and attention to this area. Management has carried out assessments for its hotels classified as property, plant and equipment to determine whether a material shift in fair value would have occurred during 2018. This assessment was carried out by carrying out a number of procedures including comparing actual financial results to projections, review of events and	Our procedures in relation to the valuation of the properties included: - Reviewing management's assessments to challenge assumptions and specific considerations being made with respect to each property; - 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 2018. - Testing the mathematical accuracy of the calculations derived from each forecast 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.

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
circumstances or changed conditions impacting the property, and review of discount rate. Full revaluation assessments were obtained from third party qualified valuers where significant or volatile movements were identified. The valuations of investment properties are performed annually on the basis of valuation reports prepared by third party qualified valuers. The valuation reports of the third party valuers are based on both: - 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 relate to the projected cash flows, the discount rate and growth rates (including the terminal rate). Fair value movements arising on these properties amounted to a net gain of €42.8 million, of which a gain of €7.0 million is accounted for in the Income Statement. The shifts in fair value determined during the year ended 31 December 2018 are analysed in Notes 15 and 16. The judgements relating to the carrying value of the properties located in Libya is dealt with separately above.	- 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. It was evident from our discussions with management and the valuers and our review of the valuation reports that attention had been paid to each property's individual characteristics and its geographic location. We challenged management, the Audit Committee and the directors on the significant movements in the valuations and found that they were able to provide explanations and refer to appropriate supporting evidence.
Estimates of future profitability Refer to Note 13 in the Group financial statements Goodwill with a carrying amount of €15.9 million and intangible assets having a carrying amount of €32.5 million as at 31 December 2018, that are supported by the Group's forecasts of future profitability, are included on the Group's Statement of Financial Position as at 31 December 2018. 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	We evaluated the suitability and appropriateness of the impairment methodology applied and the discounted cash flow model as prepared by management. We assessed the methodology and assumptions used by utilising our independent valuation experts. The calculations used in the model were re-performed to check accuracy and the key

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
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 13). 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. As the directors have described in the accounting policies, estimating future profitability requires the application of significant judgement. The key judgements made by the directors include estimating future taxable profits, 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. Particular attention was given to the intangibles related to Costa Coffee - Spain CGU, given that this CGU did not reach the budgeted activity levels and profitability in 2018. The Costa Coffee - Spain CGU reflects the franchise agreement that the Group has to operate the Costa Coffee brand in Spain (East Coast), the Canary and Balearic Islands. Given the negative results in the past year, the Costa Coffee - Spain CGU was subject to an impairment assessment that resulted in the remaining carrying amount of the intangible attributed to this CGU being written off. In respect of the other CGUs no impairment indicators have been identified.	inputs in the model were agreed to approved sources. Management's cash flow forecasts used in the model were assessed by: - testing that the forecasts agreed to the most recent 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. Our independent valuation experts critically challenged the revenue growth and margin assumptions and assessed the discount rate used in the models. 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. We held extensive discussions with management and the Audit Committee about the key assumptions underlying the assessment for the Costa Spain – CGU and concur with the impairment of the remaining portion of the intangible. We considered the sensitivity of the calculations to assess whether or not a reasonably possible change to the assumptions could result in an impairment. We concur with management that a material change in these assumptions would be required to trigger an impairment charge.

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
	The appropriateness of disclosures made in relation to goodwill and intangible assets was also reviewed.

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 consolidated 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 located in Malta, London, 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, 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. Further, we visited certain overseas locations of respective subsidiaries this year and met with the local component audit team and management.

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 reports on the Principal Milestones & Achievements, Group Structure, Our Portfolio, the Board of Directors, the Chairman's Statement, the CEOs' report, the Directors' report, the Statement by the Directors on the financial statements and other information included in the annual report, Statement by the Directors on non-financial information, Statement by the Directors on compliance with the Code of Principles of Good Corporate Governance, the Other disclosures in terms of the Listing Rules and the Remuneration Statement (but does not include the financial statements and our auditor's report thereon).

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

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

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

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

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

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

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

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

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

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

Independent auditor's report - continued

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, related safeguards.

Independent auditor's report - continued

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

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

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

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

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance 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.

In our opinion, the Statement of Compliance set out on pages FS19 to FS25 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

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 4 years.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

30 April 2019

Income statement – the Group

	Notes	2018 €'000	2017 €'000 (restated)
Revenue	7	**256,314**	242,413
Costs of providing services	8	**(122,379)**	(113,218)
		133,935	129,195
Marketing costs		**(10,622)**	(10,835)
Administrative expenses	8	**(36,721)**	(35,265)
Other operating expenses	8	**(19,088)**	(19,200)
		67,504	63,895
Depreciation and amortisation	13, 16	**(33,202)**	(31,066)
Other losses arising on property, plant and equipment		**(1,070)**	(378)
Impairment losses attributable to intangibles	13	**(1,980)**	(3,000)
Net changes in fair value of investment property	15	**6,994**	278
Net reversals of impairment losses attributable to hotel properties	16.2	**-**	3,998
Net change in fair value of contingent consideration		**353**	657
Net changes in fair value of indemnification assets	14	**(210)**	(210)
Results from operating activities	7	**38,389**	34,174
Investment income		**126**	136
Finance income	10		
- interest and similar income		**833**	1,387
Finance costs	10		
- interest expense and similar charges		**(21,484)**	(22,505)
- net exchange differences on borrowings		**(8,028)**	(3,236)
Share of net profit of associates and joint ventures accounted for using the equity method	18	**(1,364)**	(1,529)
Reclassification of currency translation reserve to profit and loss upon obtaining control of NLI	39	**-**	(1,809)
Profit before tax		**8,472**	6,618
Tax (expense)/income	11	**(13)**	5,288
Profit for the year		**8,459**	11,906
Profit for the year attributable to:			
- Owners of IHI		**11,350**	8,728
- Non-controlling interests		**(2,891)**	3,178
		8,459	11,906
Earnings per share	12	**0.018**	0.014

Statement of comprehensive income - the Group

	Notes	2018 €'000	2017 €'000 (restated)
Profit for the year		**8,459**	11,906
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Gross surplus arising on revaluation of hotel properties	16, 25	**35,842**	15,853
Deferred tax on surplus arising on revaluation of hotel property		**(6,255)**	(733)
Gross share of other comprehensive income of joint ventures and associates accounted for using the equity method			
- Surplus arising on revaluation of hotel property	25	**-**	6,725
Release of deferred tax recognised upon obtaining control of NLI	33	**-**	23,996
Items that may be subsequently reclassified to profit or loss			
Net changes in fair value of available-for-sale financial assets	27.1	**-**	472
Deferred tax arising on changes in fair value of available-for-sale financial assets	11.2	**-**	(165)
Currency translation differences	11.2	**(15,310)**	(22,006)
Deferred tax arising on currency translation differences		**1,895**	(360)
Release of deferred tax recognised upon obtaining control of NLI	33	**-**	(339)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method			
- Currency translation differences		**631**	(172)
Items reclassified to profit or loss			
Reclassification of currency translation reserve to profit and loss upon obtaining control of NLI	39	**-**	1,809
Other comprehensive income for the year, net of tax		**16,803**	25,080
Total comprehensive income for the year		**25,262**	36,986
Attributable to:			
- Owners of IHI		**26,992**	34,975
- Non-controlling interests		**(1,730)**	2,011
		25,262	36,986

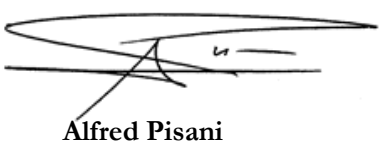
Statement of financial position - the Group

	Notes	31 December 2018 €'000	31 December 2017 €'000 (restated)	1 January 2017 €'000 (restated)
Assets				
Non-current				
Intangible assets	13	**48,361**	51,358	56,769
Indemnification assets	14	**23,605**	23,815	24,025
Investment property	15	**203,539**	205,238	164,278
Property, plant and equipment	16	**1,151,245**	1,108,251	617,765
Investments accounted for using the equity method	18	**48,189**	49,426	238,710
Other financial assets at amortised cost	19	**184**	-	-
Loans receivable	19	**-**	1,598	4,570
Deferred tax assets	33	**10,963**	12,157	-
Trade and other receivables	21	**596**	-	-
Assets placed under trust arrangement	31	**3,645**	2,168	1,077
		1,490,327	1,454,011	1,107,194
Current				
Inventories	20	**11,490**	10,197	6,727
Other financial assets at amortised cost	19	**1,683**	-	-
Loans receivable	19	**-**	17,984	12,982
Trade and other receivables	21	**53,029**	46,841	42,151
Current tax asset		**2,527**	3,318	4,654
Financial assets at fair value through profit or loss	22	**8,485**	-	-
Available-for-sale investments	22	**-**	8,603	-
Cash and cash equivalents	23	**50,190**	50,795	29,382
Assets placed under trust arrangement	31	**122**	122	4,961
		127,526	137,860	100,857
Total assets		**1,617,853**	1,591,871	1,208,051

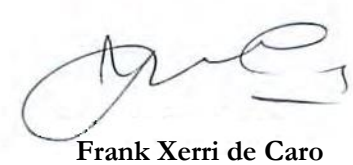
Statement of financial position - the Group

	Notes	31 December 2018	31 December 2017 (restated)	1 January 2017 (restated)
Equity and liabilities				
Equity				
Capital and reserves attributable to owners of IHI:				
Issued capital	24	**615,685**	615,685	597,750
Revaluation reserve	25	**26,418**	-	102,842
Translation reserve	26	**(21,535)**	(10,759)	2,895
Reporting currency conversion difference	28	**443**	443	443
Other components of equity	27	**2,617**	2,770	2,617
Retained earnings	29	**59,746**	60,857	(72,526)
		683,374	668,996	634,021
Non-controlling interests		**194,246**	195,976	598
Total equity		**877,620**	864,972	634,619
Liabilities				
Non-current				
Bank borrowings	30	**317,559**	321,201	163,908
Bonds	31	**202,507**	202,156	201,896
Other financial liabilities	32	**59**	4,612	4,682
Deferred tax liabilities	33	**96,936**	95,091	113,982
Trade and other payables	34	**5,410**	13,913	3,177
Provisions		**206**	206	206
		622,677	637,179	487,851
Current				
Bank borrowings	30	**40,517**	28,211	24,972
Bonds	31	**-**	-	9,706
Other financial liabilities	32	**4,553**	52	228
Current tax liabilities		**985**	3,729	1,767
Trade and other payables	34	**71,501**	57,728	48,908
		117,556	89,720	85,581
Total liabilities		**740,233**	726,899	573,432
Total equity and liabilities		**1,617,853**	1,591,871	1,208,051

The financial statements on pages FS43 to FS166 were approved by the board of directors, authorised for issue on 30 April 2019 and signed on its behalf by:



Alfred Pisani
Chairman



Frank Xerri de Caro
Director

Statement of changes in equity - the Group

	Notes	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 2017 as originally presented		597,750	102,842	2,895	443	2,617	(60,323)	646,224	598	646,822
Change in accounting policy	4	-	-	-	-	-	(7,075)	(7,075)	-	(7,075)
Correction of error	5	-	-	-	-	-	(5,128)	(5,128)	-	(5,128)
Restated total equity at the beginning of the financial year		597,750	102,842	2,895	443	2,617	(72,526)	634,021	598	634,619
Profit for the year (restated)		-	-	-	-	-	8,728	8,728	3,178	11,906
Other comprehensive income (restated)		-	39,748	(13,654)	-	153	-	26,247	(1,167)	25,080
Total comprehensive income		-	39,748	(13,654)	-	153	8,728	34,975	2,011	36,986
Transactions with owners in their capacity as owners:										
Non-controlling interest upon obtaining control of NLI (restated)	5	-	-	-	-	-	-	-	193,367	193,367
Bonus shares issued	24	17,935	(14,609)	-	-	-	(3,326)	-	-	-
Reclassification of revaluation reserve to retained earnings upon obtaining control of NLI	25, 5	-	(127,981)	-	-	-	127,981	-	-	-
Total transactions with owners, recognised directly in equity		17,935	(142,590)	-	-	-	124,655	-	193,367	193,367
Balance at 31 December 2017 (restated)		**615,685**	**-**	**(10,759)**	**443**	**2,770**	**60,857**	**668,996**	**195,976**	**864,972**

Statement of changes in equity - the Group

	Notes	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 31 December 2017 as originally presented		**615,685**	**-**	**(11,228)**	**443**	**2,770**	**76,379**	**684,049**	**200,583**	**884,632**
Change in accounting policy	4	-	-	277	-	-	(10,723)	(10,446)	-	(10,446)
Correction of error	5	-	-	192	-	-	(4,799)	(4,607)	(4,607)	(9,214)
Restated total equity as at 31 December 2017		**615,685**	**-**	**(10,759)**	**443**	**2,770**	**60,857**	**668,996**	**195,976**	**864,972**
Change in accounting policy	4	-	-	-	-	(153)	(147)	(300)	-	(300)
Restated total equity at 1 January 2018		**615,685**	**-**	**(10,759)**	**443**	**2,617**	**60,710**	**668,696**	**195,976**	**864,672**
Profit for the year		-	-	-	-	-	11,350	11,350	(2,891)	8,459
Other comprehensive income		-	26,418	(10,776)	-	-	-	15,642	1,161	16,803
Total comprehensive income		-	26,418	(10,776)	-	-	11,350	26,992	(1,730)	25,262
Transactions with owners in their capacity as owners:										
Dividend provided for or paid	35	-	-	-	-	-	(12,314)	(12,314)	-	(12,314)
Total transactions with owners, recognised directly in equity		-	-	-	-	-	(12,314)	(12,314)	-	(12,314)
Balance at 31 December 2018		**615,685**	**26,418**	**(21,535)**	**443**	**2,617**	**59,746**	**683,374**	**194,246**	**877,620**

Statement of cash flows - the Group

	Notes	2018 €'000	2017 €'000 (restated)
Profit before tax		**8,472**	6,618
Adjustments	36	**60,284**	59,676
Working capital changes:			
Inventories		**(800)**	(312)
Trade and other receivables		**(8,214)**	774
Advance payments		**(311)**	2,935
Trade and other payables		**4,615**	(9,430)
Cash generated from operations		**64,046**	60,261
Tax paid		**(5,066)**	(248)
Net cash generated from operating activities		**58,980**	60,013
Investing activities			
Payments to acquire property, plant and equipment		**(27,474)**	(13,217)
Payments to acquire investment property		**(13)**	(425)
Acquisition of business – Corinthia Palace Hotel, net of cash acquired	39	**(8,631)**	-
Acquisition of business - NLI Group, net of cash acquired		**-**	9,222
Acquisition of investments classified at FVOCI (2017: available-for-sale investments)		**(7)**	(8,131)
Payments to acquire intangible assets		**(153)**	(496)
Advance of loan to parent company		**(269)**	(4,848)
Interest received		**891**	1,337
Dividend received		**504**	979
Net cash used in investing activities		**(35,152)**	(15,579)
Financing activities			
Proceeds from bank borrowings		**52,161**	158,499
Bank loan arrangement fees		**(471)**	(1,882)
Repayment of bank borrowings		**(39,861)**	(145,925)
Repayment of loans from parent company and its subsidiary companies		**(52)**	(3,064)
Bond issue costs	31	**-**	(75)
Repayment of bonds	31	**-**	(9,706)
Interest paid		**(20,824)**	(23,552)
Dividends paid		**(10,314)**	-
Transfer of cash to trustee under trust arrangement		**(1,478)**	(1,090)
Proceeds from trustee following repayment of bond		**-**	4,839
Net cash used in financing activities		**(20,839)**	(21,956)
Net change in cash and cash equivalents		**2,989**	22,478
Cash and cash equivalents at beginning of year		**42,652**	20,832
Effect of translation of group entities to presentation currency		**(1,350)**	(658)
Cash and cash equivalents at end of year	23	**44,291**	42,652

Statement of comprehensive income - the Company

	Notes	2018 €'000	2017 €'000 (restated)
Dividend income		**39,705**	1,000
Interest income on other financial assets at amortised cost		**3,406**	4,308
Management fees and other similar income		**4,412**	3,949
Royalty income		**-**	1,519
Interest expense and similar charges		**(11,718)**	(12,243)
Administrative expenses		**(8,077)**	(7,135)
Reclassification of fair value losses on investments in subsidiaries to profit or loss on impairment		**-**	(4,879)
Gain on disposal of intangible asset	13	**15,400**	-
Profit/(loss) before tax		**43,128**	(13,481)
Tax (expense)/income	11	**(760)**	5,792
Profit/(loss) for the year		**42,368**	(7,689)
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Net changes in fair value of investments in subsidiaries, associates and joint ventures	27.2	**(1,826)**	-
Income tax relating to these items	27.2	**359**	-
Items that may be subsequently reclassified to profit or loss			
Net changes in fair value of investments in subsidiaries, associates and joint ventures	27.2	**-**	46,000
Income tax relating to these items	27.2	**-**	(15,770)
Items reclassified to profit or loss			
Amounts reclassified to profit or loss upon disposal of available-for-sale financial assets	27.2	**-**	4,879
Income tax reclassified to profit or loss upon disposal of available-for-sale financial assets	27.2	**-**	(1,707)
Other comprehensive income for the year, net of tax		**(1,467)**	33,402
Total comprehensive income for the year		**40,901**	25,713

Statement of financial position - the Company

	Notes	31 December 2018 €'000	31 December 2017 €'000 (restated)	1 January 2017 €'000 (restated)
Assets				
Non-current				
Intangible asset	13	**3**	19,674	19,746
Indemnification asset	14	**1,997**	1,997	1,997
Property, plant and equipment	16	**83**	80	96
Investments in subsidiaries	17	**877,428**	796,834	560,324
Investments in associates and joint ventures	18	**12,760**	12,604	206,899
Other financial assets at amortised cost	19	**85,957**	-	-
Loans receivable	19	**-**	130,599	127,631
Assets placed under trust arrangement	31	**3,645**	2,168	1,077
		981,873	963,956	917,770
Current				
Other financial assets at amortised cost	19	**672**	-	-
Loans receivable	19	**-**	17,937	12,937
Trade and other receivables	21	**42,394**	17,517	34,196
Current tax asset		**3,056**	2,003	1,934
Cash and cash equivalents	23	**7,824**	6,538	15,160
Assets placed under trust arrangement	31	**122**	122	4,961
		54,068	44,117	69,188
Total assets		**1,035,941**	1,008,073	986,958

Statement of financial position - the Company

	Notes	31 December 2018 €'000	31 December 2017 €'000 (restated)	1 January 2017 €'000 (restated)
Equity				
Issued capital	24	**615,685**	615,685	597,750
Other reserves	27.2	**66,815**	84,907	69,440
Reporting currency conversion difference	28	**443**	443	443
Retained earnings	29	**33,225**	(13,454)	(5,765)
Total equity		**716,168**	687,581	661,868
Liabilities				
Non-current				
Bank borrowings	30	**8,592**	10,176	12,217
Bonds	31	**202,507**	202,156	201,896
Other financial liabilities	32	**26,027**	14,527	20,569
Trade and other payables	34	**563**	1,175	1,175
Deferred tax liabilities	33	**71,495**	74,382	55,426
		309,184	302,416	291,283
Current				
Bank borrowings	30	**1,584**	2,537	1,991
Bonds	31	**-**	-	9,706
Other financial liabilities	32	**85**	5,836	3,616
Trade and other payables	34	**8,920**	9,504	18,494
Current tax liabilities		**-**	199	-
		10,589	18,076	33,807
Total liabilities		**319,773**	320,492	325,090
Total equity and liabilities		**1,035,941**	1,008,073	986,958

The financial statements on pages FS43 to FS166 were approved by the board of directors, authorised for issue on 30 April 2019 and signed on its behalf by:

Alfred Pisani
Chairman

Frank Xerri de Caro
Director

Statement of changes in equity - the Company

	Notes	Share capital €'000	Other reserve €'000	Reporting currency conversion difference €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2017		597,750	73,606	443	(5,765)	666,034
Correction of error	5	-	(4,166)	-	-	(4,166)
Restated total equity at the beginning of the financial year		597,750	69,440	443	(5,765)	661,868
Profit for the year		-	-	-	(7,689)	(7,689)
Other comprehensive income (restated)		-	33,402	-	-	33,402
Total comprehensive income		-	33,402	-	(7,689)	25,713
Transactions with owners in their capacity as owners:						
Bonus shares issued	24	17,935	(17,935)	-	-	-
Total transactions with owners, recognised directly in equity		17,935	(17,935)	-	-	-
Balance at 31 December 2017 (restated)		**615,685**	**84,907**	**443**	**(13,454)**	**687,581**
Balance at 31 December 2017 as originally presented		**615,685**	**88,650**	**443**	**(13,454)**	**691,324**
Correction of error	5	-	(3,743)	-	-	(3,743)
Restated total equity as at 31 December 2017 (restated)		**615,685**	**84,907**	**443**	**(13,454)**	**687,581**
Change in accounting policy	4	-	(3,171)	-	3,171	-
Restated total equity at 1 January 2018		**615,685**	**81,736**	**443**	**(10,283)**	**687,581**
Profit for the year		-	-	-	42,368	42,368
Other comprehensive income		-	(1,467)	-	-	(1,467)
Total comprehensive income		-	(1,467)	-	42,368	40,901
Transactions with owners in their capacity as owners:						
Absorption of losses		-	(13,454)	-	13,454	-
Dividend provided for or paid		-	-	-	(12,314)	(12,314)
Total transactions with owners, recognised directly in equity		-	(13,454)	-	1,140	(12,314)
Balance at 31 December 2018		**615,685**	**66,815**	**443**	**33,225**	**716,168**

Statement of cash flows - the Company

	Notes	2018 €'000	2017 €'000
Profit/(loss) before tax		**43,128**	(13,481)
Adjustments	36	**(46,751)**	11,806
Working capital changes:			
Trade and other receivables		**11,784**	5,942
Trade and other payables		**(3,833)**	(1,785)
Cash generated from operations		**4,328**	2,482
Interest received		**1,659**	-
Interest paid		**(10,730)**	(13,134)
Dividend received		**505**	-
Net cash generated from/(used in) operating activities		**(4,238)**	(10,652)
Tax (paid)/refunded		**(199)**	85
Net cash used in operating activities		**(4,437)**	(10,567)
Investing activities			
Payments to acquire property, plant and equipment		**(29)**	(19)
Payments to acquire intangible assets		**-**	(6)
Payments to acquire investments in subsidiaries		**-**	(49)
Loan repayments received from related parties		**12,142**	12,950
Advance of loan to parent company		**(2,500)**	(5,000)
Net cash generated from investing activities		**9,613**	7,876
Financing activities			
Repayment of bank borrowings		**(2,038)**	(1,994)
Proceeds of loans from related parties		**11,500**	2,220
Repayment of loan from related parties		**(1,062)**	(623)
Repayment of bond		**-**	(9,706)
Bond issue costs		**-**	(75)
Dividends paid		**(10,314)**	-
Transfer of cash to trustee under trust arrangement		**(1,477)**	(1,091)
Proceeds from trustee following repayment of bond		**-**	4,839
Net cash used in financing activities		**(3,391)**	(6,430)
Net change in cash and cash equivalents		**1,785**	(9,121)
Cash and cash equivalents at beginning of year		**6,039**	15,160
Cash and cash equivalents at end of year	23	**7,824**	6,039

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 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 5 – Critical accounting estimates, judgements and errors).

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 for.

3.3 Standards, interpretations and amendments to published standards effective in 2018

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

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

3 Summary of significant accounting policies - continued

3.3 Standards, interpretations and amendments to published standards effective in 2018 - continued

The Group and the Company had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. This is disclosed in Note 4. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3.4 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 2018. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's and the Company's financial statements in the period of initial application, except for IFRS 16 'Leases'.

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, as asset (the right to use the lease item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group companies have entered into long-term office leases and have a number of temporary emphyteutical grants on land of hotel properties; these arrangements were classified as operating leases under IAS 17. The Group's management has carried out an assessment of the impact of the standard and the Directors concluded that these arrangements fall within the remits of this standard. As at reporting date, the Group's and the Company's non-cancellable operating leases amount to €28.9m and €0.7m respectively.

The Group and the Company will apply the simplified transition approach on initial application of the standard. As a result, the Group and the Company will not restate comparative amounts for the year prior to first adoption. Under this approach, the lease liability is measured at the present value of the remaining lease payments as at 1 January 2019, which management has estimated to be in the region of €12.0m for the Group and €0.6m for the Company.

The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure by amortisation of the right-of-use asset, and an interest cost on the lease liability. On the basis of the lease arrangements in place at 1 January 2019, management estimates that rental costs of the Group €2.2m for the year ending 31 December 2019 will be replaced by a notional interest charge that is expected to be in the region of €0.6m, and an annual amortisation charge in the region of €1.7m. This will therefore result in a reduction of approximately €0.2m in the Group's profitability for the year ending 31 December 2019. Management also estimates that the Company's rental costs of €0.3m for the same period will be replaced by a notional interest charge of approximately €0.5m and an annual amortisation charge of €0.3m, resulting in a reduction of €0.5m in the Company's profitability for the year ended 31 December 2019.

EBITDA used to measure segment results for the year ending 31 December 2019 is expected to improve by €0.3m, as operating lease payments were included in EBITDA, while the amortisation of right-of-use assets and interest on the lease liability are excluded from this. Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the Group's statement of cash flows. The Group's policy is to present interest payments as operating cash flows. Accordingly, the parts of the lease payments that represent cash payments for the principal portion of the lease liabilities will be presented as cash flows resulting from financing activities; the part representing the interest portion of the lease liabilities will be presented within cash flows from operating activities.

There will be on impact of IFRS 16 on the Group's activities as lessor.

3 Summary of significant accounting policies - continued

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 3.8).

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.

3 Summary of significant accounting policies - continued

3.5 Principles of consolidation and equity accounting - continued

(iv) Equity method - continued

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.13.

(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

Policy for accounting period commencing 1 January 2018

As from 1 January 2018, 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.

Policy for accounting periods until 31 December 2017

Until 31 December 2017, investments in subsidiaries, associates and joint ventures were accounted for as available-for-sale financial assets in the Company's stand-alone financial statements, i.e. initially at fair value, and subsequently at fair value through other comprehensive income. 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.

3 Summary of significant accounting policies - continued

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

Policy for accounting periods until 31 December 2017 - continued

Dividends received from investments in subsidiaries, associates and joint ventures were recognised in profit or loss when the Company's right to receive payments is established.

When investments in subsidiaries, associates and joint ventures were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as a reclassification adjustment.

If there was objective evidence of impairment for investments in subsidiaries, associates and joint ventures the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that subsidiary, associate or joint venture previously recognised in profit or loss - was reclassified from equity to profit or loss as a reclassification adjustment.

Impairment losses on investments in subsidiaries, associates and joint ventures that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

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.

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.

3 Summary of significant accounting policies - continued

3.7 Business combinations - continued

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.

(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.

3 Summary of significant accounting policies - continued

3.9 Foreign currency translation - continued

(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.

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.

3 Summary of significant accounting policies - continued

3.10 Property, plant and equipment - continued

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	3-15
-	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 3.14.4). 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.

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.

3 Summary of significant accounting policies - continued

3.11 Investment property - continued

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 7).

(b) Brands

The brands comprise the 'Corinthia' brand name and the 'Island Caterers' brand name. The 'Corinthia' brand was acquired from CPHCL and represents the consideration paid on its acquisition. The 'Island Caterers' brand name was separately identified as part of the assets acquired on the acquisition of Island Hotels Group Holdings p.l.c..

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.

3 Summary of significant accounting policies - continued

3.12 Intangible assets - continued

(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

From 1 January 2018, 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.

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

3 Summary of significant accounting policies - continued

3.14 Financial assets - continued

3.14.1 Classification - continued

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

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

From 1 January 2018, 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.

3.14.5 Accounting policies applied until 31 December 2017

The Group and the Company have applied IFRS 9 retrospectively, but have elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets

The classification depended on the purpose for which the assets were acquired. Management determined the classification of its assets at initial recognition.

Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They arose when the Group provided money, goods or services directly to a debtor with no intention of trading the receivable. They were included in current assets, except for maturities greater than twelve months after the end of the reporting period. These were classified as non-current assets. The Group's loans and receivables comprised loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position.

3 Summary of significant accounting policies - continued

3.14 Financial assets - continued

3.14.5 Accounting policies applied until 31 December 2017 - continued

Classification - continued

Available-for-sale financial assets

Available-for-sale financial assets were non-derivatives that were either designated in this category or not classified as loans and receivables. Investments intended to be held for an indefinite period of time, which may have been sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices were classified as available-for-sale assets. They were included in non-current assets unless the asset matured or management intended to dispose of it within twelve months from the end of the reporting period.

Measurement

Loans and receivables were subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. The effective interest rate is the rate that exactly discounts estimate future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial assets or financial liability.

Available-for-sale financial assets were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income.

The fair values of quoted investments were based on current bid prices. If the market for a financial asset was not active (and for unlisted securities), the Group establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

Dividends on available-for-sale equity instruments were recognised in profit or loss when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains or losses from investment securities.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group used to determine that there was objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

3 Summary of significant accounting policies - continued

3.14 Financial assets - continued

3.14.5 Accounting policies applied until 31 December 2017 - continued

Impairment - continued

Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the effective interest rate determined under the contract. As a practical expedient, the Group may have measured impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could have been related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Impairment testing of trade receivables is described in Note 3.15.

When an asset was impaired, the Group reduced the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continued unwinding the discount as interest income. Interest income on impaired loans was recognised using the original effective interest rate.

Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was reclassified from equity to profit or loss as a reclassification adjustment.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase could have been objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

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 Summary of significant accounting policies - continued

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.

3.18 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 Summary of significant accounting policies - continued

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.

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.

3 Summary of significant accounting policies - continued

3.23 Provisions - continued

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.

3.24 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 statement 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.

3 Summary of significant accounting policies - continued

3.25 Revenue recognition - continued

(c) Project management services - continued

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

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

3.26 Leases

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

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet 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 Summary of significant accounting policies - continued

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.

(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 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Group's and the Company's financial statements.

4.1 Impact on the financial statements

As a result of the changes in accounting policies arising from IFRS 15, prior year financial statements of the Group had to be restated. As explained in Note 4.2 below, IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new classification and impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

The Group Balance sheet (extract)	31 Dec 2017 As originally presented[2] €'000	IFRS 15 €'000	31 Dec 2017 Restated €'000	IFRS 9 €'000	1 Jan 2018 Restated €'000
Assets					
Non-current assets					
Investments accounted for using the equity method	**59,872**	(10,446)	**49,426**	-	**49,426**
Other financial assets at amortised cost	**-**	-	**-**	1,598	**1,598**
Loans receivable	**1,598**	-	**1,598**	(1,598)	**-**
Total non-current assets	**1,464,457**	(10,446)	**1,454,011**	-	**1,454,011**
Current assets					
Trade and other receivables	**46,841**	-	**46,841**	(462)	**46,379**
Financial assets at fair value through profit or loss	**-**	-	**-**	8,603	**8,603**
Available-for-sale investments	**8,603**	-	**8,603**	(8,603)	**-**
Other financial assets at amortised cost	**-**	-	**-**	17,984	**17,984**
Loans receivable	**17,984**	-	**17,984**	(17,984)	**-**
Total current assets	**137,860**	-	**137,860**	(462)	**137,398**
Total assets	**1,602,317**	(10,446)	**1,591,871**	(462)	**1,591,409**

[2] Amounts are presented after the error restatement disclosed in Note 5.

4 Changes in accounting policies - continued

4.1 Impact on the financial statements - continued

The Group Balance sheet (extract)	31 Dec 2017 As originally presented[3] €'000	IFRS 15 €'000	31 Dec 2017 Restated €'000	IFRS 9 €'000	1 Jan 2018 Restated €'000
Equity					
Translation reserve	**(11,036)**	277	**(10,759)**	-	**(10,759)**
Other components of equity	**2,770**	-	**2,770**	(153)	**2,617**
Retained earnings	**71,580**	(10,723)	**60,857**	(147)	**60,710**
Total equity	**875,418**	(10,446)	**864,972**	(300)	**864,672**
Liabilities					
Non-current liabilities					
Deferred tax liabilities	**95,091**	-	**95,091**	(162)	**94,929**
Total non-current liabilities	**637,179**	-	**637,179**	(162)	**637,017**
Total liabilities	**726,899**	-	**726,899**	(162)	**726,737**

The Group holds investments in joint ventures involved in the timeshare business, whose revenue recognition policies were significantly revised as a result of the initial application of IFRS 15. These joint ventures receive an upfront timeshare signing fee as well as a yearly membership fee.

Prior to the adoption of IFRS 15, certain revenues were recognised at inception of the timeshare agreements on the basis that these do not include an identifiable amount for subsequent services and did not relate to the provision of future services.

As from 1 January 2018, the standard requires an assessment of whether the upfront timeshare signing fee needs to be amortised over the life of the agreement. Management has analysed the revenue streams in assessing the impact of IFRS 15 on their contracts with customers.

Management has elected to account for the adjustment driven by the adoption of IFRS15 using the fully retrospective method which requires the figures for the comparative period to be restated. The deferral of income resulting from the model prepared by management in relation to the period from acquisition to 1 January 2017 amounts to €7.1m. Such amount is adjusted for against opening retained earnings. €3.3m, representing movement for 2017 (new timeshare sold during 2017, and impact of amortisation of upfront fees from previous years) results in a total adjustment of €10.4m as at 1 January 2018.

[3] Amounts are presented after the error restatement disclosed in Note 5.

4 Changes in accounting policies - continued

4.1 Impact on the financial statements - continued

The Group Balance sheet (extract)	31 Dec 2016 As originally presented[5] €'000	IFRS 15 €'000	1 Jan 2017 Restated €'000
Assets			
Non-current assets			
Investments accounted for using the equity method	**245,785**	(7,075)	**238,710**
Total non-current assets	**1,114,269**	(7,075)	**1,107,194**
Total assets	**1,215,126**	(7,075)	**1,208,051**
Equity			
Retained earnings	**(65,451)**	(7,075)	**(72,526)**
Total equity	**641,694**	(7,075)	**634,619**

The Group Statement of profit or loss and other comprehensive income (extract) 2017	As originally presented[4] €'000	IFRS 15 €'000	Restated €'000
Share of net profit of associates and joint venture accounted for using the equity method	**2,119**	(3,648)	**(1,529)**
Profit before tax	**10,266**	(3,648)	**6,618**
Profit for the year	**15,554**	(3,648)	**11,906**
Profit for the year attributable to:			
- Owners of IHI	**12,376**	(3,648)	**8,728**
- Non-controlling interests	**3,178**	-	**3,178**
	15,554	(3,648)	**11,906**
Earnings per share for profit attributable to owners of IHI	**0.020**	(0.006)	**0.014**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive income of joint ventures and associates accounted for using the equity method:			
Currency translation differences	**(449)**	277	**(172)**
Other comprehensive income for the year, net of tax	**24,803**	277	**25,080**
Total comprehensive income for the year	**40,357**	(3,371)	**36,986**
Total comprehensive income for the year attributable to:			
- Owners of IHI	**38,346**	(3,371)	**34,975**
- Non-controlling interests	**2,011**	-	**2,011**
	40,357	(3,371)	**36,986**

[4] Amounts are presented after the error restatement disclosed in Note 5.

4 Changes in accounting policies - continued

4.1 Impact on the financial statements - continued

The Company Balance sheet (extract)	31 Dec 2017 As originally presented[5] €'000	IFRS 9 €'000	1 Jan 2018 Restated €'000
Assets			
Non-current assets			
Other financial assets at amortised cost	**-**	130,599	**130,599**
Loans receivable	**130,599**	(130,599)	**-**
Total non-current assets	**963,956**	-	**963,956**
Current assets			
Other financial assets at amortised cost	**-**	17,937	**17,937**
Loans receivable	**17,937**	(17,937)	**-**
Total current assets	**44,117**	-	**44,117**
Total assets	**1,008,073**	-	**1,008,073**
Equity			
Other reserves	**84,907**	(3,171)	**81,736**
Accumulated losses	**(13,454)**	3,171	**(10,283)**
Total equity	**687,581**	-	**687,581**

There was no impact on the adoption of IFRS 15 on the Company's financial statements.

4.2 IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements for the Group's financial assets. The new accounting policies pertaining to financial assets are set out in Notes 3.14.1 to 3.14.4. There was no impact on adoption of IFRS 9 to the classification and measurement of financial liabilities. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is disclosed in the table below. IFRS 9 did not impact the Company's financial statements other than for the measurement of investments in subsidiaries, joint ventures and associates, which are measured at FVOCI under IFRS 9, as opposed to available-for-sale investments under IAS 39.

[5] Amounts are presented after the error restatement disclosed in Note 5.

4 Changes in accounting policies - continued

4.2 IFRS 9 Financial instruments - continued

The Group	Notes	2018 €'000
Closing retained earnings 31 December – IAS 39/IAS 18		**71,580**
Reclassification of investments from available-for-sale to FVTPL	(i)	153
Increase in provision for trade receivables and contract assets	(ii)	(462)
Reduction in deferred tax liabilities	(iii)	162
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		(147)
Opening retained earnings 1 January – IFRS 9 (before restatement for IFRS 15)		**71,433**

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS), the Group's management have assessed which business models apply to the financial assets held by the Group and have classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from these reclassifications are as follows:

The Group	Notes	FVTPL €'000	FVOCI (2017: Available-for-sale) €'000
Closing balance 31 December 2017 – IAS 39		**-**	**8,603**
Reclassify investments from available-for-sale to FVTPL	(a)	8,603	(8,603)
Opening balance at 1 January 2018 - IFRS 9		**8,603**	**-**

The impact of these changes on the Group's equity is as follows:

The Group	Notes	Effect on AFS reserves €'000	Effect on FVOCI reserve €'000	Effect on retained earnings[6] €'000
Opening balance – IAS 39		**153**	**-**	**-**
Reclassify investments from available-for-sale to FVTPL	(a)	(153)	-	153
Opening balance – IFRS 9		**-**	**-**	**153**

The impact on the Company's reserves as a result of the change in the measurement model of investments in subsidiaries, joint ventures and associates from the available-for-sale category to fair value through other comprehensive income, is as follows:

[6] Before adjustment for impairment.

4 Changes in accounting policies - continued

4.2 IFRS 9 Financial instruments - continued

The Company	Notes	Effect on AFS reserves €'000	Effect on FVOCI reserve €'000	Effect on retained earnings €'000
Opening balance – IAS 39		**170,552**	**-**	**(3,171)**
Reclassify investments in subsidiaries, joint ventures and associates from available-for-sale to FVOCI	(b)	(170,552)	167,381	3,171
Opening balance – IFRS 9		**-**	**167,381**	**-**

(a) Reclassification from available-for-sale to FVTPL

Certain investments held by the Group in funds and mutual funds were reclassified from available-for-sale to financial assets at FVTPL (€7.7m as at 1 January 2018). They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Additionally, the Group held equity investments with a carrying amount of €0.9m as at 1 January 2018, which were also reclassified from the available-for-sale to FVTPL category as the Group did not elect to measure these investments at FVOCI.

Related fair value gains of €0.2m were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

(b) Investments in subsidiaries, joint ventures and associates previously measured as available-for-sale

The Company elected to present in OCI changes in the fair value of its investments in subsidiaries, associates and joint ventures, which are measured in accordance with IFRS 9. These investments were previously measured as available-for-sale. As a result, fair value movements of €170.6m were reclassified from the Company's available-for-sale financial assets reserve to the FVOCI reserve on the same date. Additionally, €3.2m impairment losses which were recognised under IAS 39 within profit or loss, have been reclassified from retained earnings to the FVOCI reserve.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables and contract assets;
- Other financial assets at amortised cost; and
- Cash and cash equivalents.

Trade receivables and contract assets

The Group applies the IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 1 January 2018 by €0.5m for trade receivables and contract assets. Note 42.1 provides for details about the calculation of the allowance.

Other financial assets at amortised cost and cash and cash equivalents

Other financial assets at amortised cost, comprising loans receivable from related parties, as well as cash balances held with the Group's banks are subject to IFRS 9's general expected credit loss model. However, after an assessment of these balances was made as at 1 January 2018 and 31 December 2018, the identified impairment loss required was immaterial.

4 Changes in accounting policies - continued

4.2 IFRS 9 Financial instruments - continued

(iii) Deferred tax

Where applicable, the Group recognised the impact of deferred tax, which arose as a result of the above-mentioned adjustments, within opening retained earnings.

4.3 IFRS 15 Revenue from Contracts with Customers

The Group and the Company have adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group and the Company have adopted the new rules retrospectively and have restated comparatives for the 2017 financial year.

There was no impact on amounts recognised in the Company's financial statements as a result of the adoption of IFRS 15.

The Group's revenue recognition policies were revised as a result of the initial application of IFRS 15 and these are disclosed in Note 3.25. The impact on revenue recognised from the Group's operations was not material. However, adjustments to opening retained earnings were required due to the impact on transition of IFRS 15 on the revenue recognition policies of the Golden Sands and Azure Group, in which the Group has investments.

Accordingly, the impact of IFRS 15 upon transition is limited to the Group's share of the IFRS 15 adjustments made in the investees' financial statements, and which are reflected in the carrying amount of these investments. The adjustments made to the amounts recognised in the Group's balance sheet at the date of initial application (1 January 2018) and the beginning of the earliest period presented (1 January 2017) were as follows:

The Group Balance sheet (extract)	31 Dec 2017 as originally presented[7] €'000	Remeasurements €'000	1 Jan 2018 Restated €'000
Investments accounted for using the equity method	**59,872**	(10,446)	**49,426**

The Group Balance sheet (extract)	31 Dec 2016 as originally presented[9] €'000	Remeasurements €'000	1 Jan 2017 Restated €'000
Investments accounted for using the equity method	**245,785**	(7,075)	**238,710**

[7] The amounts in this column are before the adjustments from the adoption of IFRS 9, including increases in the impairment loss allowance for trade receivables and contract assets.

4 Changes in accounting policies - continued

4.3 IFRS 15 Revenue from Contracts with Customers - continued

The impact of the Group's retained earnings as at 1 January 2018 and 1 January 2017 is as follows:

The Group	2018 €'000	2017 €'000
Retained earnings – after IFRS 9 restatement	71,433	(65,451)
Adjustment to investment in joint ventures	(10,723)	(7,075)
Opening retained earnings 1 January – IFRS 9 and 15	**60,710**	**(72,526)**

5 Critical accounting estimates, judgements and errors

5.1 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.

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 16. Additionally, the significant estimates and uncertainties arising from the Group's operations in Libya are disclosed in Note 6.

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

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

5.2 Restatement of comparatives

5.2.1 Correction of error in accounting for investment in joint venture

During the current reporting period, the Group's management undertook a detailed review of an assets acquisition agreement entered into by the NLI Group ("NLI") in 2008. Upon acquisition of the mentioned properties, the Group had joint control of NLI, which was represented by an investment in joint venture and was recognised in the consolidated financial statements using the equity method of accounting. On 1 January 2017, the Group obtained control of NLI.

By virtue of the aforementioned review, management identified that the consideration payable for the properties acquired included an additional amount payable at the earlier of an event of sale of the underlying properties and August 2019. The consideration payable is based on the value of the underlying properties when this becomes due. This element of deferred and variable consideration was however not recognised in NLI's accounting records.

Accordingly, as at 1 January 2017, the Group corrected the error by adjusting its investment in joint venture through the recognition of its share of losses as a result of the creation of such liability in the NLI Group financial statements. Implicitly, upon obtaining control of NLI on the same date, the fair values of the consideration given up, NLI's net assets, and the non-controlling interest on acquisition, were adjusted retrospectively. Subsequent movements in the fair values of the liability, recognised in profit or loss, have also be recognised.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as disclosed in the table below:

5 Critical accounting estimates, judgements and errors - continued

5.2 Restatement of comparatives - continued

5.2.1 Correction of error in accounting for investment in joint venture - continued

The Group	31 December 2017 (reported) €'000	Increase/ (Decrease) €'000	31 December 2017 (restated) €'000	31 December 2016 (reported) €'000	Increase/ (Decrease) €'000	1 January 2017 (restated) €'000
Balance sheet (extract)						
Investments accounted for using the equity method	**59,872**	-	**59,872**	**250,913**	(5,128)	**245,785**
Trade and other payables (non-current)	**(4,699)**	(9,214)	**(13,913)**	**-**	-	**-**
Net assets	**884,632**	(9,214)	**875,418**	**646,822**	(5,128)	**641,694**
Translation reserve	**(11,228)**	192	**(11,036)**	**2,895**	-	**2,895**
Retained earnings	**76,379**	(4,799)	**71,580**	**(60,323)**	(5,128)	**(65,451)**
Non-controlling interest	**200,583**	(4,607)	**195,976**	**598**	-	**598**
Total equity	**884,632**	(9,214)	**875,418**	**646,822**	(5,128)	**641,694**

The Group	2017 €'000	Profit Increase/ (Decrease) €'000	2017 (restated) €'000
Statement of comprehensive income (extract)			
Net changes in fair value of contingent consideration	**-**	657	**657**
Results from operating activities	**33,517**	657	**34,174**
Profit for the year	**14,897**	657	**15,554**
Profit is attributable to:			
- Owners of IHI	**12,047**	329	**12,376**
- Non-controlling interests	**2,850**	328	**3,178**
	14,897	657	**15,554**
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	**(22,391)**	385	**(22,006)**
Other comprehensive income for the year, net of tax	**24,418**	385	**24,803**
Total comprehensive income for the period	**39,315**	1,042	**40,357**
Total comprehensive income is attributable to:			
- Owners of IHI	**37,825**	521	**38,346**
- Non-controlling interests	**1,490**	521	**2,011**
	39,315	1,042	**40,357**

The following table summarises the consideration, representing the fair value of the previously-held interest in the joint venture, the fair value of assets and liabilities acquired and the non-controlling interest at the acquisition date (i.e. 1 January 2017), taking into account the impact of the accounting error disclosed above:

5 Critical accounting estimates, judgements and errors - continued

5.2 Restatement of comparatives - continued

5.2.1 Correction of error in accounting for investment in joint venture - continued

The Group	NLI Group €'000
Purchase consideration	
Fair value of equity interest in NLI Group held before the business combination	193,367
Fair value of receivables due from NLI	2,930
	196,297
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	9,222
Property, plant and equipment	512,091
Investment property	46,874
Inventories	3,327
Trade and other receivables	6,850
Trade and other payables	(29,720)
Current income tax liabilities	(59)
Other financial liabilities	(2,930)
Borrowings	(155,604)
Deferred tax liabilities	(387)
Total identifiable net assets	**389,664**
Non-controlling interest	**(193,367)**
Total	**196,297**

The amounts disclosed above for the 2017 reporting period, and for the balance sheets as at 1 January and 31 December 2017 are before restatements for the change in accounting policy disclosed in Note 4.

5.2.2 Impact on the Company financial statements

The error disclosed in Note 5.2.1 above also impacted the carrying amount of the Company's investment in NLI as at 1 January 2017 and 1 January 2018, measured at fair value. Until 31 December 2016, the fair value of NLI, presented within the Company's investments in joint ventures, was carried at €212.4m. However, the calculation of fair value excluded the liability described in Note 5.2.1, pertaining to contingent amounts due on asset acquisition agreements. Accordingly, the error has been corrected by reducing the fair value of NLI as at 1 January 2017 by the Company's share of the liability, net of deferred tax. The net impact as at 1 January 2017 is a reduction in the carrying amount of the Company's investment in joint venture by €4.2m, with a corresponding reduction in retained earnings.

Further to the above, movements in the fair value of the liability after the Group obtained control of NLI (i.e. as at 1 January 2017) have been corrected by restating the Company's other comprehensive income (fair value reserve) and its investment in subsidiary.

The impact of the restatements in each of the affected line items in prior periods is disclosed in the table below:

5 Critical accounting estimates, judgements and errors - continued

5.2 Restatement of comparatives - continued

5.2.2 Impact on the Company financial statements - continued

The Company	31 December 2017 (reported) €'000	Increase/ (Decrease) €'000	31 December 2017 (restated) €'000	31 December 2016 (reported) €'000	Increase/ (Decrease) €'000	1 January 2017 (restated) €'000
Balance sheet (extract)						
Investments in subsidiaries	**801,441**	(4,607)	**796,834**	**560,324**	-	**560,324**
Investments in associates and joint ventures	**12,604**	-	**12,604**	**212,027**	(5,128)	**206,899**
Deferred tax liabilities	**(75,246)**	864	**(74,382)**	**(56,388)**	962	**(55,426)**
Net assets	**691,324**	(3,743)	**687,581**	**666,034**	(4,166)	**661,868**
Other reserves	**88,650**	(3,743)	**84,907**	**73,606**	(4,166)	**69,440**
Total equity	**691,324**	(3,743)	**687,581**	**666,034**	(4,166)	**661,868**

The Company	2017 €'000	Profit Increase/ (Decrease) €'000	2017 (restated) €'000
Statement of comprehensive income (extract)			
Loss for the year	**(7,689)**	-	**(7,689)**
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss			
Net changes in fair value of investments investment in subsidiaries, associates and joint ventures	**45,479**	521	**46,000**
Income tax relating to components of other comprehensive income	**(15,672)**	(98)	**(15,770)**
Other comprehensive income for the year, net of tax	**32,979**	423	**33,402**
Total comprehensive income for the period	**25,290**	423	**25,713**

The amounts disclosed above for the 2017 reporting period, and for the balance sheets as at 1 January and 31 December 2017 are before restatements for the change in accounting policy disclosed in Note 4.

5.2.3 Reclassification of comparative information

In addition to the correction of the above error, comparative figures disclosed in 'costs of providing services' have been reclassified with effect from these financial statements to 'other operating expenses' to conform with the current year's presentation for the purpose of fairer presentation. These reclassifications have been made following a determination that the presentation adopted with effect from the current year provides more comparable and meaningful information when compared to industry practice.

The impact of the reclassification on the Group's income statement for the comparative period is disclosed in the table below:

5 Critical accounting estimates, judgements and errors - continued

5.2 Restatement of comparatives - continued

5.2.3 Reclassification of comparative information - continued

The Company	As reported 2017 €'000	Restatement €'000	As restated 2017 €'000
Statement of comprehensive income (extract)			
Revenue	**242,413**	-	**242,413**
Costs of providing services	**(132,015)**	18,797	**(113,218)**
	110,398	18,797	**129,195**
Other operating expenses	**(403)**	(18,797)	**(19,200)**

6 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 €76.4m (2017: €78.9m);
- An adjoining Commercial Centre to the above-mentioned hotel, with a carrying amount of €73.7m (2017: €68.2m);
- The ownership of a site surrounding the hotel, with a carrying amount of €29.5m (2017: €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 €12.8m (2017: €12.6m).

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 firm date for such elections has been set with rival leaders jostling for territory which could further exacerbate the situation. The political instability in Libya and the state of economic uncertainty that continued to prevail during the financial year ended 31 December 2018 continued to have 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, it should be noted that the turnover registered during 2018 by Corinthia Towers Tripoli Limited amounts to €10.7m (2017: €7.5m) representing 4.2% (2017: 3.1%) of the Group's Revenue, with a profit before tax of €6.5m (2017: loss €1.2m). Current year revenue includes €6.9m (2017: €5.5m) generated from rental contracts attributable to the Commercial Centre that remained in full operation throughout since its opening, generating a steady income from the lease of commercial offices within the Centre. The existence of long-term leases has mitigated the impact of the continued political instability and state of uncertainty on the Commercial Centre. During 2018 and 2017, the Group secured further lease agreements resulting in the commercial centre being almost fully leased out as from the last quarter of 2018.

6 The Group's operations in Libya - continued

Accordingly, whilst the hotel sustained negative net financial results during 2018 and 2017 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 significantly in maintenance and security costs to ensure that the hotel is kept in a pristine t condition to allow it to resume operations once the situation improves.

The significant economic and political uncertainty prevailing in Libya at present, renders fair valuation of property assets situated in Libya, by reference to projected cash flows from operating the asset or to market sales prices, extremely difficult and judgemental.

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 same 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 and have recently started accepting hotel bookings again with room revenue increasing from €0.5million last year to €1.6m in 2018. Catering income from the hotel also continued to increase from €2.3m last year to €3.8m during the year under review. As a result, the valuation assessments supporting the carrying amount of the Hotel in Libya is substantially in line with the assessments made last year, save for a reduction in the carrying value of €2.6m 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 €40.5m recognised in 2014 and further depreciation charges amounting to €11.78m accounted for between 2015 and 2018.

In the case of the Commercial Centre, the Directors engaged a firm of independent third-party valuers to assist them in establishing fair values of this asset as at 31 December 2018. This exercise resulted in the value of the premises increasing by €5.5m. This increase is supported by the fact that the premises is now almost fully leased out to blue chip companies.

Further information on the key assumptions and judgements underlying the valuation of property assets is disclosed in Note 16, together with an analysis of sensitivity of the valuations to shifts or changes in the key parameters reflected.

The economic conditions in Libya create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2018, in addition to a current tax asset of €2.3m (2017: €2.6m), Corinthia Towers Tripoli Limited also had amounts due from Government related entities amounting to €3.5m (2017: €3.4m) and other amounts receivable from embassies and corporate clients which are expected to return to Libya once the political situation improves. Increased provisions for impairment have been registered to reflect estimated net recoverable amounts in this respect.

The Group's investment property also includes a site surrounding the hotel, with no determined commercial use, having a carrying amount of €29.5m as at 31 December 2018, which is unchanged from the carrying amount as at 31 December 2017. This fair valuation is based on an independent real estate value of the site taking into account limited available market information.

6 The Group's operations in Libya - continued

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 2018 comprise the project site carried at €27.8m (2017: €27.1m), amounts capitalised in respect of the project amounting to €16.0m (2017: €13.9m) and cash balances amounting to €8.4m (2017: €10.7m).

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

	Carrying amount as at	
	31 December 2018 €m	31 December 2017 €m
Corinthia Towers Tripoli Limited		
Property, plant and equipment	**76.4**	78.9
Investment property	**103.2**	97.7
Inventories	**1.7**	1.7
Trade receivables, gross of provisions	**3.5**	3.5
Current tax receivable	**2.3**	2.6
Medina Towers J.S.C.		
Investment in associate accounted for using the equity method of accounting	**12.8**	12.6

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.

7 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. Operations were based in six countries until 2016, however, during 2017, London was identified as an additional segment pursuant to Corinthia London's consolidation into the Group. Malta is the jurisdiction of the parent and management companies.

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

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

7 Segment reporting - continued

Information about reportable segments

Hotels	Malta		Portugal		Hungary		Russia		Prague		London		Libya		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Segment revenue	**47,568**	40,770	**26,404**	24,747	**26,360**	26,041	**16,500**	16,537	**20,100**	19,310	**68,803**	66,587	**3,779**	1,998	**209,514**	195,990
EBITDA	**11,397**	11,549	**7,125**	7,056	**7,514**	7,988	**6,775**	5,332	**5,323**	4,905	**14,971**	13,644	**(2,362)**	(3,270)	**50,743**	47,204
Depreciation and amortisation	**(4,354)**	(3,220)	**(2,679)**	(2,123)	**(1,432)**	(1,465)	**(2,462)**	(3,004)	**(1,686)**	(1,646)	**(13,807)**	(13,205)	**(2,598)**	(2,565)	**(29,018)**	(27,228)
Reversals of impairment losses recognised in profit or loss	**-**	-	**-**	-	**-**	-	**-**	3,998	**-**	-	**-**	-	**-**	-	**-**	3,998
Segment profit or loss	**7,043**	8,329	**4,446**	4,933	**6,082**	6,523	**4,313**	6,326	**3,637**	3,259	**1,164**	439	**(4,960)**	(5,835)	**21,725**	23,974

7 Segment reporting - continued

Information about segments - continued

Hotels	Malta		Portugal		Hungary		Russia		Prague		London		Libya		Total	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000 (restated)
Segment revenue															**209,514**	195,990
Rental income from investment property															**12,836**	13,449
Hotel management company revenue															**17,014**	16,829
Catering business revenue															**24,815**	23,114
Project management revenue															**5,956**	3,940
Development revenue															**917**	786
Holding company revenue															**57,961**	21,401
Elimination of intra-group revenue															**(72,699)**	(33,096)
Group revenue															**256,314**	242,413
Segment profit or loss															**21,725**	23,974
Net rental income from investment property															**10,918**	11,131
Change in fair value of investment property															**6,994**	278
Catering business result															**1,274**	228
Impairment of catering related intangibles															**(1,980)**	(3,000)
Net change in fair value of contingent consideration															**353**	657
Project management business result															**1,328**	869
Development business result															**137**	(26)
Unallocated items															**(559)**	436
Corporate office operating profit/(loss)															**52,307**	(16)
Hotel management company operating profit															**7,523**	5,837
Depreciation															**(1,542)**	(1,506)
Amortisation															**(2,642)**	(2,332)
Movement in indemnification assets															**(210)**	(210)
Consolidation adjustments															**(57,237)**	(2,146)
															38,389	34,174
Share of results from equity accounted investments															**(1,364)**	(1,529)
Investment income															**126**	136
Finance income															**833**	1,387
Finance costs															**(29,512)**	(25,741)
Amounts reclassified from other comprehensive income upon consolidation of NLI															**-**	(1,809)
Profit before tax															**8,472**	6,618

7 Segment reporting - continued

Information about reportable segments - continued

Hotels	Malta		Portugal		Hungary		Russia		Prague		London		Libya		Total	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000		
															Total 2018 €'000	2017 €'000 (restated)
Non-current assets																
Hotels	**168,881**	138,803	**114,736**	97,409	**121,874**	121,617	**79,146**	87,584	**88,300**	82,306	**496,398**	496,139	**76,367**	78,881	**1,145,702**	1,102,739
Investment properties															**203,539**	205,238
Hotel management															**38,980**	39,928
Catering business															**11,321**	18,119
Project management business															**2,666**	2,667
Development business															**4**	5
Holding company															**70,926**	77,783
Unallocated items															**17,189**	7,532
															1,490,327	1,454,011

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

8 Expenses by nature

The major items included within costs of providing services, administrative expenses and other operating expenses are included below:

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Loss on disposal of property, plant and equipment	**1,763**	416	**2**	3
Depreciation of property, plant and equipment (Note 16)	**30,560**	28,159	**24**	32
Amortisation of intangible assets (Note 13)	**2,642**	2,907	**15**	78
Operating lease costs	**4,729**	4,510	**218**	118
Net exchange differences	**(314)**	(680)	**-**	-
Professional fees	**3,322**	2,968	**664**	488
Cost of goods sold	**22,212**	21,272	**-**	-
Energy utilities	**8,144**	7,615	**-**	-
Employee benefit expenses (Note 9)	**86,806**	80,876	**4,863**	4,529
Property taxes	**3,136**	3,287	**-**	-
Repairs and maintenance	**2,201**	1,972	**-**	-

Director's remuneration charged in the income statements in 2018 amounted €0.9m (2017: €0.9m). This amount is net of a recharge of €0.5m (2017: €0.3m) to CPHCL, the Group's immediate parent entity. The gross amount includes a fixed portion of €0.8m (2017: €0.8m) and a variable portion of €0.5m (2017: €0.4m). Included in this remuneration are Directors' fees of €0.4m (2017: €0.4m).

8.1 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 2018 and 31 December 2017 are shown in the table below.

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Annual statutory audit	**452**	473	**95**	96
Tax compliance and advisory fees	**158**	67	**18**	11
Other non-audit services	**32**	35	**27**	30
	642	575	**140**	137

9 Personnel expenses

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Wages and salaries	**72,711**	67,584	**4,052**	3,845
Social security contributions	**7,248**	6,677	**774**	317
Other staff costs	**6,847**	6,615	**37**	367
	86,806	80,876	**4,863**	4,529

9 Personnel expenses - continued

Weekly average number of employees:

	The Group		The Company	
	2018 No.	2017 No.	2018 No.	2017 No.
Management and administrative	**720**	598	**24**	24
Operating	**1,990**	2,034	**-**	-
	2,710	2,632	**24**	24

10 Finance income and finance costs

	The Group	
	2018 €'000	2017 €'000
Finance income:		
Interest income on:		
Loans advanced to related companies	**445**	780
Other balances	**12**	38
Bank deposits	**376**	569
Finance income	**833**	1,387
Finance costs:		
Interest expense on:		
Bank borrowings	**(9,689)**	(10,251)
Bonds	**(10,238)**	(10,675)
Capital and other creditors	**(668)**	(307)
Imputed interest on convertible bonds and amortisation of bond issue costs	**(845)**	(1,241)
Other costs	**(44)**	(31)
Net exchange differences	**(8,028)**	(3,236)
Finance costs	**(29,512)**	(25,741)

11 Tax (expense)/income

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

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Current taxation:				
Current year tax expense	**(3,052)**	(3,444)	**(3,288)**	-
Adjustment recognised in financial period for current tax of prior period	**-**	(45)	**-**	(45)
Deferred taxation:				
Deferred tax income	**2,333**	9,016	**2,528**	5,017
Adjustment recognised in financial period for deferred tax of prior period	**706**	(239)	**-**	820
	(13)	5,288	**(760)**	5,792

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

11.1 Tax (expense)/income reconciliation

	The Group		The Company	
	2018 €'000	2017 €'000 (restated)	2018 €'000	2017 €'000
Profit/(loss) before tax	**8,472**	6,618	**43,128**	(13,481)
Income tax using the Company's domestic tax rate	**(2,965)**	(2,316)	**(15,094)**	4,718
Effect of (losses)/income subject to foreign/different tax rates	**(1,325)**	2,092	**14,334**	350
Non-tax deductible expenses	**(205)**	(464)		(51)
Effect of derecognising deferred tax liability upon obtaining control of NLI	**-**	(1,272)	**-**	-
Movement in unrecognised deferred tax	**-**	8,788	**-**	-
(Under)/over provision in respect of previous years	**706**	(284)	**-**	775
Change in unrecognised temporary differences	**(820)**	-		
Increase in tax base of intangible asset	**5,390**	-	**-**	-
Other	**(794)**	(1,256)	**-**	-
Tax (expense)/income	**(13)**	5,288	**(760)**	5,792

The amount of €5.4m in the above reconciliation, explained as an 'increase in tax base of intangible asset' pertains to a deferred tax asset recognised following an intra-group transfer of the Corinthia brand (Note 13), which resulted in an increase in the tax base of the intangible.

11 Tax (expense)/income - continued

11.2 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:

	2018			2017		
	Before tax €'000	Tax (charge)/ credit €'000	Net of tax €'000	Before tax €'000 (restated)	Tax (charge)/ credit €'000 (restated)	Net of tax €'000 (restated)
Group						
Fair valuation of land and buildings	**35,842**	**(6,255)**	**29,587**	15,853	(733)	15,120
Currency translation differences	**(15,310)**	**1,895**	**(13,415)**	(22,006)	(360)	(22,366)
Available-for-sale financial assets	**-**	**-**	**-**	472	(165)	307
Release of deferred tax on unremitted earnings on obtaining control of NLI	**-**	**-**	**-**	-	23,657	23,657
Reclassification of currency translation reserve to profit or loss upon obtaining control of NLI	**-**	**-**	**-**	1,809	-	1,809
	20,532	**(4,360)**	**16,172**	(3,872)	22,399	18,527
Company						
Fair value movements on investments in subsidiaries, associates and joint ventures	**(1,826)**	**359**	**(1,467)**	50,879	(17,477)	33,402

12 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	
	2018 €'000	2017 €'000 (restated)
Profit from operations attributable to the owners of the parent	**11,350**	8,728
Number of shares:		
At 1 January	**615,685**	597,750
Effect of bonus share issue	**-**	17,935
At 31 December	**615,685**	615,685
Weighted average number of shares:		
At 1 January	**615,685**	597,750
Effect of bonus share issue	**-**	17,935
	615,685	615,685

The earnings per share calculation for 2017 has been restated by the effects of the change in accounting policy and accounting error disclosed in Notes 4 and 5 respectively.

As at 31 December 2018 and 2017, the Group does not have any dilutive shares. Accordingly, the diluted earnings per share disclosure which would have otherwise been required by IAS 33, is not presented.

13 Intangible assets

	The Group						
	Goodwill €'000	Brands €'000	Brand design fee and other rights €'000	Concessions €'000	Operating contracts €'000	Others €'000	Total €'000
Cost							
At 1 January 2017	28,614	22,721	10,199	463	23,334	2,130	87,461
Additions	-	-	483	-	-	13	496
At 31 December 2017	28,614	22,721	10,682	463	23,334	2,143	87,957
At 1 January 2018	28,614	22,721	10,682	463	23,334	2,143	87,957
Business combinations (Note 39)	2,368	-	-	-	-	-	2,368
Additions	-	-	66	-	-	284	350
Disposal	-	-	(1,190)	-	-	-	(1,190)
At 31 December 2018	**30,982**	**22,721**	**9,558**	**463**	**23,334**	**2,427**	**89,485**
Amortisation							
At 1 January 2017	15,114	-	1,834	187	11,864	1,693	30,692
Impairment	-	500	2,500	-	-	-	3,000
Amortisation for the year	-	-	1,586	103	1,167	51	2,907
At 31 December 2017	15,114	500	5,920	290	13,031	1,744	36,599
At 1 January 2018	15,114	500	5,920	290	13,031	1,744	36,599
Impairment	-	1,000	980	-	-	-	1,980
Amortisation for the year	-	-	1,326	40	1,167	109	2,642
Disposal	-	-	(97)	-	-	-	(97)
At 31 December 2018	**15,114**	**1,500**	**8,129**	**330**	**14,198**	**1,853**	**41,124**
Carrying amount							
At 1 January 2017	13,500	22,721	8,365	276	11,470	437	56,769
At 31 December 2017	13,500	22,221	4,762	173	10,303	399	51,358
At 31 December 2018	**15,868**	**21,221**	**1,429**	**133**	**9,136**	**574**	**48,361**

	The Company		
	Brand €'000	Others €'000	Total €'000
Cost			
At 1 January 2017	19,600	1,075	20,675
Acquisitions	-	6	6
At 31 December 2017	19,600	1,081	20,681
At 1 January 2018	19,600	1,081	20,681
Disposal	(19,600)	(153)	(19,753)
At 31 December 2018	**-**	**928**	**928**
Amortisation			
At 1 January 2017	-	929	929
Amortisation for the year	-	78	78
At 31 December 2017	-	1,007	1,007
At 1 January 2018	-	1,007	1,007
Disposal	-	(97)	(97)
Amortisation for the year	-	15	15
At 31 December 2018	**-**	**925**	**925**
Carrying amount			
At 1 January 2017	19,600	146	19,746
At 31 December 2017	19,600	74	19,674
At 31 December 2018	**-**	**3**	**3**

13 Intangible assets - continued

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 11 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 2018 and 2017.

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 2019 - 2028. The following are the key assumptions underlying the projections:

- revenue derived from IHI properties is based on operational projections. This accounts for 72.0% of the total revenue in the explicit period (2017 - 85.0%);
- revenue from other properties is assumed to increase by 2.0% per annum on 2018 budget (2017 – 2.0% on 2018 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 12.9% was applied to the operating projections of CHL (2017 - 11.0%).

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.

13 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.

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 2018, following an assessment of the fair value of the brand the directors impaired the value of the brand by €1.0m (2017: €0.5m).

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 2018 and 2017, the Group operated thirteen outlets each enjoying a strategic location in areas popular for retail operations.

Costa Coffee Spain

The Group operates twelve Costa Coffee outlets in the East Coast of Spain, the Canary and Balearic Islands. The recoverable amount of these cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors. In relation to the Costa Coffee Spain CGU a fifteen-year explicit period has been adopted to reflect more accurately expected renewals of the operational arrangements. The discount rates are based on the group's weighted average cost of capital adjusted for specific industry risks and the group's optimal desired debt-to-equity ratio. The cash flow projections from the Costa Coffee Malta CGU are mainly based on the initial five-year period, also extrapolated to a fifteen year period to reflect expected renewal of operational agreements.

With respect to the Costa Coffee Spain CGU, given the negative results, this CGU was subjected to an impairment assessment that resulted in an impairment charge of €1.0m (2017: €2.5m). This has now resulted in the intangible recognised on the Costa Coffee Spain to be fully impaired.

The key assumptions utilised in determining the value of these CGUs as at 31 December 2018 and 2017 are reflected in the tables below:

13 Intangible assets - continued

Brand design fee and other rights - continued

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

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

On this basis, as at 31 December 2018, the carrying amount of the Costa Coffee Spain CGUs exceeds the recoverable amount, resulting in an impairment of €1.0m.

13 Intangible assets - continued

Brand design fee and other rights - continued

Information about significant unobservable inputs in determining recoverable amount as at 31 December 2017

Description by class based on highest and best use	Valuation technique	Significant unobservable inputs weighted average			
	Income capitalisation approach (DCF)	Evolution of EBITDA	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Costa Coffee Malta		€1.5m - €0.9m initial five year period FY18 - FY22	14.35	2.00	12.35
Costa Coffee Spain		€0.2m - €0.8m – initial five year period FY18-FY22 €1.0m - €1.8m second five year period FY23-FY27	14.30	2.00	12.30

On this basis, as at 31 December 2017, the carrying amount of the Costa Coffee Spain CGUs exceeds the recoverable amount, resulting in an impairment of €2.5m.

Sensitivity parameters applied in valuation model are summarised below:

2017 **Sensitivity parameter**	**Related impact of impairment:**
Increasing projection risk factor by 50% (from 4% to 6%)	€0.5m

Others

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

14 Indemnification assets

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
At 1 January	**23,815**	24,025	**1,997**	1,997
Change in fair value	**(210)**	(210)	**-**	-
At 31 December	**23,605**	23,815	**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. The sales contract was exempt from taxation on the basis that share capital of MSG was transferred rather than the hotel property. Should IHI dispose of the hotel property, it may become liable to tax that it would not have become liable to pay had CPHCL transferred the hotel property as opposed to the transfer of the issued share capital. The indemnity agreement provides that in this event, CPHCL will indemnify against any tax which IHI may incur or sustain up to a maximum of €4.8m. The indemnity shall automatically expire on 13 February 2019.

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.

15 Investment property

	The Group	
	2018 €'000	2017 €'000
At 1 January	**205,238**	164,278
Change in fair value (a)	**6,994**	278
Additions	**13**	426
Business combinations (Note 5)	**-**	46,874
Currency translation differences	**(8,706)**	(6,618)
At 31 December	**203,539**	205,238

15 Investment property - continued

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 16.1.

The carrying amount of each investment property is as follows:

	The Group	
	2018	2017
	€'000	€'000
Investment property		
Commercial Centre in St Petersburg	**55,687**	61,805
Commercial Centre in Tripoli	**73,743**	68,243
Commercial Centre in Lisbon	**2,800**	2,300
Site in Tripoli	**29,500**	29,500
Apartment in London	**41,809**	43,390
	203,539	205,238

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 €12.8m (2017: €13.5m) and direct expenses to €1.9m (2017: €2.5m).

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

16 Property, plant and equipment

	The Group					
	Land and buildings €'000	Plant and equipment €'000	Furniture, fixtures and fittings €'000	Motor vehicles €'000	Assets in the course of construction €'000	Total €'000
Cost/revalued amount						
Balance at 1 January 2017	794,099	89,650	89,539	1,057	34,467	1,008,812
Revaluation surplus	15,853	-	-	-	-	15,853
Business combinations (Note 5)	455,522	18,505	23,481	-	14,583	512,091
Additions	1,497	2,013	180	-	9,544	13,234
Reallocations	(2,363)	6,689	(328)	-	(3,998)	-
Disposals	(464)	(302)	(939)	(28)	-	(1,733)
Currency translation difference	(25,885)	(2,390)	(2,663)	(12)	(967)	(31,917)
Balance at 31 December 2017	1,238,259	114,165	109,270	1,017	53,629	1,516,340
Balance at 1 January 2018	1,238,259	114,165	109,270	1,017	53,629	1,516,340
Revaluation surplus	35,842	-	-	-	-	35,842
Business combinations (Note 39)	25,510	488	1,235	-	-	27,233
Additions	4,213	6,320	4,582	-	13,712	28,827
Reallocations	3,952	3,518	873	3	(8,346)	-
Disposals	(171)	(357)	(2,197)	(157)	(14)	(2,896)
Currency translation differences	(19,394)	(1,495)	(1,690)	(19)	(326)	(22,924)
Balance at 31 December 2018	**1,288,211**	**122,639**	**112,073**	**844**	**58,655**	**1,582,422**
Depreciation and impairment losses						
Balance at 1 January 2017	236,650	81,878	71,590	929	-	391,047
Depreciation for the year	12,556	6,953	8,620	30	-	28,159
Net impairment losses	(3,998)	-	-	-	-	(3,998)
Reallocations	717	(717)	-	-	-	-
Disposals	(86)	(326)	(770)	(4)	-	(1,186)
Currency translation differences	(2,564)	(1,629)	(1,732)	(8)	-	(5,933)
Balance at 31 December 2017	243,275	86,159	77,708	947	-	408,089
Balance at 1 January 2018	243,275	86,159	77,708	947	-	408,089
Depreciation for the year	14,069	8,374	8,091	26	-	30,560
Net impairment losses	-	6	120	-	-	126
Reallocations	-	425	(441)	16	-	-
Disposals	(141)	-	(1,183)	(164)	-	(1,488)
Currency translation differences	(3,465)	(1,272)	(1,357)	(16)	-	(6,110)
Balance at 31 December 2018	**253,738**	**93,692**	**82,938**	**809**	**-**	**431,177**
Carrying amounts						
At 1 January 2017	557,449	7,772	17,949	128	34,467	617,765
At 31 December 2017	994,984	28,006	31,562	70	53,629	1,108,251
At 31 December 2018	**1,034,473**	**28,947**	**29,135**	**35**	**58,655**	**1,151,245**

16 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 2017	-	181	113	42	336
Additions	4	9	6	-	19
Disposals	-	(3)	-	-	(3)
Balance at 31 December 2017	4	187	119	42	352
Balance at 1 January 2018	4	187	119	42	352
Additions	-	21	8	-	29
Disposals	-	(3)	-	-	(3)
Balance at 31 December 2018	**4**	**205**	**127**	**42**	**378**
Depreciation					
Balance at 1 January 2017	-	111	88	41	240
Depreciation for the year	-	21	10	1	32
Disposals	-	-	-	-	-
Balance at 31 December 2017	-	132	98	42	272
Balance at 1 January 2018	-	132	98	42	272
Depreciation for the year	-	19	5	-	24
Disposals	-	(1)	-	-	(1)
Balance at 31 December 2018	**-**	**150**	**103**	**42**	**295**
Carrying amounts					
At 1 January 2017	-	70	25	1	96
At 31 December 2017	4	55	21	-	80
At 31 December 2018	**4**	**55**	**24**	**-**	**83**

16.1 Fair valuation of property

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

The Corinthia Hotel St Petersburg, Corinthia Hotel Prague and Corinthia Hotel Lisbon were the hotel properties subject to an independent valuation exercise as at 31 December 2018.

The revaluations in 2018 and 2017 were made by the directors, assisted by independent professionally qualified property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The book values of these properties 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.

16 Property, plant and equipment - continued

16.1 Fair valuation of property - continued

During the year ended 31 December 2018, the Group acquired the Corinthia Palace Hotel and Spa, Malta through the acquisition described in Note 39. The fair value of the hotel building at year end remained unchanged to that determined in the valuation on the date of the transaction. The inputs used in the valuation are disclosed in the table below.

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.

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 2018 and 2017, 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 15 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.

16 Property, plant and equipment - continued

16.1 Fair valuation of property - continued

Valuation processes - continued

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 2018 and 2017, 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.

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

- Adjusted sales comparison approach: a sales price per square meter 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.

16 Property, plant and equipment - continued

16.1 Fair valuation of property - continued

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

Description by class based on highest and best use	Fair value at 31 December 2018 €'000	Valuation technique	Significant unobservable inputs			
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 discount rate (WACC)**	**Growth rate**	**Capitalisation rate**
			FY19-FY23	%	%	%
Corinthia Hotel & SPA Lisbon	**114,736**		€8.2m - €10.7m	7.66	2.00	5.66
Corinthia Hotel Prague	**88,300**		€5.5m - €6.8m	7.74	2.00	5.74
Corinthia Hotel St Petersburg	**79,022**		RUB562m – RUB630m	12.25	4.00	8.25
Corinthia Palace Hotel and Spa, Malta	**26,957**		€1.2m - €3.3m	11.72	1.80	1.92
Current property for commercial use (classified as investment property):		**Income capitalisation approach (DCF)**	**Evolution of EBITDA over initial projected five year period**	**Pre-tax rate (WACC)**	**Growth rate**	**Capitalisation rate**
			FY19-FY23	%	%	%
Commercial Centre in St Petersburg	**55,687**		RUB352m – RUB463m	12.7	3.00	9.70
Commercial Centre in Tripoli	**73,743**		€6.8m - €7.2m	11.20	3.00	7.84
Current property/land for commercial use (classified as investment property):		**Adjusted sales comparison approach**	**Sales price per square meter**			
Apartment block in Lisbon	**2,800**		€5,572			
Site in Tripoli	**29,500**		€2,300			
London Apartment	**41,809**		£28,860			

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 meter, the higher the resultant fair valuation.

16 Property, plant and equipment - continued

16.1 Fair valuation of property - continued

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

Description by class based on highest and best use	Fair value at 31 December 2017 €'000	Valuation technique	Significant unobservable inputs			
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 discount rate (WACC)**	**Growth rate**	**Capitalisation rate**
			FY18-FY22	%	%	%
Corinthia Hotel St Petersburg	**84,488**		RUB521m - RUB599m	13.25	5.00	8.25
Corinthia Hotel Tripoli	**78,881**		(€2.7m) - €9.7m	11.82	2.00	9.82
Corinthia Hotel London	**496,140**		£19.2 m - £25.7 m	7.20	2.70	4.50
Marina Hotel St George's Bay, Malta *	**31,115**		€2.9m - €3.1m	9.91	1.80	5.23
Corinthia Hotel St. George's Bay, Malta*	**40,477**		€4.1m - €4.5m	10.56	1.80	5.66
Radisson Blue Resort, Malta *	**39,628**		€3.9m - €4.3m	10.42	1.80	5.57
Current use as hotel properties (classified as property, plant and equipment)		**Adjusted sales-comparison approach**				
Corinthia Hotel Budapest *	**122,458**		€1,769			

16 Property, plant and equipment - continued

16.1 Fair valuation of property - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2017 - continued

Description by class based on highest and best use	Fair value at 31 December 2017 €'000	Valuation technique	Significant unobservable inputs			
Current use as commercial properties (classified as investment property):		**Adjusted sales-comparison approach**	**Sales price per room**			
Commercial Centre in St Petersburg	**61,805**		RUB212m – RUB291m	13.00	5.00	8.25
Commercial Centre in Tripoli	**68,243**		€5.8m - €6.9m	11.08	3.00	8.08
Current land for commercial use (classified as investment property):		**Adjusted sales comparison approach**	**Sales price per square meter**			
Site in Tripoli	**29,500**		€2,300			
London Apartment	**43,390**		£29,986			

The information disclosed above remains applicable in 2018 for those properties where the carrying amount as at 31 December 2018 was not materially different to the fair value as at 31 December 2017.

*These properties were last subject to an independent valuation exercise during the year ended 31 December 2016; accordingly, the inputs disclosed in the above tables are those emanating from such valuations.

16 Property, plant and equipment - continued

16.1 Fair valuation of property - continued

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 2018.

As explained in Note 6 to the financial statements, the future performance of the Group's hotel and the commercial centre situated in Tripoli and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside. In accordance with the fair valuations as at 31 December 2018 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%)	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Corinthia Hotel & Spa Lisbon	+/- 10,050	+/- 700	+/- 7,772	+/- 4,600
Corinthia Hotel Budapest	+/- 720	+/- 720	+/- 5,600	+/- 5,600
Corinthia Hotel Prague	+/- 7,105	+/- 600	+/- 4,395	+/- 4,100
Marina Hotel, St George's Bay, Malta	+/- 200	+/- 200	+/- 1,600	+/- 1,600
Corinthia Hotel St George's Bay, Malta	+/- 250	+/- 250	+/- 2,000	+/- 2,000
Corinthia Hotel St Petersburg	+/- 4,658	+/- 3,000	+/- 4,506	+/- 4,400
Corinthia Hotel Tripoli	+/- 3,000	+/- 3,000	+/- 4,000	+/- 4,000
Commercial Centre in St Petersburg	+/- 2,921	+/- 1,430	+/- 2,929	+/- 650
Commercial Centre in Tripoli	+/- 4,236	+/- 420	+/- 3,722	+/- 3,400
Radisson Blu Resort, Malta	+/- 250	+/- 250	+/- 2,000	+/- 2,000
Corinthia Hotel London	+/- 20,000	+/- 20,000	+/- 24,000	+/- 24,000
Corinthia Palace Hotel and Spa, Malta	+/- 1,974	-	+/- 1,544	-

16.2 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 2018 €'000	The Group Movement €'000	At 31 December 2018 €'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	12,169	-	12,169
Corinthia Hotel & Spa Lisbon	17,761	17,150	34,911
Corinthia Hotel Prague	3,415	7,442	10,857
Corinthia Hotel Budapest	25,129	-	25,129
Corinthia Hotel London	12,186	6,340	18,526
Marina Hotel, St George's Bay, Malta	9,206	-	9,206
Corinthia Hotel St Petersburg	3,667	4,910	8,577
Radisson Blu Resort, Malta	4,284	-	4,284
	87,817	**35,842**	**123,659**

16 Property, plant and equipment - continued

16.2 Adjustments to carrying amount of properties - continued

	At 1 January 2017 €'000	Movement €'000	At 31 December 2017 €'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	12,169	-	12,169
Corinthia Hotel & Spa Lisbon	17,761	-	17,761
Corinthia Hotel Prague	3,415	-	3,415
Corinthia Hotel Budapest	25,129	-	25,129
Corinthia Hotel London	-	12,186	12,186
Marina Hotel, St George's Bay, Malta	9,206	-	9,206
Corinthia Hotel St Petersburg	-	3,667	3,667
Radisson Blu Resort, Malta	4,284	-	4,284
	71,964	15,853	87,817

Impairment charges/(reversals of impairment losses) recognised in profit or loss, gross of deferred tax:

	At 1 January 2018 €'000	The Group Movement €'000	At 31 December 2018 €'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**

	At 1 January 2017 €'000	Movement €'000	At 31 December 2017 €'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	4,338	(3,998)	340
Marina Hotel, St George's Bay, Malta	121	-	121
	19,357	(3,998)	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 2018 and 2017, 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 increases in fair value of hotel properties reflect enhanced 2017 and 2018 results and the resultant impact of projected performance.

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.

16 Property, plant and equipment - continued

16.3 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	
	2018	2017
	€'000	€'000
Hotel property		
Corinthia Hotel St George's Bay, Malta	**39,070**	39,773
Corinthia Hotel & Spa Lisbon	**114,736**	97,409
Corinthia Hotel Prague	**88,300**	82,306
Corinthia Hotel Tripoli	**76,367**	78,881
Corinthia Hotel Budapest	**121,874**	121,617
Corinthia Hotel St Petersburg	**79,022**	84,488
Corinthia Hotel London	**495,854**	496,140
Marina Hotel, St George's Bay, Malta	**30,500**	30,957
Radisson Blu Resort, Malta	**37,513**	38,791
Corinthia Palace Hotel and Spa, Malta	**28,915**	-
	1,112,151	1,070,362

16.4 Historic cost basis of properties

If the cost model had been used the carrying amounts of the revalued properties would be €968.5m (2017: €966.8m). The revalued amounts include a revaluation surplus of €87.7m before tax (2017: €87.7m), which is not available for distribution to the shareholders of IHI.

16.5 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.

17 Investments in subsidiaries

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

	The Company	
	2018	2017
	€'000	€'000
Share in subsidiary companies (Note 17.3)	**708,479**	623,664
Loans to subsidiary companies	**168,949**	173,170
	877,428	796,834

17 Investments in subsidiaries - continued

17.1 Principal subsidiaries

The Group had the following subsidiaries as at 31 December 2018 and 31 December 2017:

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	
			2018	2017	2018	2017	2018	2017
Alfa Investimentos Turisticos Lda	Avenida Columbano Bordalo Pinheiro, 105 Lisboa 1099 – 031 Portugal	Owns 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	Owns and operates the Corinthia Bab Africa Hotel and Commercial Centre Libya	**100**	100	**100**	100	**-**	-
Five Star Hotels Limited	22, Europa Centre Floriana Malta	Owns and operates the Corinthia Hotel St George's Bay, Malta	**100**	100	**100**	100	**-**	-
IHI Benelux B.V.	Beechavenue 54, 1.25ResCowork08 1119PW Schiphol-Rijk	Owns 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	
			2018	2017	2018	2017	2018	2017
IHI Benghazi Limited	22, Europa Centre Floriana Malta	Investment company	**-***	75	**-***	75	**-***	25
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	
			2018	2017	2018	2017	2018	2017
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	**-**	-

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	
			2018	2017	2018	2017	2018	2017
Bay Point Hotel Limited	22, Europa Centre Floriana Malta	Owner and operator of hotel	**-**	-	**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, Dougles Isle of Man	Vacation ownership company	**100**	100	**100**	100	**-**	-
Island Caterers Limited	22, Europa Centre Floriana Malta	Event catering company	**100**	100	**100**	100	**-**	-
Catering Holding Limited (formerly, Buttigieg Holdings Limited)	22, Europa Centre Floriana Malta	Retail catering and holding company	**100**	100	**100**	100	**-**	-
Catering Operations Limited (formerly, RJC Caterers Limited)	22, Europa Centre Floriana Malta	Contract catering company	**-**	-	**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	
			2018	2017	2018	2017	2018	2017
The Heavenly Collection Limited	22, Europa Centre Floriana Malta	Owner of tract land in Golden Bay	**-**	-	**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	**-**	-
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	**-**	-

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	
			2018	2017	2018	2017	2018	2017
QPM (UK) Ltd	The Corinthia Hotel London Whitehall Place London SW1 2BD England	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
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owns the Corinthia Hotel London, UK	**50**	50	**50**	50	**50**	50
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owns apartment 12, 10 Whitehall Place	**50**	50	**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	**50**	50

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	
			2018	2017	2018	2017	2018	2017
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	**50**	50
IHI Malta Hotel Limited	22, Europa Centre Floriana Malta	Owns and operates the Corinthia Palace Hotel and Spa, Malta	**100**	100	**100**	-	**-**	-
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 4th Floor, office D4 Nicosia Cyprus	Investment company	**100**	-	**100**	-	**-**	-

*IHI Benghazi was placed into liquidation on 28 December 2017 and is currently in dissolution and is due to be struck off by mid-June 2019.

As disclosed in Note 39, on 10 April 2018, the Group, through IHI Malta Hotel Limited, obtained control of the operations of the Corinthia Palace Hotel in Attard. As a result of the transaction, as from the acquisition date, the results and financial position of this business are consolidated within the Group.

All subsidiary undertakings are included in the consolidation.

17 Investments in subsidiaries - continued

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	2018 €000	2017 €000 (restated)
Current assets	**40,865**	41,651
Current liabilities	**(46,082)**	(18,931)
Current net assets	**(5,217)**	22,720
Non-current assets	**548,767**	539,529
Non-current liabilities	**(156,254)**	(171,493)
Non-current net assets	**392,513**	368,036
Net assets	**387,296**	390,756
Accumulated NCI	**193,648**	195,378

Summarised statement of comprehensive income	2018 €000	2017 €000 (restated)
Revenue	**69,159**	68,664
(Loss)/profit for the period	**(5,782)**	6,356
Other comprehensive income	**2,320**	(2,720)
Total comprehensive income	**(3,462)**	3,636
(Loss)/profit allocated to NCI	**(2,891)**	3,178

Summarised cash flows	2018 €000	2017 €000 (restated)
Cash flows from operating activities	**12,373**	17,022
Cash flows from investing activities	**(12,875)**	(12,413)
Cash flows from financing activities	**(4,032)**	11,128
Net (decrease)/increase in cash and cash equivalents	**(4,534)**	15,737

17 Investments in subsidiaries - continued

17.3 Shares in subsidiary companies

	The Company	
	2018 €'000	2017 €'000 (restated)
At 1 January	**623,664**	383,320
Additions	**86,797**	49
Transfer of carrying amount of investment in joint venture following stepped acquisition	**-**	193,332
Change in fair value	**(1,982)**	46,963
At 31 December	**708,479**	623,664

€51.8m of the additions in investments in subsidiaries during the current reporting period pertain to the capitalisation of several loans receivable from a number of subsidiaries. Furthermore, as part of the disposal of the Corinthia brand, the Company acquired additional shares in its subsidiary, CHL, having a fair value of €35.0m.

During 2017, IHI obtained control of the NLI Group (Note 5).

17.3.1 Investments in subsidiaries at fair value through other comprehensive income (2017: Available-for-sale financial assets)

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. Specific to the fair value of these investments, account has been taken of the deferred tax liabilities arising as a result of the revaluation to fair value of such properties, on the basis that the directors will pursue a sale of the shares held by IHI in its subsidiary companies, notwithstanding that, as the tax rules stand today, it may be more tax efficient to sell the underlying properties.

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	
	2018 €'000	2017 €'000 (restated)
Associates	**12,760**	12,604
Joint ventures	**35,429**	36,822
At 31 December	**48,189**	49,426

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	
	2018 €'000	2017 €'000 (restated)
Associates	**(173)**	38
Joint ventures	**(1,191)**	(1,567)
At 31 December	**(1,364)**	(1,529)

On 1 January 2017, the Group obtained control of NLI and accordingly, the NLI Group is consolidated in these financial statements as from that date.

18.2 Investments in associates and joint ventures

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

	The Company	
	2018 €'000	2017 €'000 (restated)
Associates	**12,760**	12,604
Joint ventures	**-**	-
At 31 December	**12,760**	12,604

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

	The Company	
	2018 €'000	2017 €'000 (restated)
Associates	**156**	(963)
Joint ventures	**-**	-
At 31 December	**156**	(963)

18 Other investments - continued

18.3 Investments in associates

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
At 1 January	**12,604**	13,567	**12,604**	13,567
Share of results	**(173)**	38	**-**	-
Share of other comprehensive income	**329**	(1,001)	**-**	-
Fair value movements	**-**	-	**156**	(963)
At 31 December	**12,760**	12,604	**12,760**	12,604

Set out below are the associates of the Group as at 31 December 2018 and 31 December 2017. 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	
			2018	2017
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building, 6018, Larnaca, Cyprus	Investment company	**50**	50
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building, 6018, Larnaca, Cyprus	Investment company	**50**	50
Medina Towers J.S.C.	Suite 107, Tower 2 Tripoli Tower, Tripoli, Libya	Owns the Medina Towers project in Tripoli	**25**	25

18 Other investments - continued

18.3 Investments in associates - continued

Refer to Note 6 for a summary of a contingent liability relating to Medina Towers J.S.C. (Libya), an associate of the Group.

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.	
	2018	2017
	€000	€000
Non-current assets	**42,736**	40,160
Current assets	**8,417**	10,726
Total assets	**51,153**	50,886
Current liabilities	**113**	474
Total liabilities	**113**	474
(Loss)/profit for the year	**(692)**	153
Other comprehensive income	**1,318**	(4,005)
Total comprehensive income	**626**	(3,852)

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.	
	2018	2017
	€000	€000
1 January	**50,412**	54,264
(Loss)/profit for the period	**(692)**	153
Other comprehensive income	**1,318**	(4,005)
Closing net assets	**51,038**	50,412
Interest in associate (25%)	**12,760**	12,604
Carrying value	**12,760**	12,604

18 Other investments - continued

18.4 Investments in joint ventures

	The Group		The Company	
	2018 €'000	2017 €'000 (restated)	2018 €'000	2017 €'000 (restated)
At 1 January	**36,822**	225,143	**-**	193,332
Derecognition of investment in joint venture following stepped acquisition (Note 5)	**-**	(193,367)	**-**	-
Transfer of carrying amount of investment in joint venture following stepped acquisition (Note 17.3)	**-**	-	**-**	(193,332)
Share of results	**(1,191)**	(1,567)	**-**	-
Share of other comprehensive income	**302**	7,554	**-**	-
Dividend distribution	**(504)**	(979)	**-**	-
Fair value movements	**-**	-	**-**	-
Other movements	**-**	38	**-**	-
At 31 December	**35,429**	36,822	**-**	-

The opening balances of a number of joint ventures involved in the timeshare business were restated. Following the initial application of IFRS 15, revenue recognition policies for these entities were significantly as explained further in Note 4.1.

The significant joint ventures of the Group as at 31 December 2018 and 2017 are set out below. The joint ventures 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	
			2018	2017
Golden Sands Resort Limited	The Radisson SAS Golden Sands Resort & Spa Golden Bay l/o Mellieha, Malta	A five star luxury hotel	**50**	50
Azure Services Limited	Level 1, LM Complex Brewery Street Mriehel, Malta	Marketing and promotional services	**50**	50
Azure Ultra Limited	Level 1, LM Complex Brewery Street Mriehel, Malta	Luxury yacht leasing	**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 % Ownership	
			2018	2017
Azure XP Limited	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Financing of vacation ownership	**50**	50
Heathfield Overseas Limited	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Payment solutions	**50**	50
Azure Resorts Limited	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Vacation ownership selling agent	**50**	50
Brooksfield Overseas Limited	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

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 % Ownership	
			2018	2017
MKIC Limited	22, Europa Centre Floriana Malta	Non-trading	**50**	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.

(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.

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 Group	
	2018 €000	2017 €000 (restated)
Cash and cash equivalents	**1,629**	4,322
Non-current assets	**94,600**	92,649
Current assets	**6,552**	6,997
Total assets	**102,781**	103,968
Current financial liabilities (excluding trade and other payables and provisions)	**6,028**	4,643
Current liabilities	**12,554**	9,833
Non-current financial liabilities (excluding trade and other payables and provisions)	**19,807**	20,350
Non-current liabilities	**59,379**	60,985
Total liabilities	**71,933**	70,818
Revenue	**20,292**	19,000
EBITDA	**2,787**	2,590
Depreciation and amortisation	**(3,716)**	(3,329)
Interest income	**48**	13
Interest expense	**(1,020)**	(1,725)
Income tax expense	**(469)**	(687)
Loss for the year	**(2,370)**	(3,138)
Other comprehensive income	**829**	12,898
Total comprehensive income	**(1,541)**	9,760
Dividends received	**504**	979

19 Other financial assets at amortised cost (2017: Loans receivable)

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Non-current				
Ultimate parent company	**-**	1,368	**-**	1,368
Group companies	**-**	-	**85,957**	129,231
Other	**184**	230	**-**	-
Total non-current loans receivable	**184**	1,598	**85,957**	130,599
Current				
Ultimate parent company	**672**	17,937	**672**	17,937
Other related parties	**961**	-	**-**	-
Other	**50**	47	**-**	-
Total current loans receivable	**1,683**	17,984	**672**	17,937

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 (2017: €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 (2017: €26.0m) of the Company's loans to Group companies are unsecured, bear interest at 4.00% and are subordinated to bank loans.

€6.0m (2017: €12.3m) of the Company's loans to Group companies are unsecured, bear interest at 6.25% and are subordinated to bank loans and repayable on demand with twelve months' notice to be given by the Company.

The terms of loans due in 2017, but which are no longer outstanding as at 31 December 2018 are as follows:

€6.3m of the Company's loans to Group companies are unsecured, bear interest at 0.1% and are subordinated to bank loans.

€22.7m of the Company's loans to Group companies are unsecured, interest free and are subordinated to bank loans.

€7.4m of the Company's loans to Group companies are unsecured, interest free and are subordinated to bank loans and repayable on demand with twelve months' notice to be given by the Company.

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

The Company's current loan to the ultimate parent company is unsecured, is due by September 2019 and bears interest at 5%.

The Group's current loan to the ultimate parent company is unsecured, and bears interest at 6.25%.

The Group's loans to other related parties amounting to bear interest at 5% and are unsecured.

20 Inventories

	The Group	
	2018	2017
	€'000	€'000
Food and beverages	**2,143**	1,804
Consumables	**718**	842
Goods held for resale	**199**	198
Others	**8,430**	7,353
	11,490	10,197

21 Trade and other receivables

	The Group		The Company	
	2018	2017	2018	2017
	€'000	€'000	€'000	€'000
Non-current				
Other receivables	**596**	-	**-**	-
Total receivables – non- current	**596**	-	**-**	-
Current				
Trade receivables	**14,721**	14,248	**65**	2
Amounts owed by:				
Parent company	**16,147**	11,735	**6,806**	7,411
Subsidiary companies	**-**	-	**31,994**	7,965
Associate companies	**31**	49	**-**	19
Joint ventures	**1,663**	1,081	**-**	2
Other related companies	**4,010**	8,150	**2**	2
Other receivables	**6,770**	2,854	**1,279**	133
Contract assets	**2,283**	2,367	**2,102**	1,836
Financial assets	**45,625**	40,484	**42,248**	17,370
Advance payments in respect of capital creditors	**1,052**	1,160	**-**	-
Prepayments	**6,352**	5,197	**146**	147
Total receivables – current	**53,029**	46,841	**42,394**	17,517

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.

22 Financial assets at fair value

22.1 Financial assets at fair value through other comprehensive income

(i) Financial assets previously classified as available-for-sale financial assets (2017)

Available-for-sale financial assets included the following classes of financial assets:

	The Group	
	2018	2017
	€'000	€'000
Current assets		
Listed securities		
Equity	-	943
Funds	-	3,116
Mutual funds	-	4,544
	-	8,603

Until 2017, investments were designated as available-for-sale financial assets if they did not have fixed maturities and fixed or determinable payments, and management intended to hold them for the medium to long-term, or if they were not classified into any of the other categories (at FVTPL, loans and receivables or held-to-maturity investments). None of these financial assets were impaired as at 31 December 2017.

As from 1 January 2018, due to the adoption of IFRS 9, the available-for-sale category is no longer available; accordingly, investments which were classified as such as at the end of the comparative period, were reclassified to the FVTPL category, as disclosed in Note 4.2.

22.2 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 2018, these include investments in funds and mutual funds whose instruments that 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	
	2018	2017
	€'000	€'000
Current assets		
Listed securities		
Equity	**1,821**	-*
Mutual funds	**6,664**	-*
	8,485	-*

* These investments were classified as available-for-sale in 2017.

See Note 4 for explanations regarding the change in accounting policy and the reclassification of certain investments from available-for-sale to financial assets at FVTPL following the adoption of IFRS 9. During the year, the Group recognised €0.1m (31 December 2017: €0.1m) fair value gains/losses) in profit or loss.

23 Cash and cash equivalents

Cash and cash equivalents include the following components:

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Cash and bank balances:				
Current	**50,190**	50,795	**7,824**	6,538
Cash and cash equivalents in the statement of financial position	**50,190**	50,795	**7,824**	6,538
Bank overdraft (Note 30)	**(5,899)**	(8,143)	**-**	(499)
Cash and cash equivalents in the statement of cash cash flows	**44,291**	42,652	**7,824**	6,039

The bank balances include amounts of €10.2m (2017: €5.0m) set aside by the Group for debt servicing requirements of which €0.7m (2017: €0.5m) are set aside by the Company and €0.8m (2017: €2.1m) 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 (2017: 615.7m) ordinary shares of €1 each, fully paid up.

	The Group and Company	
	2018 €'000	2017 €'000
At 1 January	**615,685**	597,750
Bonus issue (Note 24.3)	**-**	17,935
At 31 December	**615,685**	615,685

24.3 Bonus shares

During 2017, the shareholders approved the capitalisation of an amount of €17.9m from the reserves of the Company and to issue such number of fully paid-up bonus shares of a nominal value of €1 each out of this reserve. The bonus shares were issued and allotted in a ratio of one bonus share for every 33.33 ordinary shares in issue as at 30 June 2017.

24.4 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 2017	71,964	(15,952)	56,012
Revaluation surplus arising during the year:	-	-	-
Corinthia Hotel London:			
– Gross of non-controlling interests' share	12,186	-	12,186
– Share attributable to non-controlling interests	(6,093)	-	(6,093)
– Share attributable to owners of the parent	6,093	-	6,093
Corinthia Hotel St Petersburg	3,667	(733)	2,934
	9,760	(733)	9,027
At 31 December 2017	**81,724**	**(16,685)**	**65,039**
Analysed as follows:			
Corinthia Hotel St George's Bay, Malta	12,169	(4,259)	7,910
Corinthia Hotel & Spa Lisbon	17,761	(3,997)	13,764
Corinthia Hotel Prague	3,415	(648)	2,767
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	3,667	(733)	2,934
Corinthia Hotel London	6,093	-	6,093
	81,724	**(16,685)**	**65,039**

	Revaluation surplus €'000	The Group Deferred taxation €'000	Net €'000
At 1 January 2018	81,724	(16,685)	65,039
Revaluation surplus arising during the year:	-	-	-
Corinthia Hotel & Spa Lisbon	17,150	(3,859)	13,291
Corinthia Hotel Prague	7,442	(1,414)	6,028
Corinthia Hotel St Petersburg	4,910	(982)	3,928
Corinthia Hotel London:			
– Gross of non-controlling interests' share	6,340	-	6,340
– Share attributable to non-controlling interests	(3,169)	-	(3,169)
– Share attributable to owners of the parent	3,171	-	3,171
	32,673	(6,255)	26,418
At 31 December 2018	**114,397**	**(22,940)**	**91,457**
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	10,857	(2,062)	8,795
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
	114,397	**(22,940)**	**91,457**

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 2017	127,981	(23,996)	103,985
Group's share of revaluation surplus arising during the year:			
Golden Sands Resort	10,348	(3,623)	6,725
Reclassification of Group's share of revaluation reserve to retained earnings upon obtaining control of NLI	(127,981)	-	(127,981)
Release of deferred tax upon obtaining control of NLI	-	23,996	23,996
At 31 December 2017	**10,348**	**(3,623)**	**6,725**
At 1 January and 31 December 2018	**10,348**	**(3,623)**	**6,725**

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 2018 €'000	2017 €'000
Aggregate amounts disclosed in tables above:	**98,182**	71,764
Bonus and other similar share issues:		
Opening balance	**(71,764)**	(57,155)
Movement for the year (Note 24.4)	**-**	(14,609)
Closing balance	**(71,764)**	(71,764)
Total revaluation reserve	**26,418**	-

26 Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. Translation reserve movements are presented within the statement of changes in equity. During the year ended 31 December 2017, an amount of €1.8m was reclassified from translation reserve to profit and loss, upon the stepped acquisition of NLI.

27 Other reserves and equity components

27.1 Other equity components

The Group	Available-for-sale investments €'000	Stepped acquisition of subsidiary €'000	Other €'000	Total €'000
At 1 January 2017	-	3,859	(1,242)	2,617
Fair value movements on available-for-sale financial assets, net of tax	153	-	-	153
At 31 December 2017	153	3,859	(1,242)	2,770
Adjustment upon initial application of IFRS 9 (Note 4)	**(153)**	**-**	**-**	**(153)**
As at 1 January 2018 – restated and 31 December 2018	**-**	**3,859**	**(1,242)**	**2,617**

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.

Available-for-sale investments

Until 31 December 2017, the available-for-sale reserve included fair value movements, net of deferred tax, on available-for-sale investments.

27.2 Other reserves

The Company	Available-for-sale reserve €'000	FVOCI reserve €'000	Bonus shares €'000	Other €'000	Total €'000
At 1 January 2017					
– As reported	141,316	-	(57,155)	(10,555)	73,606
– Correction of error (Note 5)	(4,166)	-	-	-	(4,166)
Restated other reserves at 1 January 2017	137,150	-	(57,155)	(10,555)	69,440
Fair value movements on investments in subsidiaries, associates and joint ventures, net of tax (restated)	33,402	-	-	-	33,402
Issue of bonus shares	-	-	(17,935)	-	(17,935)
At 31 December 2017 (restated)	170,552	-	(75,090)	(10,555)	84,907

27 Other reserves and equity components - continued

27.2 Other reserves - continued

The Company	Available-for-sale reserve €'000	FVOCI reserve €'000	Bonus shares €'000	Other €'000	Total €'000
At 31 December 2017					
– As reported	174,295	-	(75,090)	(10,555)	88,650
– Correction of error (Note 5)	(3,743)	-	-	-	(3,743)
Restated other reserves at 31 December 2017	170,552	-	(75,090)	(10,555)	84,907
Adjustment on adoption of IFRS 9 (Note 4)	(170,552)	167,381	-	-	(3,171)
Restated other reserves at 1 January 2018	-	167,381	(75,090)	(10,555)	81,736
Fair value movements on investments in subsidiaries, associates and joint ventures, net of tax	-	(1,467)	-	-	(1,467)
Absorption of losses	-	-	-	(13,454)	(13,454)
At 31 December 2018	**-**	**165,914**	**(75,090)**	**(24,009)**	**66,815**

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.

Until 31 December 2017, such movements in fair value were recognised in the Available-for-sale reserve.

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	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Bank overdraft	**5,899**	8,143	**-**	499
Bank loans	**352,177**	341,269	**10,176**	12,214
	358,076	349,412	**10,176**	12,713
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 – 5 years	**104,394**	156,676	**4,831**	5,127
Bank loans due later than 5 years	**213,165**	164,525	**3,761**	5,049
	317,559	321,201	**8,592**	10,176
Current bank borrowings				
Bank overdraft	**5,899**	8,143	**-**	499
Bank loans due within 1 year	**34,618**	20,068	**1,584**	2,038
	40,517	28,211	**1,584**	2,537

Bank borrowings are subject to variable interest rates linked to Euribor, other reference rates or bank base rates with an average interest rate of 2.75% annually at 31 December 2018 (2017: 2.94% annually).

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	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Bond V	**19,823**	19,770	**19,823**	19,770
Bond VI	**9,925**	9,912	**9,925**	9,912
Bond VII	**44,308**	44,220	**44,308**	44,220
Bond IX	**34,603**	34,530	**34,603**	34,530
Bond X	**54,367**	54,297	**54,367**	54,297
Bond XI	**39,481**	39,427	**39,481**	39,427
	202,507	202,156	**202,507**	202,156
Non-current	**202,507**	202,156	**202,507**	202,156
Current	**-**	-	**-**	-
	202,507	202,156	**202,507**	202,156

(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	5.8	21 December 2021
Bond VI	2013	10,000	5.8	14 November 2023
Bond VII	2015	45,000	5.75	13 May 2025
Bond IX	2014	35,000	6.0	15 May 2024
Bond X	2016	55,000	4.0	29 July 2026
Bond XI	2016	40,000	4.0	20 December 2026

In the case of bond IV and VIII the Company has exercised its early redemption rights. During the year ended 31 December 2017, the Group settled the amount due in respect of Bond IV.

(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 2018 amounted to €3.8m (2017: €2.3m).

31 Bonds - continued

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

	IV	V	VI	VII	VIII	IX	X	XI
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2017	6,572	19,722	9,899	44,137	3,134	34,457	54,230	39,451
Cash settlement	(6,572)	-	-	-	(3,134)	-	-	-
Amortisation of transaction costs	-	48	13	83	-	73	67	51
Issue costs	-	-	-	-	-	-	-	(75)
At 31 December 2017	-	19,770	9,912	44,220	-	34,530	54,297	39,427
Amortisation of transaction costs	-	53	13	88	-	73	70	54
At 31 December 2018	**-**	**19,823**	**9,925**	**44,308**	**-**	**34,603**	**54,367**	**39,481**

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

The market price of bonds in issue is as follows:

	2018	2017
	€	€
Bond V	**107.0**	105.0
Bond VI	**107.0**	107.5
Bond VII	**109.5**	107.5
Bond IX	**109.2**	107.5
Bond X	**103.0**	103.0
Bond XI	**102.0**	102.0

32 Other financial liabilities

	The Group		The Company	
	2018	2017	2018	2017
	€'000	€'000	€'000	€'000
Amounts owed to:				
Group companies	**-**	-	**26,112**	20,363
Related companies	**4,500**	4,500	**-**	-
Obligations - lease	**112**	164	**-**	-
	4,612	4,664	**26,112**	20,363
Non-current liabilities				
Amounts owed to:				
Group companies	**-**	-	**26,027**	14,527
Obligations - lease	**59**	112	**-**	-
Other liabilities	**-**	4,500	**-**	-
	59	4,612	**26,027**	14,527
Current liabilities				
Amounts owed to:				
Group companies	**-**	-	**85**	5,836
Related companies	**4,500**	-	**-**	-
Obligations - lease	**53**	52	**-**	-
	4,553	52	**85**	5,836

32 Other financial liabilities - continued

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 Group and the Company, as applicable, are as follows:

	€'000	Interest	Repayable by
At 31 December 2018			
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	**6,212**	0%	Due within 12 months from written notice
Other liabilities	**4,500**	3.7%	Due by the 15 February 2019
Obligations - lease	**112**		
	30,724		
At 31 December 2017			
Group companies	6,900	4.95%	Due by 4 August 2025
Group companies	13,463	0%	Due within 12 months from written notice
Other liabilities	4,500	3.7%	Due by the 15 February of 2019
Obligations - lease	164		
	25,027		

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	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Depreciation of property, plant and equipment	**-**	-	**(43,642)**	(37,383)	**(43,642)**	(37,383)
Fair valuation of land and buildings	**-**	-	**(52,779)**	(50,952)	**(52,779)**	(50,952)
Fair valuation of investment property	**-**	-	**(15,694)**	(13,903)	**(15,694)**	(13,903)
Intangible assets	**-**	-	**(572)**	(11,547)	**(572)**	(11,547)
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	**31,709**	36,629	**-**	-	**31,709**	36,629
Exchange differences	**-**	-	**(125)**	(368)	**(125)**	(368)
Provision on trade receivables	**1,808**	1,267	**-**	-	**1,808**	1,267
Other	**368**	369	**-**	-	**368**	369
Tax assets/(liabilities) – before offsetting	**33,986**	38,366	**(119,959)**	(121,300)	**(85,973)**	(82,934)
Offset in the statement of financial position	**(23,023)**	(26,209)	**23,023**	26,209	**-**	-
Tax assets/(liabilities) – as presented in the statement of financial position	**10,963**	12,157	**(96,936)**	(95,091)	**(85,973)**	(82,934)

33 Deferred tax assets and liabilities - continued

The Company	Assets		Liabilities		Net	
	2018 €'000	2017 €'000 (restated)	2018 €'000	2017 €'000 (restated)	2018 €'000	2017 €'000 (restated)
Depreciation of property, plant and equipment	**-**	-	**(11)**	(25)	**(11)**	(25)
Intangible assets	**-**	-	**-**	(5,488)	**-**	(5,488)
Investment in subsidiaries	**-**	-	**(71,678)**	(72,092)	**(71,678)**	(72,092)
Investment in associates	**198**	253	**-**	-	**198**	253
Unrelieved tax losses and unabsorbed capital allowances	**-**	2,972	**-**	-	**-**	2,972
Exchange differences	**-**	-	**(4)**	(2)	**(4)**	(2)
Tax assets/(liabilities)	**198**	3,225	**(71,693)**	(77,607)	**(71,495)**	(74,382)
Offset in the statement of financial position	**(198)**	(3,225)	**198**	3,225	**-**	-
Tax liabilities – as presented in statement of financial position	**-**	-	**(71,495)**	(74,382)	**(71,495)**	(74,382)

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 available-for-sale financial assets.

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 01.01.2017 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Business combinations €'000	Balance 31.12.2017 €'000	Adjustment on adoption of IFRS 9 €'000	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Business combinations €'000	Balance 31.12.2018 €'000
Property, plant and equipment	(88,157)	(520)	342	-	(88,335)	-	627	(4,296)	(4,417)	(96,421)
Investment property	(13,886)	(406)	389	-	(13,903)	-	(2,490)	699	-	(15,694)
Intangible assets	(10,355)	(1,192)	-	-	(11,547)	-	10,975	-	-	(572)
Investments in subsidiaries	(7,147)	-	-	-	(7,147)	-	-	-	-	(7,147)
Investments in associates	101	-	-	-	101	-	-	-	-	101
Investments in joint ventures	(24,441)	784	23,657	-	-	-	-	-	-	-
Unrelieved tax losses and capital allowances	28,832	9,440	(1,555)	(88)	36,629	-	(6,734)	(235)	2,049	31,709
Exchange differences	473	(390)	(152)	(299)	(368)	-	240	3	-	(125)
Provision on trade receivables	960	307	-	-	1,267	162	379	-	-	1,808
Others	(362)	754	(23)	-	369	-	42	(43)	-	368
	(113,982)	8,777	22,658	(387)	(82,934)	162	3,039	(3,872)	(2,368)	(85,973)

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 2018, the Group did not recognise deferred income tax assets of €2.0m (2017: €1.6m), in respect of losses amounting to €8.1m (2017: €6.2m) 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 01.01.2017 €'000 (restated)	Recognised in profit or loss €'000 (restated)	Recognised in other comprehensive income €'000 (restated)	Surrender of losses €'000 (restated)	Balance 31.12.2017 €'000 (restated)	Recognised in profit or loss €'000	Recognised in other comprehensive income €'000	Balance 31.12.2018 €'000
Property, plant and equipment	166	(191)	-	-	(25)	14	-	**(11)**
Intangible assets	(4,802)	(686)	-	-	(5,488)	5,488	-	**-**
Investments in subsidiaries	(33,598)	1,707	(40,201)	-	(72,092)	-	414	**(71,678)**
Investments in associates	(83)	-	336	-	253	-	(55)	**198**
Investments in joint ventures	(22,388)	-	22,388	-	-	-	-	**-**
Unrelieved tax losses and capital allowances	5,418	4,870	-	(7,316)	2,972	(2,972)	-	**-**
Exchange differences	(139)	137	-	-	(2)	(2)	-	**(4)**
	(55,426)	5,837	(17,477)	(7,316)	(74,382)	2,528	359	**(71,495)**

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 2018 and 31 December 2017.

34 Trade and other payables

	The Group		The Company	
	2018 €'000	2017 €'000 (restated)	2018 €'000	2017 €'000
Non-current				
Other payables	**1,639**	535	**-**	-
Other liabilities – contingent consideration (Note 42.6)	**563**	10,390	**563**	1,175
Financial liabilities	**2,202**	10,925	**563**	1,175
Contract liabilities	**2,854**	2,910	**-**	-
Advance payments	**354**	78	**-**	-
Total payables - non-current	**5,410**	13,913	**563**	1,175
Current				
Trade payables	**16,926**	13,199	**426**	425
Amounts owed to:				
Parent company	**37**	187	**-**	141
Subsidiary companies	**-**	-	**990**	1,155
Joint ventures	**401**	155	**29**	-
Other related parties	**1,505**	1,470	**240**	50
Capital creditors	**1,596**	1,505	**-**	-
Other payables	**6,362**	6,345	**1,069**	1,257
Other liabilities – contingent consideration (Note 42.6)	**8,688**	-	**-**	-
Accruals	**21,270**	20,946	**6,139**	6,226
Financial liabilities	**56,785**	43,807	**8,893**	9,254
Advance payments	**9,162**	9,698	**-**	-
Statutory liabilities	**5,554**	4,223	**27**	250
Total payables - current	**71,501**	57,728	**8,920**	9,504

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.

35 Dividends

During 2018, the Company declared an interim dividend amounting to €12.3m. This equates to €0.02 per share.

36 Cash flow information

36.1 Cash generated from operations

	The Group		The Company	
	2018 €'000	2017 €'000 (restated)	2018 €'000	2017 €'000
Adjustments:				
Depreciation of property, plant and equipment	**30,560**	28,159	**24**	32
Increase in provision for impairment of trade receivables	**388**	888	**-**	-
Loss on disposal of property, plant and equipment	**1,763**	416	**2**	3
Amortisation of intangible assets	**2,642**	2,907	**15**	78
Impairment losses on intangible assets	**1,980**	3,000	**-**	-
Net gain on disposal of intangible assets	**-**	-	**(15,344)**	-
Net reversal of impairment losses on property, plant and equipment	**-**	(3,998)	**-**	-
Fair value losses on investments in subsidiaries	**-**	-	**-**	4,879
Fair value movements on investment properties	**(6,994)**	(278)	**-**	-
Share of results of associates and joint ventures	**1,364**	1,529	**-**	-
Reclassification of currency translation reserve to profit and loss upon obtaining control of NLI	**-**	1,809	**-**	-
Net changes in fair value of indemnification assets	**210**	210	**-**	-
Amortisation of transaction costs	**845**	1,241	**351**	335
Interest income	**(833)**	(1,387)	**(3,461)**	(4,327)
Interest expense	**20,513**	21,264	**11,367**	11,806
Dividend income	**-**	-	**(39,705)**	(1,000)
Net exchange differences	**7,846**	3,916	**-**	-
	60,284	59,676	**(46,751)**	11,806

36.2 Reconciliation of financing liabilities

The Group	Assets	Liabilities from financing activities			
	Assets placed under trust arrangement €'000	Bonds €'000	Loans €'000	Other financial liabilities €'000	Total €'000
As at 1 Jan 2017					
- Principal	6,038	(211,602)	(180,330)	(4,910)	(390,804)
- Accrued interest	-	(5,185)	(810)	-	(5,995)
- Net	**6,038**	**(216,787)**	**(181,140)**	**(4,910)**	**(396,799)**
Cash flows	(3,748)	21,578	1,062	3,064	21,956
Business combinations	-	-	(155,604)	(2,930)	(158,534)
Foreign exchange differences	-	-	(3,878)	-	(3,878)
Currency translation	-	-	9,030	112	9,142
Other movements	-	(11,010)	(11,540)	-	(22,550)
As at 31 December 2017	**2,290**	**(206,219)**	**(342,070)**	**(4,664)**	**(550,663)**
Comprising:					
- Principal	2,290	(202,156)	(341,269)	(4,664)	(545,799)
- Accrued interest	-	(4,063)	(801)	-	(4,864)
As at 31 December 2017	**2,290**	**(206,219)**	**(342,070)**	**(4,664)**	**(550,663)**

36 Cash flow information - continued

36.2 Reconciliation of financing liabilities - continued

The Group	Assets	Liabilities from financing activities			
	Assets placed under trust arrangement €'000	Bonds €'000	Bank loans €'000	Other financial liabilities €'000	Total €'000
As at 1 Jan 2018					
- Principal	2,290	(202,156)	(341,269)	(4,664)	(545,799)
- Accrued interest	-	(4,063)	(801)	-	(4,864)
- Net	2,290	(206,219)	(342,070)	(4,664)	(550,663)
Cash flows	1,477	10,227	(1,093)	52	10,663
Business combinations	-	-	(443)	-	(443)
Foreign exchange differences	-	-	(6,791)	-	(6,791)
Currency translation	-	-	8,500	-	8,500
Other movements	-	(10,589)	(11,211)	-	(21,800)
As at 31 December 2018	**3,767**	**(206,581)**	**(353,108)**	**(4,612)**	**(560,534)**
Comprising:					
- Principal	3,767	(202,507)	(352,177)	(4,612)	(555,529)
- Accrued interest	-	(4,074)	(931)	-	(5,005)
As at 31 December 2018	**3,767**	**(206,581)**	**(353,108)**	**(4,612)**	**(560,534)**

The Company	Assets	Liabilities from financing activities			
	Assets placed under trust arrangement €'000	Bonds €'000	Bank loans €'000	Other financial liabilities €'000	Total €'000
As at 1 Jan 2017					
- Principal	6,039	(211,602)	(14,208)	(24,185)	(243,956)
- Accrued interest	-	(5,186)	(205)	-	(5,391)
- Net	**6,039**	**(216,788)**	**(14,413)**	**(24,185)**	**(249,347)**
Cash flows	(3,749)	21,579	3,331	(1,597)	19,564
Other movements	-	(11,010)	(1,148)	5,419	(6,739)
As at 31 December 2017	**2,290**	**(206,219)**	**(12,230)**	**(20,363)**	**(236,522)**
Comprising:					
- Principal	2,290	(202,156)	(12,214)	(20,363)	(232,443)
- Accrued interest	-	(4,063)	(16)	-	(4,079)
As at 31 December 2017	**2,290**	**(206,219)**	**(12,230)**	**(20,363)**	**(236,522)**

36 Cash flow information - continued

36.2 Reconciliation of financing liabilities - continued

The Company	Assets	Liabilities from financing activities			
	Assets placed under trust arrangement €'000	Bonds €'000	Bank loans €'000	Other financial liabilities €'000	Total €'000
As at 1 Jan 2018					
- Principal	2,290	(202,156)	(12,214)	(20,363)	(232,443)
- Accrued interest	-	(4,063)	(16)	-	(4,079)
- Net	**2,290**	**(206,219)**	**(12,230)**	**(20,363)**	**(236,522)**
Cash flows	1,477	10,226	2,529	(10,438)	3,794
Other movements	-	(10,588)	(480)	4,689	(6,379)
As at 31 December 2018	**3,767**	**(206,581)**	**(10,181)**	**(26,112)**	**(239,107)**
Comprising:					
- Principal	3,767	(202,507)	(10,176)	(26,112)	(235,028)
- Accrued interest	-	(4,074)	(5)	-	(4,079)
As at 31 December 2018	**3,767**	**(206,581)**	**(10,181)**	**(26,112)**	**(239,107)**

36.3 Significant non-cash transactions

As disclosed in Note 39, the Group obtained control of the operations of the Corinthia Hotel Attard from CPHCL for an amount of €26.6m on 10 April 2018. €17.9m of the consideration was settled through a set-off of amounts receivable from the same party.

During 2018, the Company disposed of the Corinthia brand in exchange for shares in CHL Limited, with a fair value of €35.0m. Additionally, the Company increased its investment in various subsidiaries through the capitalisation of loans, amounting to €51.8m.

Additionally, from the interim dividend of €12.3m declared during the year, €2.0m remained unpaid as at year-end.

During the year ended 31 December 2017, the Company issued bonus shares by capitalising its reserves in the amount of €17.9m (2017: €17.9m). Additionally, the Group obtained control of NLI through a non-cash transaction in 2017.

37 Commitments

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

	The Group	
	2018 €'000	2017 €'000
Contracted for:		
Property, plant and equipment	**2,774**	7,467
Authorised but not yet contracted for:		
Property, plant and equipment	**81,352**	55,613
	84,126	63,080

The board of directors of joint ventures have authorised capital commitments for property, plant and equipment amounting to €0.4m (2017: €4.6m). The Group's share of these commitments is equivalent to 50%.

Operating leases

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

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Less than one year	**2,170**	3,256	**291**	118
Between one and five years	**5,961**	6,378	**408**	118
More than five years	**20,866**	21,209	**3**	-
	28,997	30,843	**702**	236

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

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

During the year ended 2018, €4.7m (2017: €4.5m) and €0.2m (2017: €0.1m) for the Group and Company respectively were recognised as an expense in the income statement in respect of operating leases.

38 Contingent liabilities

A claim in relation to brokerage fees on the sale of Lisbon Hotel to IHI in 2000 amounting to €1.7m is being made by an individual against 8 defendants including IHI p.l.c.

No provision has been made in these financial statements as the Company believes that it has a strong defence in respect of these claims.

39 Business combinations

Business combinations during 2018

On 10 April 2018, the Group acquired 100% of the Corinthia Palace Hotel business in Attard through a newly formed subsidiary, for a consideration of €26.6m, from its ultimate parent, CPHCL.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The Group	Corinthia Palace Hotel & Spa €'000
Purchase consideration	**26,616**
Recognised amounts of identifiable assets acquired	
Cash and cash equivalents	38
Property, plant and equipment	27,233
Deferred tax asset	2,049
Inventories	590
Trade and other receivables	1,741
Trade and other payables	(2,543)
Borrowings	(443)
Deferred tax liabilities	(4,417)
Net identifiable assets acquired	**24,248**
Add: goodwill	2,368
Net assets acquired	**26,616**

The goodwill is attributable to expected synergies from centralisation and consolidation of support services now that all Corinthia Malta 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 €6.9m and a net loss of €0.9m to the Group for the period from acquisition date to 31 December 2018. If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and loss for the year ended 31 December 2018 would have been €256.3m and €8.5m respectively.

Purchase consideration - cash outflow

The Group	Corinthia Palace Hotel & Spa €'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	8,669
Less: Balances acquired	
Cash	(38)
Net outflow of cash – investing activities	**8,631**

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	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Revenue				
Services rendered to:				
Parent company	**1,595**	2,562	**1,100**	1,100
Subsidiaries	**1,637**	1,712	**3,257**	4,348
Joint ventures	**98**	8	**-**	-
Dividends received from:				
Subsidiaries	**-**	-	**39,705**	1,000
	3,330	4,282	**44,062**	6,448
Financing				
Interest income				
Parent company	**377**	736	**260**	631
Subsidiaries	**67**	33	**3,146**	3,677
Interest expenses				
Fellow subsidiaries	**(1)**	-	**(638)**	(560)
	443	769	**2,768**	3,748
Equity transactions				
Dividend distributed to:				
Parent company	**12,314**	-	**12,314**	-

During 2018, the Group acquired the operations of Corinthia Palace Hotel & Spa from its ultimate parent company, as disclosed in Note 39.

Also during 2018, the Company sold the Corinthia brand to its subsidiary, CHL Limited, for an amount of €35.0m, recognising a profit on disposal of €15.4m (Note 13).

40 Related parties - continued

40.2 Transactions with key management personnel

In addition to the remuneration paid to the Directors included in Note 8, 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 2018, the remuneration of the executive Chairman and Senior Executives of the Company and its subsidiaries amounted to €6.2m (2017: €9.5m). The foregoing comprises a fixed portion of €6.7m (2017: €6.7m) and a variable portion of €2.3m (2017: €2.8m).

This variable portion includes an accrual that has been made for bonuses relating to 2018. Other than those bonuses that are contractual, the final amounts still need to be formally approved.

41 Events after the reporting period

The Group is in advanced negotiations with CPHCL to acquire its catering business, through the acquisition of Catermax Limited and Corinthia Caterers Limited. The acquisition is expected to further increase the Group's market share in this industry and management expect the negotiations to be concluded during the first half of 2019.

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.

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:

42 Risk management objectives and policies - continued

42.1 Credit risk - continued

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Classes of financial assets - carrying amounts				
Long-term loans	**184**	1,598	**85,957**	130,599
Short-term loans	**1,683**	17,984	**672**	17,937
Assets placed under trust arrangement	**3,767**	2,290	**3,767**	2,290
Trade and other receivables, including contract assets	**46,221**	40,484	**42,248**	17,370
Cash and cash equivalents	**50,190**	50,795	**7,824**	6,538
	102,045	113,151	**140,468**	174,734

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.

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.

42 Risk management objectives and policies - continued

42.1 Credit risk - continued

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 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on the assessment carried out in accordance with the above methodology, the Group identified that a provision of €0.5m was required at 1 January 2018. The assessment on this individual counterparty did not have an impact on the identified loss rates and expected credit losses identified on the rest of the Group's trade receivables and contract assets.

Other than the amount disclosed above, as at 1 January 2018, the identified expected credit loss allowance in addition to the amount that had already been provided for under IAS 39 in prior periods, on trade receivables and contract assets, was deemed immaterial. The movement in loss allowances as at 31 December 2018 is also deemed immaterial by management. 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 2018 and 1 January 2018.

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowance as follows:

The Group	Trade receivables and contract assets	
	2018 €'000	2017 €'000
31 December – calculated under IAS 39	**4,467**	3,509
Amounts restated through opening retained earnings	**462**	-
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**4,929**	3,509
Business combinations	**-**	70
Increase in loss allowance recognised in profit or loss during the year	**980**	1,166
Receivables written off during the year as uncollectible	**(130)**	(250)
Unused amounts reversed	**(39)**	(28)
At 31 December	**5,740**	4,467

42 Risk management objectives and policies - continued

42.1 Credit risk - continued

Trade receivables and contract assets - continued

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.

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.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

The individually impaired receivables mainly related to a number of independent customers, which were in unexpectedly difficult economic situations. Reversals of provisions for impairment arose in those situations where customers recovered from unfavourable circumstances.

All impaired balances were unsecured.

The ageing of trade receivables as at 31 December 2017 was as follows:

42 Risk management objectives and policies - continued

42.1 Credit risk - continued

	The Group 2017 €'000
Not past due	8,027
Past due 0-30 days	1,708
Past due 31-120 days	2,047
Past due 121-360 days	1,200
More than one year	5,733
Gross amount	18,715
Not past due date	
Past due 0-30 days	(164)
Past due 31-120 days	(56)
Past due 121-360 days	(874)
More than one year	(3,373)
Impaired amount	(4,467)
Net amount	14,248

Based on historic default rates, the Group believed that no impairment loss was necessary in respect of trade receivables not past due or on the remaining portion of debtors which have not been provided for.

The allowance accounts in respect of trade receivables were used to record impairment losses unless the Group considered that no recovery of the amount owed is possible at which point the amounts were considered irrecoverable and were written off against the receivable directly.

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 include the following balances:

	The Group		The Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Amounts due from ultimate parent entity	**672**	-*	**672**	-*
Amounts due from subsidiaries	**-**	-	**85,957**	-*
Amounts due from other related parties	**961**	-*	**-**	-*
At 31 December	**1,633**	- *	**86,629**	-*

*The Group and the Company had balances due as at 31 December 2017 in relation to these entities, however, no objective evidence of impairment existed to warrant the recognition of an impairment loss in accordance with IAS 39.

42 Risk management objectives and policies - continued

42.1 Credit risk - 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 (2017: bonds and 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 (€0.5m; 2017 – €3.1m).

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 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. 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 2018 and 31 December 2017 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Group	Current	Non-current	
31 December 2018	Within 1 year €'000	1-5 years €'000	More than 5 years €'000
Non-derivatives:			
Bank borrowings	40,294	121,826	218,917
Bonds	10,228	68,592	193,676
Other financial liabilities	4,574	59	-
Bank overdraft	6,135	-	-
Trade and other payables	56,894	2,259	310
	118,125	**192,736**	**412,903**

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

The Group	Current	Non-current	
31 December 2017 (restated)	Within 1 year €'000	1-5 years €'000	More than 5 years €'000
Non-derivatives:			
Bank borrowings	24,616	288,214	51,103
Bonds	10,228	59,752	212,744
Other financial liabilities	218	4,612	-
Bank overdraft	8,509	-	-
Trade and other payables	38,981	11,019	1,938
	82,552	**363,597**	**265,785**

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 2018 and 31 December 2017 the Company has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Company	Current	Non-current	
31 December 2018	Within 1 year €'000	1-5 years €'000	More than 5 years €'000
Non-derivatives:			
Bank borrowings	2,001	5,916	3,945
Bonds	10,228	68,592	193,676
Other financial liabilities	85	-	30,549
Trade and other payables	9,002	620	310
	21,316	**75,128**	**228,480**

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

The Company	Current	Non-current	
31 December 2017	Within 1 year €'000	1-5 years €'000	More than 5 years €'000
Non-derivatives:			
Bank borrowings	2,545	6,439	5,424
Bonds	10,228	59,752	212,744
Other financial liabilities	6,191	9,001	7,926
Trade and other payables	5,175	1,269	1,938
	24,139	**76,461**	**228,032**

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:

42 Risk management objectives and policies - continued

42.3 Market risk - continued

(i) Foreign currency risk - continued

The Group	2018				2017			
	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:								
Loans receivable	-	-	-	-	-	-	-	-
Trade receivables	2,304	2,101	478	-	1,835	2,203	734	-
Other receivables	932	191	510	-	377	768	494	-
Liabilities:								
Bank borrowings	-	-	-	(48,775)	-	-	-	(50,935)
Trade payables	(805)	(746)	(1,047)	-	(884)	(1,175)	(1,296)	-
Other payables	(3,065)	(2,847)	(2,120)	-	(2,888)	(3,099)	(1,953)	-
Net exposure	(634)	(1,301)	(2,179)	(48,775)	(1,560)	(1,303)	(2,021)	(50,935)

42 Risk management objectives and policies - continued

42.3 Market risk - continued

(i) Foreign currency risk - continued

At 31 December 2018, if the euro had weakened/strengthened by 10% (2017: 10%) against the Rouble with all other variables held constant, Group post-tax profit for the year would have been €5.4m lower/€5.4m higher (2017 : €5.8m lower/€5.8m 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 €54.1m (2017: €54.1m) and €16.8m (2017: €22.7m) 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 2018, if the euro had weakened/strengthened by 10% (2017: 10%) against the Rouble with all other variables held constant, the Group's equity would have been €8.1m lower/€8.1m higher (2017: €8.0m lower/€8.0m 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	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Fixed rate instruments				
Financial assets:				
Parent company loan and other loans receivable	**1,867**	19,582	**32,576**	64,337
Assets placed under trust arrangement	**3,767**	2,290	**3,767**	2,290
Financial liabilities:				
Bonds	**(202,507)**	(202,156)	**(202,507)**	(202,156)
Other financial liabilities	**(4,500)**	(4,500)	**(6,900)**	(6,900)
	(201,373)	(184,784)	**(173,064)**	(142,429)
Variable rate instruments				
Financial assets:				
Loans to related company	**-**	-	**54,053**	54,053
Financial liabilities:				
Bank borrowings	**(358,076)**	(349,412)	**(10,176)**	(12,713)
Other financial liabilities	**-**	-	**(13,000)**	-
	(358,076)	(349,412)	**30,877**	41,340

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 €3.1m (2017: €2.3m) 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 €22.9k (2017: €23.0k) 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 available-for-sale financial assets. As at 31 December 2018, the carrying amount of these investments amounted to €8.5m (2017: €8.6m). All 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.

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	
	2018 €'000	2017 €'000 (restated)	2018 €'000	2017 €'000 (restated)
Bank loans (Note 30)	**352,177**	341,269	**10,176**	12,214
Other financial liabilities (Note 32)	**4,612**	4,664	**26,112**	20,363
Bonds (Note 31)	**202,507**	202,156	**202,507**	202,156
Less: cash and cash equivalents (Note 23)	**(44,291)**	(42,652)	**(7,824)**	(6,039)
Net debt	**515,005**	505,437	**230,971**	228,694
Total equity	**877,620**	864,972	**716,168**	687,581
Total capital	**1,392,625**	1,370,409	**947,139**	916,275
Net debt ratio	**37.0%**	36.9%	**24.4%**	25.0%

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 Risk management objectives and policies - continued

42.5 Summary of financial assets and liabilities by category

	The Group		The Company	
	2018 €'000	2017 €'000 (restated)	2018 €'000	2017 €'000 (restated)
Assets				
Other financial assets at amortised cost (2017: Loans and receivables)				
Cash and cash equivalents	**50,190**	50,795	**7,824**	6,538
Trade receivables	**14,721**	14,248	**65**	2
Other receivables	**31,500**	26,236	**42,183**	17,368
Amounts due from Group and related companies	**1,867**	19,582	**255,578**	321,706
Assets placed under trust arrangement	**3,767**	2,290	**3,767**	2,290
Financial assets measured at fair value				
Equity securities				
Investments in subsidiaries	**-**	-	**708,479**	623,664
Investments in associates and joint ventures	**-**	-	**12,760**	12,604
Financial assets at FVTPL	**1,821**	-	**-**	-
Available-for-sale financial assets	**-**	943	**-**	-
Funds and mutual funds				
Financial assets at FVTPL	**6,664**	-	**-**	-
Available-for-sale financial assets	**-**	7,660	**-**	-
Total assets	**110,530**	121,754	**1,030,656**	984,172
Liabilities				
Other financial liabilities measured at amortised cost at amortised cost				
Bank borrowings	**358,076**	349,412	**10,176**	12,713
Bonds	**202,507**	202,156	**202,507**	202,156
Other financial liabilities	**4,612**	4,664	**26,112**	20,363
Contingent consideration	**9,251**	10,390	**563**	1,175
Trade payables	**16,926**	13,199	**426**	425
Other payables	**9,901**	9,662	**2,328**	2,603
Accruals	**21,270**	20,946	**6,139**	6,226
Total liabilities	**622,543**	610,429	**248,251**	245,661

42 Risk management objectives and policies - continued

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	2018 €'000	2017 €'000
	Level 1	
Assets		
Financial assets at fair value through profit or loss (2017: available-for-sale investments)	**8,485**	8,603

The Company	2018 €'000	2017 €'000
	Level 3	
Assets		
Investments in subsidiaries (a)	**708,479**	623,664
Investments in associates and joint ventures (b)	**12,760**	12,604
	721,239	636,268

Measurement of fair value

The fair value of investments in financial assets at FVTPL (2017: available-for-sale financial assets) was obtained by reference to published market prices as at the balance sheet date.

The valuation processes undertaken in respect of property (Note 16) has been adopted with respect to these financial instruments.

42 Risk management objectives and policies - continued

42.6 Financial instruments 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 16.1. Movements in level 3 are as indicated in Note 16.1.

b) Investment in associates and joint ventures

Investment in associates and joint ventures are accounted for as available-for-sale investments 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.

42.7 Financial instruments not measured at fair value

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			
	2018	2017	2018	2017
	€'000	€'000	€'000	€'000
	Level 1		Level 3	
Financial assets				
Other financial assets at amortised cost (2017: Loans receivable)	**-**	-	**1,867**	19,582
Trade and other receivables	**-**	-	**45,625**	40,484
Assets placed under trust arrangement	**-**	-	**3,767**	2,290
	-	-	**51,259**	62,356
Financial liabilities				
Bank borrowings	**-**	-	**358,076**	349,412
Bonds	**202,507**	202,156	**-**	-
Other financial liabilities	**-**	-	**4,612**	4,664
Contingent consideration	**-**	-	**9,251**	10,390
Trade and other payables	**-**	-	**56,785**	43,807
	202,507	202,156	**428,724**	408,273

42 Risk management objectives and policies - continued

42.7 Financial instruments not measured at fair value - continued

	The Company			
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
	Level 1		Level 3	
Financial assets				
Loans receivable	**-**	-	**245,906**	303,769
Trade and other receivables	**-**	-	**42,248**	17,370
Assets placed under trust arrangement	**-**	-	**3,767**	2,290
	-	-	**300,921**	323,429
Financial liabilities				
Bank borrowings		-	**10,176**	12,713
Bonds	**202,507**	202,156	**-**	-
Other financial liabilities	**-**	-	**26,112**	20,363
Contingent consideration	**-**	-	**563**	1,175
Trade and other payables	**-**	-	**8,893**	9,254
	202,507	202,156	**45,744**	43,505

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.