CORINTHIA

GROUP

2019

ANNUAL REPORT

& Financial Statements

INTERNATIONAL HOTEL INVESTMENTS P.L.C.

INTERNATIONAL HOTEL INVESTMENTS P.L.C.

is a hotel and real estate developer and operator.

OUR FOCUS IS THE ESTABLISHMENT OF CORINTHIA HOTELS AS A GLOBAL LUXURY HOTEL BRAND.

To do this, we acquire, develop, own and operate Corinthia hotels. The Company also develops and manages hotels on behalf of partner owners and investors, and builds, owns and develops for sale – office, retail and residential property.

IHI has an issued capital of €615 million and an asset valuation of €1.7 billion. Listed on the Malta Stock Exchange, IHI was established in 2000 as the public arm of the founding Corinthia business – CPHCL (established in 1962).

BRUSSELS
BUCHAREST
BUDAPEST
DOHA
DUBAI
KHARTOUM
LISBON
LONDON
MALTA
MOSCOW
PRAGUE
ROME
ST PETERSBURG
TRIPOLI
TUNIS

International Hotel Investments p.l.c.
22, Europa Centre Floriana FRN 1400, Malta.
www.corinthiagroup.com

PRINCIPAL MILESTONES AND ACHIEVEMENTS

for the year ended 31 December 2019.

The Company has achieved a record pre-tax net profit for 2019, totalling €13.9m.

Adjusted EBITDA has grown to €60.3m in 2019, almost double the €33m in 2014.

We have entered into arrangements with a third party investor to develop and eventually lease a prime property in Rome. The property is the former headquarters of the Bank of Italy and will be transformed into a luxury Corinthia Hotel.

Development work on the Corinthia Hotels in Bucharest, Brussels and Dubai has proceeded in 2019, and works on site in Moscow, Rome and Doha have commenced in 2020.

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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 Hotels brand, pursue related real estate projects, and explore opportunities with like-minded third parties in key locations around the world.

THE GROUP COMPRISES A NUMBER OF KEY SUBSIDIARY ENTITIES:

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

CORINTHIA DEVELOPMENTS INTERNATIONAL LIMITED (CDI)
is a development company which originates, plans, structures, transacts and manages the Group's ongoing developments.

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

OUR PORTFOLIO

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

– HOTELS OWNED & MANAGED –

BRUSSELS
Corinthia Hotel (opening 2023 former Grand Hotel Astoria)
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 2023)
54 Rooms / 10% Holding

PRAGUE
Corinthia Hotel
551 Rooms / 100% Holding

ST PETERSBURG
Corinthia Hotel
385 Rooms / 100% Holding

TRIPOLI
Corinthia Hotel
300 Rooms / 100% Holding

– HOTELS MANAGED –

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

BUDAPEST
Acquincum Hotel
310 Rooms

DOHA
Corinthia Hotel, Residences, Golf & Yacht Club
(opening 2023)
118 Rooms

DUBAI
Corinthia Meydan Beach Hotel
(opening 2021)
360 Rooms

KHARTOUM
Corinthia Hotel
230 Rooms

PRAGUE
Panorama Hotel
440 Rooms

ROME
Corinthia Hotel
(opening 2022)
60 Rooms

TUNIS
Ramada Plaza
309 Rooms

– LAND & COMMERCIAL PROPERTIES –

BUDAPEST
Royal Residences

LONDON
10, Whitehall Place Residences

MALTA
Oasis at Ħal Ferħ (Planning Stage)

MOSCOW
Corinthia Residences
(Under Development)

ST PETERSBURG
Nevskij Plaza Shopping & Office Centre

TRIPOLI
Corinthia Commercial Centre

OUR PORTFOLIO

BRUSSELS | BUCHAREST | BUDAPEST | DOHA | DUBAI | KHARTOUM | LISBON | LONDON
MALTA | MOSCOW | PRAGUE | ROME | ST PETERSBURG | TRIPOLI | TUNIS

BOARD OF DIRECTORS

ALFRED PISANI

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

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.

SALEM M.O. HNESH

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

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.

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.

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.

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.

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.

JEAN PIERRE SCHEMBRI

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

CHAIRMAN'S STATEMENT

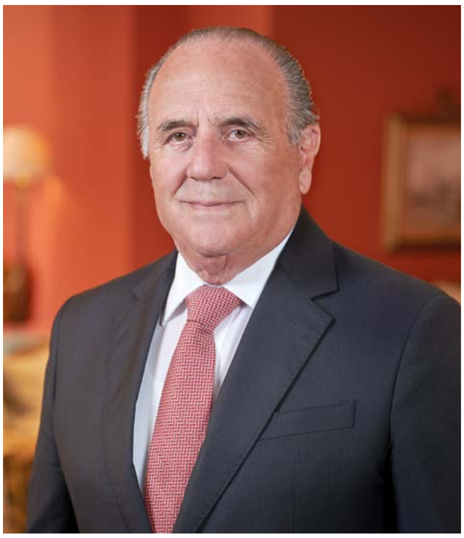
FOR THE YEAR ENDED 31 DECEMBER 2019
GĦAS-SENA LI GĦALQET FIL-31 TA' DIĊEMBRU 2019

DEAR FELLOW SHAREHOLDERS,

First and foremost, I trust that all of you are in good health in the light of COVID19 which is still amongst us and would recommend that we have to be even more careful now that certain restrictions have been lifted in an effort to bring back a level of economic normality. This consideration has become even more crucial with the opening of various establishments, and more importantly with the arrival of foreigners amongst us on the basis of the imminent opening of the airport.

GĦEŻIEŻ KOLLEGI AZZJONISTI,

Qabel xejn, nittama li kollha kemm intom tinsabu f'saħħitkom fid-dawl ta' COVID19 li għadu magħna u nirrikmanda li noqogħdu aktar attenti issa li ċerti restrizzjonijiet tneħħew sabiex nerġgħu ndaħħlu livell ta' normalità ekonomika. Din il-konsiderazzjoni issa saret aktar kruċjali bil-ftuħ ta' diversi stabbilimenti u, aktar importanti, bid-dħul ta' stranġieri fostna minħabba l-ftuħ imminenti tal-ajruport.



ALFRED PISANI
Chairman

My report, as with every year, covers our performance for the prior year, however due to this unprecedented pandemic that has hit us since March of this year, I am obliged to first address the events of the first six months of 2020. It is important for me to point out that prior to the dark cloud that has affected our industry since March, we were up to then, still planning to announce a further dividend, similar to what was distributed in previous years. In fact, this was indicated in the first draft of my address to the shareholders which I had prepared in January. This draft has now been pushed aside in view of the closure of all our hotels since March. I have no doubt that all shareholders fully appreciate the difficult situation that we find ourselves in, and therefore we are not recommending the issue of dividends for this year.

It is my duty to inform you, our shareholders, on the many actions that the Board and Management have together carried out to ensure the continued viability of our Company, looking forward as far as December 2021 and beyond. This is important as we want to safeguard the Company and our responsibilities towards our employees, shareholders, bondholders, banks and everyone connected to us.

In brief, we took the following actions:

A. We have of course adopted all health and safety measures as directed by the relevant authorities in the various jurisdictions in which we operate. Internal guidelines on operations and staff welfare have also been circulated and updated regularly, especially now as we enter into a phase of re-opening our hotels.

Bħal kull sena, l-indirizz tiegħi jkopri l-prestazzjoni tagħna fis-sena li għaddiet, iżda minħabba din il-pandemija bla preċedent li laqtitna minn Marzu ta' din is-sena, jien inħossni obbligat li l-ewwel nindirizza l-ġrajjiet tal-ewwel sitt xhur tas-sena 2020. Hu importanti għalija li ninnota li qabel is-sħaba sewda li minn Marzu affettwat l-industrija tagħna, aħna sa dak iż-żmien konna diġà qed nippjanaw li nħabbru dividend ieħor simili għal dak mogħti fis-snin ta' qabel. Infatti kont diġà indikajt dan fl-ewwel abbozz tiegħi tal-indirizz lill-azzjonisti li ħejjejt f'Jannar. Issa minħabba l-għeluq tal-lukandi minn Marzu, dak l-abbozz m'għadux jgħodd. Jien m'għandix dubju li l-azzjonisti kollha japprezzaw is-sitwazzjoni iebsa li sibna ruħna fiha, u għalhekk m'aħniex qed nirrikmandaw ħruġ ta' dividend għal din is-sena.

Huwa d-dover tiegħi li ninforma lilkom, azzjonisti tagħna, li l-Bord u l-Management flimkien irrikorrew għal diversi azzjonijiet biex jassiguraw il-vijabilità kontinwa tal-kumpanija tagħna b'ħarsa 'l quddiem sa Diċembru 2021 u lil hinn. Dan hu importanti għax aħna rridu nissalvagwardjaw il-Kumpanija u r-responsabbiltajiet tagħna lejn l-impjegati, azzjonisti, bondholders, banek u kull min hu konness magħna.

Fil-qosor, ħadna dawn l-azzjonijiet:

A. Naturalment ħadna l-miżuri kollha kif mitluba mill-awtoritajiet tas-saħħa fil-ġurisdizzjonijiet kollha li noperaw fihom. Iċċirkolajna internament linji gwida fuq il-ħidma u s-saħħa tal-ħaddiema, speċjalment issa li dħalna fil-fażi ta' ftuħ mill-ġdid tal-lukandi tagħna.

B. We have addressed a series of far-reaching cost cutting and cost containment measures, which included shutting down hotels from March, as in any case there was no business. Nevertheless, we still provided round the clock security and maintenance of our properties, whilst making sure to keep costs to a minimum.

C. We have also suspended all capital expenditure (CAPEX) other than to finish ongoing works that had been nearing completion.

D. Furthermore, we have taken many other actions following a detailed review of every cost item in our hotels, other business units and corporate offices where we could either renegotiate rates or enter into an agreement of payment deferment.

E. The Company also took immediate action to curtail its payroll by shedding all part-time workers and others on probation, whilst also removing all outside labour service providers. Many of our employees have also taken drastic cuts in their take-home pay.

F. Moreover, in all countries in which we operate, including Malta, Prague, Budapest, Lisbon and London, the Company benefitted from various schemes adopted by the respective Governments which included salary subsidies, as well as the waiver or deferral of payroll taxes and social security contributions. In the case of the United Kingdom, we also benefitted from a waiver of property taxes for 2020. These schemes are of significant benefit to the Company.

G. The Company has also negotiated with its banks both in Malta and internationally to defer payment of capital and, in some cases also interest. The Company has also organized separate lines of credit from various banks and even with related parties.

In the light of these actions we are confident, as indicated in our Company Announcement dated 28 March, that whilst projecting a scenario of little or no income for the next foreseeable months, the Company has sufficient resources and funds to maintain all its payment obligations including bond and bank interest as they arise through the course of the year.

Dear Shareholders, as I am now writing this report in June 2020, the picture when looking ahead is now becoming clearer for us to assess. The effects of the pandemic will not be as short-term as originally understood globally, but rather, we are facing a challenging road to recovery over a longer period than what was initially assumed. Your Board is fully conscious of these evolving challenges, and working on the basis that business will not revert to pre-pandemic levels any time soon, certainly not in 2020, or even in 2021.

In the light of these considerations, we have now revised our outlook to extend beyond the end of this year and up to December 2021. I say this because our assumptions, on taking into account various unfolding concerns, lead us to conclude that for this year we see very little business, and contrary to what we had previously assumed in the early part of the pandemic, we are now seeing a longer and slower period of

B. Ħdimna fuq miżuri estensivi biex innaqqsu u nrażżnu l-infieq, li jinkludu wkoll għeluq ta' lukandi minn Marzu għax fi kwalunkwe każ ma kienx hemm negozju. Madankollu xorta provdejna sigurtà u manutenzjoni lill-propjetajiet tagħna l-ħin kollu, waqt li bqajna attenti li nżommu l-ispejjeż baxxi kemm nistgħu.

C. Issospendejna għal kollox l-infiq kapitali (CAPEX) ħlief biex intemmu xi xogħlijet li kienu għaddejjin u kważi kompluti.

D. Barra minn hekk, ħadna diversi miżuri wara reviżjoni dettaljata ta' kull oġġett spiża fil-lukandi tagħna, unitajiet oħra tan-negozju u uffiċċji amministrattivi fejn stajna jew nerġgħu ninnegozjaw rati ġodda jew nidħlu fi ftehim ta' ħlas differit.

E. Il-Kumpanija ħadet azzjoni immedjata biex tnaqqas l-ispiża tas-salarji jew pagi billi waqqfet il-ħaddiema kollha part-time u dawk li kienu fuq probation, kif ukoll waqqfet kull servizz ta' xogħol mogħti minn barra l-Kumpanija. Ħafna mill-impjegati tagħna wkoll tnaqqsitilhom il-paga drastikament.

F. Barra minn hekk, f'kull pajjiż li noperaw, inkluż Malta, Praga, Budapest, Lisbona u Londra, il-Kumpanija bbenefikat minn diversi skemi addottati mill-Gvernijiet rispettivi li jinkludu sussidji ta' salarji, rinunzji jew differimenti ta' taxxi fuq salarji u kontribuzzjonijiet tas-servizzi soċjali. Fil-każ tar-Renju Unit, aħna gawdejna minn tneħħija ta' taxxi fuq propjetà għas-sena 2020. Dawn l-iskemi huma ta' benefiċċju sinifikanti għall-Kumpanija.

G. Il-Kumpanija nnegozzjat mal-banek tagħha kemm f'Malta u barra minn Malta biex tiddifferixxi l-ħlas ta' kapital u, f'xi każijiet, anki ta' imgħax. Il-Kumpanija wkoll organizzat linji separati ta' kreditu ma' diversi banek u anki ma` partijiet relatati.

Fid-dawl ta' dawn l-azzjonijiet aħna fiduċjużi, bħal mhu indikat fl-Avviż tal-Kumpanija tat-28 ta' Marzu, li għalkemm qed nipproġettaw xenarju ta' ftit jew ebda dħul għax-xhur prevedibbli li ġejjin, il-Kumpanija għandha riżorsi u fondi biżżejjed biex tosserva l-obbligi kollha ta' ħlas, inkluż il-ħlas tal-imgħaxijiet fuq il-bonds u lill-banek, hekk kif isiru dovuti tul is-sena.

Għeżież azzjonisti, billi qed nikteb dan ir-rapport f'Ġunju tas-sena 2020, meta nħarsu 'l quddiem l-istampa qed tidher aktar ċara biex nevalwaw is-sitwazzjoni. L-effetti tal-pandemija mhux ser ikunu ta' terminu qasir kif oriġinarjament kien maħsub globalment, imma pjuttost il-perijodu ta' rkupru hu itwal milli konna qed nassumu għall-bidu. Il-Bord tagħkom hu konxju sew b'dawn l-isfidi li qed jevolvu, u qed jaħdem fuq bażi li n-negozju mhux ser jerġa` lura għal-livell ta' qabel il-pandemija f'xi żmien qasir, żgur mhux fis-sena 2020, u lanqas fis-sena 2021.

Fid-dawl ta' dawn il-konsiderazzjonijiet, aħna rrivedejna l-prospettiva tagħna biex testendi aktar lil hinn mit-tmiem ta' din is-sena, u sa Diċembru 2021. Qed ngħid hekk għax is-supposizzjonijiet tagħna, meta nikkunsidraw diversi ħsibijiet li qed jevolvu, jwassluna biex nikkonkludu li għal din is-sena nistgħu naraw tassew ftit negozju u, kuntrarjament għal dak li recovery up to December 2021. In consequence, the Board has taken a very definite decision that we need to look further and deeper into our operations and make every effort so that at best in 2021 we will breakeven after paying interest on the bonds and bank loans. As your Board, we have the responsibility to guide the Company in these turbulent times in a manner so as to ensure its continual strength.

I did, in the preceding paragraphs, indicate a number of measures that we have taken over recent months. Today, as a clearer understanding of the future unfolds, as also our views on the pace of recovery, we have to double up our actions on cost containment, which actions though painful are nonetheless inevitable to reduce our operating costs.

For example it will be irrational and unsustainable to carry a staff complement that was established over the past years to cater for average occupancies of around 80%, to the significantly lower levels of occupancies we are forecasting between now and the end of 2021, and further compounded by the probability of lower average room rates. This is even more relevant as we expect Government subsidies in various countries to be reduced over a period of time. The Board is thus acting responsibly to ensure that we take all steps to go through this period of low business to enable us to meet the future with strength and confidence.

Notwithstanding the above, and as I have indicated earlier, this report however covers our performance for 2019, where once again we had a very successful result when the EBITDA increased to around €70 million, driven by increased profitability and improved performance from our various business segments. In fact, last year was a record year.

As you know, our financial results are reported in euro. However, our operational currencies in London and Russia are denominated in sterling and Russian rouble respectively, which means that any strengths and weaknesses in these currencies in relation to the euro will affect our final group performance. I am happy to inform that during 2019 the movements in exchange rates for both the Russian rouble and sterling have worked to our favour against the euro, which is the reporting currency of IHI, and this is a payback and reversal of the heavy losses that took place in these currencies in previous years.

As all of you are aware, Libya has experienced and is still experiencing political uncertainties, which obviously affect our trading in our Tripoli hotel. Nevertheless, as we have experienced all along, we are fortunate that our commercial office centre adjoining the hotel maintained practically full occupancy, thus generating sufficient surplus funds to compensate for the loss of revenue in the hotel operation. In fact, the net outcome of these two operations resulted in an EBITDA of €4.59 million and a profit before tax of €1.37 million after deducting interest and depreciation.

It is important to note that in normal trading this hotel would yield a GOP of around €18 million annually. However, when considering that interest and depreciation are already reported in our consolidated results, any future improved GOP from this hotel would then all cascade right down to the profit line.

assumejna fi żmien bikri ta' din il-pandemija, issa qed naraw perijodu ta' rkupru itwal u aktar bil-mod sa Diċembru 2021. Bħala konsegwenza, il-Bord ħa deċiżjoni definita li għandna nħarsu aktar 'il bogħod u fil-fond lejn l-operazzjonijiet tagħna u nagħmlu l-almu tagħna kollu li għallinqas naslu għal breakeven fis-sena 2021, wara li nkunu ħallasna l-imgħaxijiet fuq il-bonds u s-self bankarju. Bħala bord tagħkom, għandna r-responsabbiltà li mmexxu l-Kumpanija f'dawn iż-żminijiet imqanqlin b'mod li niżguraw li tibqa' b'saħħitha.

Aktar 'il fuq, indikajt numru ta' miżuri li ħadna tul ix-xhur li għadhom kif għaddew. Illum li qed nifhmu aktar il-futur kif qed jevolvi, kif ukoll minħabba l-veduti tagħna fuq il-pass ta' rkupru, għandna nirduppjaw l-azzjonijiet ta' trażżin fl-ispiża, liema azzjonijiet huma ta' wġigħ il-qalb iżda, madankollu, inevitabbli biex innaqqsu l-ispejjeż operattivi.

Per eżempju, tkun ħaġa irraġonevoli u insostenibbli li nżommu korp ta' persunal (staff complement) li kien stabbilit tul is-snin li għaddew biex jipprovdu għal okkupazzjoni medja ta' madwar 80%, meta mqabbla ma' livelli ferm aktar baxxi ta' okkupanza li qed inbassru bejn issa u t-tmiem tas-sena 2021. U ma' dan, wieħed iżid il-probabbiltà ta' rati medji aktar baxxi għal kmamar ta' lukandi. Dan hu aktar rilevanti meta qed nistennew li s-sussidji governattivi minn diversi pajjiżi jitnaqqsu tul perijodu ta' żmien. Għalhekk il-Bord qed jaġixxi b'mod responsabbli biex jiżgura li nieħdu l-passi kollha biex ngħaddu minn dal-perijodu ta' negozju fqir u nilqgħu l-futur b'saħħa u kunfidenza.

Minkejja dak kollu li għidt, u kif indikajt qabel, dan ir-rapport qed iħares lejn il-ħidma tagħna tul is-sena 2019, fejn għal darb'oħra kellna riżultat ta' suċċess u l-EBITDA żdiedet għal madwar €70 miljun, immexxija minn żieda fil-profittabiltà u ħidma aħjar fl-oqsma diversi tan-negozju tagħna. Fil-fatt, is-sena li għaddiet kienet sena rekord.

Kif tafu, ir-riżultati finanzjarji tagħna huma rappurtati bl-ewro. Madankollu l-muniti tal-Ingilterra u r-Russja huma rispettivament l-isterlina u r-rublu Russu. Dan ifisser li ċaqliq ta' saħħa jew dgħjufija f'dawn il-muniti f'relazzjoni mal-ewro jaffettwa r-riżultat finali tal-Grupp. Għandi pjaċir ninfurmakom li tul is-sena 2019 kemm ir-rublu Russu u l-isterlina tjiebu kontra l-ewro, li hi l-munita li biha tirraporta l-IHI. Dan hu tpattija u treġġigh lura għat-telf qawwi li kien hemm f'dawn il-muniti fis-snin li għaddew.

Kif tafu lkoll, il-Libja għaddiet u għadha għaddejja minn inċertezzi politiċi li, bla dubju, jaffettwaw in-negozju tal-lukanda tagħna fi Tripli. Madankollu, kif esperjenzajna tul dan iż-żmien, aħna fortunati li l-uffiċċji li jmissu mal-lukanda baqgħu kważi kollha okkupati u għalhekk għadhom jiġġeneraw fondi żejda biex ipattu għat-telf ta' dħul mil-lukanda. Infatti r-riżultat nett ta' dawn iż-żewġ operazzjoniet hu EBITDA ta €4.59 miljun u profitt ta' qabel it-taxxa ta' €1.37 miljun wara tnaqqis ta' imgħax u deprezzament.

Hu importanti li tinnutaw li f'negozju normali, din il-lukanda jkollha GOP ta' madwar 18-il miljun ewro fis-sena. Madankollu meta wieħed jikkonsidra li l-imgħax u d-deprezzament huma diġà rrappurtati fir-riżultati konsolidati tagħna, kull titjib fil-futur fil-GOP minn din il-lukanda jaffettwa bl-istess ammont lill-profitt.

CORINTHIA HOTEL · TRIPOLI

CORINTHIA HOTEL · ROME

As I have mentioned on numerous occasions, our three sister subsidiary companies make IHI quite unique in the world by offering a one-stop-shop service for hotel and real estate development. In fact, we are not only hotel owners, but we also develop hotels and real estate through our company CDI. During construction we provide the services of project management through QP. Ultimately, we also manage hotels under the brand Corinthia through our company, CHL.

This integration of an owning company with these three sister companies gives us tremendous spin-off benefits as each company will, in the course of its business, find occasions to introduce the other members of the Group.

In addition, we have an extremely well-structured organisation and a very committed workforce that reflects the spirit of a family which we call, the Spirit of Corinthia. This imparts substantial value, which though not discernible in the balance sheet, yet gives our company an edge over competition.

Looking forward and as a policy we will continue searching locations to proudly fly the Corinthia flag either through management agreements or possibly joint ventures.

In fact, we are proud to announce that we are moving ahead with our hotel property in Rome, which we are developing under a lease agreement with an investment fund. The property is the former seat of the Central Bank of Italy in Parliament Square. Plans are in hand for the conversion of the 7,500m² building into a luxury destination, featuring a number of suites and top of the range bedrooms. The luxurious public areas include two restaurants, bars and lounges, all wrapped around a central garden. The hotel also has a spa and other amenities. I am confident that this hotel development will be a successful operation which will consolidate our relationship with the fund that owns the property, prompting both parties to repeat similar agreements in other destinations.

Bħal m'għidt f'diversi okkażjonijiet, it-tliet kumpaniji tagħna fl-istess grupp jagħmlu l-IHI pjuttost unika fid-dinja billi joffru servizz ta' one-stop-shop għal żvilupp ta' lukandi u ta' propjetajiet immobbli. Infatti aħna m'aħniex biss sidien ta' lukandi iżda wkoll żviluppaturi ta' lukandi u propjetà immobbli permezz tal-kumpanija CDI li tifforma parti mill-Grupp. Waqt li nkunu qed nibnu, nipprovdu wkoll servizz ta' project management permezz ta' QP, kif ukoll nimmaniġġjaw il-lukandi taħt l-isem Corinthia permezz ta' kumpanija oħra tal-Grupp, CHL.

Din l-integrazzjoni ta' owning company ma' tliet kumpaniji tal-istess grupp toħloq vantaġġi kbar peress li kull kumpanija ssib okkażjoni f'xogħolha li tintroduċi lil membri l-oħra tal-istess grupp.

Barra minn hekk għandna organizzazjoni li hi strutturata tajjeb ħafna u ħaddiema dedikati li jirriflettu l-ispirtu ta' familja li aħna nsejħu 'the Spirit of Corinthia'. Dan inissel valur sostanzjali li għalkemm ma jidhirx fil-balance sheet, jagħti lil kumpanija vantaġġ sew fuq il-kompetituri tagħna.

B'ħarsa 'l quddiem u bħala politika tal-kumpanija, aħna ser inkomplu nfittxu postijiet fejn intajru bi kburija l-bandiera tal-Corinthia, sew premezz ta' ftehim ta' tmexxija jew possibilment joint ventures.

Aħna kburin inħabbru li mixjin 'il quddiem bil-lukanda f'Ruma, li qed niżviluppaw permezz ta' kuntratt ta' kiri ma' Fond tal-Investiment. Din il-propjetà kienet is-sede tal-Bank Ċentrali tal-Italja fil-Pjazza tal-Parlament. Mixjin bi pjanijiet ta' konverżjoni ta' bini ta' 7,500 metru kwadru f'bini lussuż li jinkludi settijiet ta' kmamar u kmamar tas-sodda tal-ogħla livell. Iż-żona pubblika tinkludi żewġ ristoranti, bars u swali li jdawru u jħarsu għal fuq ġnien ċentrali. Il-lukanda għandha wkoll spa u kumditajiet oħra. Jiena fiduċjuż li din ser tkun operazzjoni ta' suċċess li ssaħħaħ ir-relazzjoni tagħna mal-fond li huwa s-sid tal-propjetà, u li ser tħajjar liż-żewġ naħat li jirrepetu ftehim bħal dan f'destinazzjonijet oħra.

CORINTHIA HOTEL · MOSCOW *ARTIST'S IMPRESSION*

May I add that we are at present involved in a number of other projects. We are for example developing a mixed-use residential and hotel property in Moscow, by way of a joint venture in which IHI has 10% shareholding, as also the management contract for 30 years. We are also developing a hotel in Brussels in which IHI owns 50%, together with the management agreement. Purely as a provider of management and technical services, IHI, through its management company, CHL, is also involved in the development of three luxury hotels under construction in Bucharest, Dubai and Doha, and once completed CHL will take responsibility for the hotel management of these three properties.

As we entered into 2020, the Company had been planning to eventually explore business in certain locations in the African continent, on the basis of this continent's significant growth potential, and where we would like to take the opportunity to fly our flag. This is no different to what we had pioneered in the Eastern European countries more than two decades ago.

In all of our developments, I cannot emphasise enough the importance of joint ventures. Being 100% owners of hotels, as we had to do in the past, entails the utilization of substantial amounts of our capital. The concept of joint ventures increases our chances to participate in more projects, as joint ventures allow us more elbow room to use excess funds in the acquisition of more properties, providing more opportunities to fly our Corinthia flag, whilst spreading wider our reach and achieving more profitability. However, notwithstanding the appreciation in the investments of hotels and real estate, we nevertheless see that the provision of pure management of hotels on behalf of third parties is a faster growth path for our company. Nevertheless, we shall pursue all fronts to achieve growth.

Nixtieq inżid li bħalissa aħna involuti f'numru ta' proġetti oħra. Per eżempju qed niżviluppaw propjetà f'Moska li tinkludi kemm residenzi kif ukoll lukanda, u dan b'joint venture li fiha IHI għandha 10% tal-ishma u kuntratt ta' tmexxija tal-lukanda għal 30 sena. Qiegħdin ukoll niżviluppaw lukanda fi Brussell li fiha IHI għandha 50% flimkien ma' ftehim ta' tmexxija tal-lukanda. Purament biex tipprovdi tmexxija u servizz tekniku, IHI hi involuta permezz tal-managemnt company tagħha, CHL, fl-iżvilupp ta' tliet lukandi ta' lussu li qed jinbnew f'Bukarest, Dubai u Doha. Meta x-xogħol jitlesta, CHL tieħu f'idejha t-tmexxija tal-lukandi ta' dawn it-tliet propjetajiet.

Kif bdiet is-sena 2020, il-Kumpanija kienet qed tippjana li eventwalment tfittex negozju f'ċerti nħawi tal-kontinent Afrikan billi dan qed juri potenzjal sinifikanti ta' tkabbir, u fejn nixtiequ li nieħdu l-opportunità li ntajru l-bandiera tagħna. Dan mhux differenti minn dak li għamilna f'pajjiżi fl-Ewropa tal-Lvant aktar minn għoxrin sena ilu.

Fl-iżviluppi tagħna kollha, ma nistax nenfasiżża biżżejjed l-importanza ta' joint ventures. Jekk noperaw biss bħala sidien ta' 100% tal-lukandi, kif konna nagħmlu dari, ifisser li nużaw somom sostanzjali mill-kapital tagħna. Għalhekk il-kunċett ta' joint ventures iżidilna l-opportunitajiet li nipparteċipaw f'aktar proġetti għax joint ventures joffrulna aktar ċans biex nużaw il-kapital żejjed biex nakkwistaw aktar propjetajiet u nkattru opportunitajiet li ntajru l-bandiera tagħna tal-Corinthia waqt li ninfirxu aktar u nżidu l-profitti tagħna. Madankollu minkejja l-apprezzament fl-investimenti fil-lukandi u propjetà immobbli, xorta naraw li x-xogħol ta' tmexxija ta' lukandi f'isem terzi hi triq li tiżviluppa aktar malajr għal kumpanija tagħna. Però, xorta nsegwu l-fronti kollha biex inkomplu nikbru.

CORINTHIA HOTEL · BRUSSELS

ARTIST'S IMPRESSION

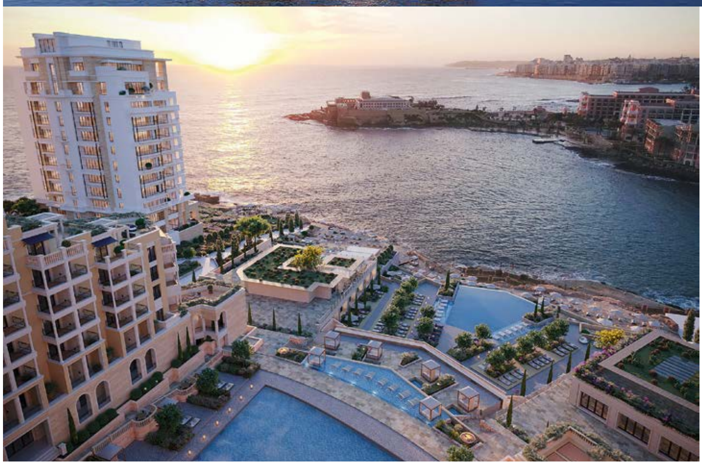
CORINTHIA HOTEL · PRAGUE

As indicated last year at the annual general meeting, we are planning to divest one or two of our properties which have reached their full maturity with the scope of recycling the funds generated through the sale of such properties as also give us the opportunity to issue ad-hoc dividends.

At present, we have put on the market our hotel in Prague where an exclusivity agreement has been signed, identifying heads of terms on the sale. Our negotiations on this front are proceeding, however one must appreciate that the pandemic has brought an uncertain timetable to these discussions. Nevertheless, we remain hopeful that once a level of normality returns to business, we will be able to achieve a successful closing. As had been expected, the terms of the agreement that we have been discussing with a prospective buyer were at a price significantly higher than our book value as currently shown in our balance sheet. Based on this expectation, this will prove, once a sale is concluded, what we have been saying time and time again, that the potential of our hotels is much higher than their balance sheet value.

Kif indikajna s-sena l-oħra fil-laqgħa ġenerali annwali, aħna qed nippjanaw li nbiegħu propjetà jew tnejn minn tagħna li laħqu l-maturità sħiħa tagħhom sabiex nirriċiklaw il-fondi tal-bejgħ tagħhom u jkollna l-opportunità li noħorġu dividendi ad-hoc.

Fil-preżent, ħriġna fis-suq il-lukanda tagħna fi Praga fejn ġie ffirmat ftehim esklussiv li jidentifika l-punti prinċipali tal-ftehim tal-bejgħ. In-negozjati tagħna sejrin tajjeb imma wieħed għandu japprezza li l-pandemija ħarbtet l-iskeda ta' żmien ta' din l-attività. Però nibqgħu fiduċjużi li meta terġa` lura xi forma ta' normalità fin-negozju, inkunu nistgħu nikkonkludu b'suċċess. Kif kien mistenni, it-termini tal-ftehim li ddiskutejna max-xerrej prospettiv jinkludu prezz li hu ogħla b'mod sinifikanti mill-valur kontabbli ta' din il-propjetà kif jidher issa fil-balance sheet tagħna. Fuq bażi ta' din l-aspettattiva, ġaladarba l-bejgħ iseħħ, jiġi kkonfermat li, kif dejjem sħaqna minn żmien għal żmien, il-potenzjal tal-lukandi tagħna hu ħafna ogħla mill-valur tagħhom li jidher fil-balance sheet.



CORINTHIA HOTEL & RESIDENCES ST GEORGE'S BAY · MALTA
ARTIST'S IMPRESSION

CORINTHIA OASIS AT ĦAL FERĦ · MALTA

As a Maltese public company, IHI, is still very committed to continue to develop and expand further in Malta. Our plans for the San Ġorġ project to develop a luxury hotel and real estate depend on the ongoing discussions with Government, which we hope to resume shortly, and we are confident that we will ultimately be successful.

Concurrently, as owners of 85,000 square meters of land at Ħal Ferħ, with a permit for tourism, we are presently discussing with Government certain changes in the development brief which would be more in keeping with current trends in the luxury hotel market to also include a degree of high-end residential villas, but never exceeding in height or in volume the limitations imposed on the land by the current planning parameters. In fact, I am happy to inform that the consultation procedure on the Development Brief is in progress and we look forward to seeing this concluded positively.

Bħala kumpanija pubblika Maltija, IHI għadha tassew kommessa li tkompli tiżviluppa u tespandi aktar f'Malta. Il-pjanijiet tagħna li għall-proġett ta' San Ġorġ jiġi żviluppat f'lukanda ta' lussu u real estate jiddependu mid-diskussjonijiet kurrenti mal-Gvern li nisperaw jerġgħu jitkomplew fi żmien qasir. Aħna fiduċjużi li fl-aħħar jirnexxilna b'suċċess.

Fl-istess waqt bħala sidien ta' 85,000 metru kwadru ta' art f'Ħal Ferħ, limiti ta' Golden Sands, li diġà għandu permess għal villaġġ turistiku, qiegħdin bħalissa niddiskutu mal-Gvern xi tibdil fl-istruzzjonijiet tal-iżvilupp li jkunu aktar konformi max-xejriet kurrenti fis-suq ta' lukandi ta' lussu li jinkludu element ta' vilel residenzjali ta' livell għoli, imma qatt ma neċċedu fl-għoli u l-volum dawk il-limitazzjonijiet imposti fuq l-art fil-parametri kurrenti tal-ippjanar. Infatti jien kuntent ninfurmakom li l-proċeduri ta' konsultazzjoni fuq l-istruzzjoniet tal-iżvilupp mexjin u aħna nħarsu 'l quddiem biex naraw li dawn jiġu konklużi b'mod pożittiv.

CHAIRMAN'S STATEMENT

Corinthia is fully conscious of the onerous duty which it carries as a leading organisation in Malta. It is proud of its highly professional service, its active participation in eco-friendly measures and policies, its social involvement and contribution and its drive to look forward with determination to achieve the best for our island. Our Company is endowed with a social conscience.

Over the years I have often said that though we are known for our beautiful properties and our personalized customer service, it is our integrity and humanity, our care for one another that enrich us with something even more valuable and enable us to achieve something even more special. All the material things which we see around us pale into oblivion if we lose what I have insistently referred to as the Spirit of Corinthia.

The Spirit of Corinthia is a sum total of sentiments, philosophies, guidelines and sensitivities which make us different from others. It is the totality of all this which forms our Corinthian DNA, our identity. The sense of family which binds us all gives rise to a culture of care. This does not merely guide our spirit; it is also a social message. The practice of nurture and assistance motivates the giver and the receiver. It ensures a sharing of experience and hence gives rise to higher standards in our organisation, our service, our look, and the feelings we share with everyone, including our guests.

The Spirit of Corinthia also encompasses a constant and sincere passion for one's work, which therefore gives rise to an unswerving determination to reach the goal of personal contentment. It also includes a drive for perfection and always looking forward for new heights. All these requisites become stronger when coupled with a sense of righteousness, honesty and integrity.

It is our responsibility to show gratitude towards all those who have helped this company to move forward and I cannot but sincerely thank, from the bottom of my heart, all employees of all grades who have strived hard to fulfill themselves and at the same time enrich this company. Every person of goodwill has a place in this success story. I also emphasise the importance of the managerial class who have strived and guided and inspired their colleagues. The CEOs who have directed the Corinthia ship through thick and thin. The members of the Board who have instigated and curated numerous decisions for the betterment of this Company.

Ultimately, dear shareholders, I turn to you as the last on my list, not out of any disrespect but on the contrary to reserve for you the best seat of gratitude. Your faith in us gives us solace, strength and courage but it also makes us fully conscious that we must repay all this by offering and performing our best, especially in these difficult times when the support of all is most important.

Corinthia hi għal kollox konxja mid-doveri onerużi li ġġorr bħala organizzazzjoni ewlenija f'Malta. Hi kburija bis-servizz tagħha mill-aktar professjonali, il-parteċipazzjoni tagħha fil-miżuri u l-politika tagħha eko-effiċjenti, l-involviment u kontribuzzjoni soċjali, kif ukoll il-ħerqa tagħha li tħares ' 'il quddiem b'determinazzjoni li tikseb l-aħjar għal pajjiżna. Il-kumpanija tagħna hi mogħnija b'kuxjenza soċjali.

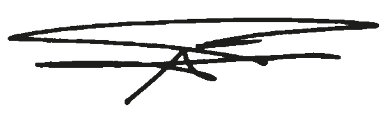
Tul is-snin, għidt ta' sikwit li għalkemm aħna magħrufa għal propjetajiet mill-isbaħ tagħna u s-servizz personalizzat lill-klijenti tagħna, huma l-integrità u l-umanità tagħna, u l-kura li nagħtu lil xulxin li jsaħħuna u jtejbuna b'xi ħaġa ta' valur akbar u jgħinuna niksbu xi ħaġa aktar speċjali. Il-ħwejjeġ kollha materjali li naraw madwarna jisfaw fix-xejn jekk nitilfu dak li jien dejjem insejjaħ 'the Spirit of Corinthia'.

'The Spirit of Corinthia' hu l-ġemgħa ta' sentimenti, filosofiji, linji gwida u sentivitajiet li jagħmluna differenti minn oħrajn. Hu t-totalità ta' dan kollu li jifforma d-DNA tal-Corinthia, l-identità tagħna. Is-sens ta' familja li tgħaqqadna lkoll twelled kultura ta' kura. Dan mhux biss jiggwida l-ispirtu tagħna; huwa wkoll messaġġ soċjali. It-trawwim u l-għajnuna jimmotivaw lil min jagħti u lil min jirċievi. Jassigura tqassim ta' esperjenzi u għalhekk iwelled livelli ogħla fl-organizzazjoni tagħna, fis-servizz tagħna, fil-ħarsa tagħna, u fis-sentimenti li naqsmu ma' kulħadd , inklużi l-mistednin tagħna.

'The Spirit of Corinthia' jinkludi wkoll passjoni kostanti u sinċiera għax-xogħol tagħna li jwelled determinazzjoni soda li nilħqu l-għan ta' sodisfazzjon personali. Jinkludi wkoll għatx għal perfezzjoni u li nħarsu dejjem 'il quddiem għal quċċati ġodda. Dawn il-kwalitajiet kollha jissaħħu meta jabbinaw ruħhom ma' sens ta' ħaqq, onestà u integrità.

Hi responsabbiltà tagħna li nuru gratitudni lil dawk kollha li għenu din il-kumpanija biex timxi 'l quddiem, u hawn ma nistax ma nirringrazzjax minn qiegħ qalbi lill-impjegati kollha ta' kull grad li ħadmu bis-sħiħ biex jirrejalizzaw lilhom infushom u fl-istess ħin itejbu din il-kumpanija. Kull persuna ta' rieda tajba għandha postha f'din l-istorja ta' suċċess. Nenfasizza l-importanza tal-klassi maniġerjali li ħadmu, ggwidaw u spiraw lill-kollegi tagħhom. Grazzi wkoll liċ-Chief Executive Officers li ddiriġew dan il-vapur Corinthia qalb tant problemi, u l-membri tal-Bord li mexxew 'il quddiem u kkuraw tant deċiżjonijiet għat-titjib tal-kumpanija.

Għeżież azzjonisti, insemmi lilkom fl-aħħar tal-lista mhux b'xi disrispett iżda, għall-kuntrarju, biex nirriserva għalikom l-ogħla sede ta' gratitudni. Il-fidi tagħkom fina tfarraġna, isaħħaħna u timlina b'kuraġġ, imma wkoll tagħmilna konxji sal-aħħar li aħna għandna nħallsukom lura billi noffru u nagħmlu l-aħjar li nistgħu, speċjalment f'dawn iż-żminijiet iebsa meta l-appoġġ ta' kulħadd hu tal-akbar importanza.



ALFRED PISANI
Chairman

CEOS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

SIMON NAUDI
Chief Executive Officer

JOSEPH FENECH
Chief Executive Officer

DEAR SHAREHOLDERS,

THIS ANNUAL REPORT FOCUSES ON THE PERFORMANCE OF THE IHI GROUP IN 2019, ANOTHER SUCCESSFUL YEAR BY ANY MEASURE.

We write this review in full knowledge of the testing months we are living through in 2020 and more so in the knowledge of the difficult road ahead for our industry. Demand has dropped to historic lows everywhere. By all accounts, recovery will be gradual. These challenges are however being met with an undiminished commitment, creativity and entrepreneurial guile that has seen us grow our Company over so many years, against several odds. Above all, we are benefitting from a financially conservative position and sound business strategy in the run-up to the 2020 pandemic, as shown in the results we are publishing.

The Chairman has written extensively on the manner with which the Company is handling the impact of the 2020 pandemic. We have also issued public statements on actions taken to mitigate these circumstances. We have terminated all casual and part-time labour in our operations, minimised all operating expenses to the barest of minimums, stopped all CAPEX, reorganized our funding, tapped into Government subsidies where applicable and more.

WE ARE ALSO OF COURSE, ABOVE ALL, APPRECIATIVE OF THE PERSONAL SACRIFICES OF MANY OF OUR COLLEAGUES WHO HAVE CONTINUED TO WORK HARD AND SUPPORT THE COMPANY IN SPITE OF PAYROLL MEASURES THAT HAVE IMPACTED EVERY MEMBER OF OUR COMPANY.

FOCUS ON 2019.

OUR PRE-TAX PROFIT INCREASED BY 63% FROM €8.5 MILLION IN 2018 TO €13.9 MILLION IN 2019.

OUR CORE EBITDA FROM THE VARIOUS BUSINESSES WE OWN INCREASED BY €2.29 MILLION TO €69.8 MILLION.

Over the six years prior to 2019, we have practically doubled our EBITDA, as shown in the graphs accompanying our report.

This is the result of higher revenues in our hotels, better containment of costs and improved conversions to operating profits, apart from further acquisitions and investment in new businesses that have increased our portfolio, as indicated hereunder:

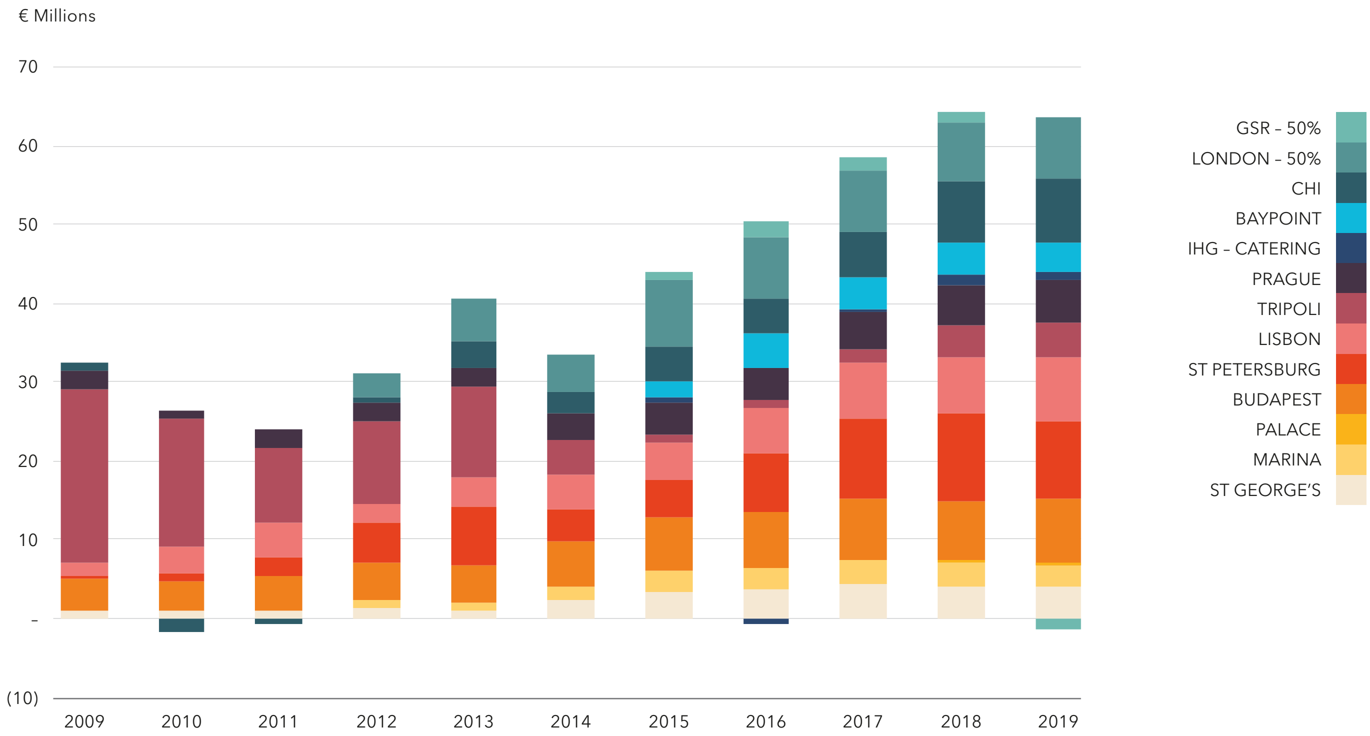
- Ownership stakes in 13 hotels in London, Brussels, Prague, Budapest, St Petersburg, Tripoli, Lisbon and, more recently in Moscow, besides four owned and one jointly owned hotels in Malta.
- Ownership of the Corinthia Brand and Corinthia Hotels Limited, a management company that is involved in and operates 21 hotels, of which 15 are branded Corinthia.
- The formation of 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 and project management company, the largest in Malta, but also operating internationally.
- Corinthia Caterers, an event and industrial catering company, that also owns the Costa Coffee franchise in Malta and Spain.
- An ownership stake in the Global Hotels Alliance, alongside six world class hotel brands and software companies providing a global hospitality loyalty platform to hotels worldwide

as well as:

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

The financial statements reproduced later in this report give a fuller, more detailed picture of our performance in 2019.

EBITDA BY OPERATION



	Audit 2018	Audit 2019
Owned Hotels Revenue	209,514	219,404
Rental Income	12,835	13,694
Catering Income	24,815	25,081
Fee Income from third parties	9,150	10,107
TURNOVER	**256,314**	**268,286**
EBITDA	**67,504**	**69,790**
	26.34%	26.01%
Adjusted EBITDA*	61,333	60,289
NET PROFIT BEFORE TAX	8,472	13,912
Tax	(13)	(8,793)
NET PROFIT AFTER TAX	8,459	5,119

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

In summary, revenues are up to €268 million, an improvement of €12 million relative to the previous year mostly due to improved revenues from existing businesses.

Over 80% 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 amounted to €13.7 million in 2019.

Fee income from third parties is derived principally from charges levied by Corinthia Hotels Limited and QP Limited, our hotel management company and design and project management company respectively, to third party owned hotels and real estate projects. Fees charged 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 expand Corinthia Hotels as a management company that operates hotels owned by other investors across the globe. In 2019, such third-party fee income increased by 10% to top the €10m mark. By way of a summary explanation on the costs and income below EBITDA, the most significant movements include:

- Depreciation and Amortisation, €36.8 million in 2019 relative to €33.2 million in 2018

The increase of €3.6 million was principally due to a higher charge in depreciation on the hotel properties in London, Lisbon and Prague in consequence of property value uplifts in these Hotels in 2018. Furthermore, following a change in accounting standards, there has also been a

EBITDA BY OPERATION

CONTINUED

significant increase in lease amortisation costs relating to shop leases on the Costa Coffee Operations in Malta and in Spain. In prior years, this cost was accounted for as rent payment and reported under costs prior to arriving at the EBITDA figure.

- Net finance costs increased by €2.5 million year-on-year to €23.2 million in 2019 relative to €20.7 million in 2018.

In 2019, a new bond for €20 million was issued to fund the Group's investments in Brussels, Moscow and the acquisition of an equity position in GHA. An increase of €10 million in the debt funding of the Corinthia Lisbon Hotel was also concluded during the year under review. Notwithstanding the increased interest cost on this additional indebtedness, the reduction in interest cost through scheduled payments of bank loans by far exceeded this increase.

- Adjustments in value of property and intangible assets amounted to a loss of €3.6 million in 2019 relative to a gain of €3.9 million in 2018.

The movements in this line item for 2019 mainly represent a decrease of €1.2 million in the carrying value of the London Penthouse, a €3.0 million impairment on the brand value of Island Caterers Ltd and an impairment on the property, plant and equipment of Costa Coffee Spain less an increase in the investment property value in St Petersburg of €1.0 million.

- Net changes in fair value of contingent consideration includes the reversal of an overprovision of €4.4 million in the overage payment to the Crown Estate on the London Penthouse the year before.

- Gains or losses on exchange rate movements represented a €4.7 million gain in 2019 relative to a loss of €8.0 million in 2018.

Although the reporting currency of the Company is the euro, the functional currency of its properties and operations in the United Kingdom and in the Russian Federation are the pound sterling and the rouble respectively. Whilst in 2018 as the value of these two currencies continued to lose ground against 2017, there was a recovery in both currencies during 2019, such that there was an improvement in this line item of €12.7 million year-on-year.

- Tax Charge of €8.8 million in 2019 relative to a tax charge of €0.013 million in 2018.

The tax charge is calculated at the tax rate applicable to the profits made in each of the countries where we operate. In 2018, the Company benefitted from a one-time tax gain of €5 million following an increase in the tax base of the Corinthia brand.

OWNED HOTELS' OPERATING PROFITS AND EBITDA

Over 80% 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 following the payment of operating and asset management fees to IHI and Corinthia Hotels Ltd, 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 rouble respectively, besides in euro, highlighting the impact of significant currency fluctuations.

CORINTHIA HOTEL BUDAPEST

	2014	2015	2016	2017	2018	2019
	Audited	Audited	Audited	Audited	Audited	Audited
	€'000	€'000	€'000	€'000	€'000	€'000
GOP	6,498	8,364	8,728	9,601	8,953	9,790
EBITDA	5,591	6,671	7,100	7,988	7,514	8,181
EBITDA margin	26%	29%	30%	31%	29%	29%

CORINTHIA HOTEL LISBON

	2014	2015	2016	2017	2018	2019
	Audited	Audited	Audited	Audited	Audited	Audited
	€'000	€'000	€'000	€'000	€'000	€'000
GOP	5,674	6,242	6,808	8,202	8,668	9,419
EBITDA	4,673	4,718	5,616	7,056	7,125	7,995
EBITDA margin	24%	23%	26%	29%	27%	28%

OWNED HOTELS' OPERATING PROFITS AND EBITDA

CONTINUED

CORINTHIA HOTEL PRAGUE

	2014	2015	2016	2017	2018	2019
	Audited	Audited	Audited	Audited	Audited	Audited
	€'000	€'000	€'000	€'000	€'000	€'000
GOP	4,064	4,931	5,155	5,920	6,374	6,396
EBITDA	3,278	3,947	4,191	4,905	5,323	5,231
EBITDA margin	21%	23%	25%	25%	26%	26%

CORINTHIA HOTEL ST GEORGE'S BAY

	2014	2015	2016	2017	2018	2019
	Audited	Audited	Audited	Audited	Audited	Audited
	€'000	€'000	€'000	€'000	€'000	€'000
GOP	3,049	4,244	4,500	5,342	4,828	4,643
EBITDA	2,485	3,511	3,773	4,475	4,112	3,960
EBITDA margin	17%	23%	24%	27%	25%	24%

MARINA HOTEL

	2014	2015	2016	2017	2018	2019
	Audited	Audited	Audited	Audited	Audited	Audited
	€'000	€'000	€'000	€'000	€'000	€'000
GOP	1,822	2,957	2,979	3,293	3,356	3,047
EBITDA	1,566	2,583	2,603	2,833	2,972	2,677
EBITDA margin	23%	27%	26%	28%	29%	27%

CORINTHIA PALACE HOTEL & SPA

	2018*	2019
	Audited	Audited
	€'000	€'000
GOP	810	513
EBITDA	218	258
EBITDA margin	3%	3%

*2018: NINE MONTH SINCE ACQUISITION ON 1.4.2018

CORINTHIA HOTEL TRIPOLI

	2014	2015	2016	2017	2018	2019
	Audited	Audited	Audited	Audited	Audited	Audited
	€'000	€'000	€'000	€'000	€'000	€'000
GOP	(1,211)	(3,004)	(3,030)	(2,979)	(1,827)	(1,739)
Net rental income	5,863	5,088	4,553	4,874	6,423	6,736
EBITDA	4,227	1,076	1,198	1,605	4,061	4,595
EBITDA margin	29%	18%	11%	13%	24%	27%

OWNED HOTELS' OPERATING PROFITS AND EBITDA

CONTINUED

CORINTHIA HOTEL ST PETERSBURG

	2014 Audited RBL'000	2015 Audited RBL'000	2016 Audited RBL'000	2017 Audited RBL'000	2018 Audited RBL'000	2019 Audited RBL'000
GOP	154,319	271,800	427,046	498,545	630,398	578,995
Net rental income	179,415	225,697	304,647	307,941	368,961	350,128
EBITDA	210,207	313,194	541,923	656,548	821,849	739,560
EBITDA – €	4,096	4,882	7,465	10,041	11,111	10,036
EBITDA margin	22%	30%	32%	37%	41%	100%

CORINTHIA HOTEL LONDON

	2014 Audited £'000	2015 Audited £'000	2016 Audited £'000	2017 Audited £'000	2018 Audited £'000	2019 Audited £'000
GOP (100%)	14,374	16,546	16,984	18,449	20,574	19,588
EBITDA (100%)	7,160	11,673	13,041	13,311	13,425	14,163
EBITDA (50%) – €	4,475	8,040	7,965	7,596	7,565	8,044
EBITDA margin	15%	22%	24%	22%	22%	21%

RADISSON BLU BAY POINT HOTEL

	2015* Audited €'000	2016 Audited €'000	2017 Audited €'000	2018 Audited €'000	2019 Audited €'000
GOP	2,809	4,373	4,692	4,748	4,296
EBITDA	1,872	4,492	4,241	4,095	3,728
EBITDA margin	27%	35%	31%	29%	28%

*2015: SIX MONTH SINCE ACQUISITION ON 1.7.2015

RADISSON BLU GOLDEN SANDS RESORT

	2015* Audited €'000	2016 Audited €'000	2017 Audited €'000	2018 Audited €'000	2019 Audited €'000
EBITDA – Timeshare	(2,652)	(4,755)	(3,805)	(2,132)	(6,223)
EBITDA – Hotel	3,940	6,743	5,503	4,919	3,308
Total EBITDA (100%)	1,288	1,988	1,698	2,787	(2,915)
EBITDA (50%)	644	994	849	1,394	(1,457)
EBITDA margin	9%	7%	6%	9%	4%

*2015: SIX MONTH SINCE ACQUISITION ON 1.7.2015

DEVELOPMENTS

2019 WAS ANOTHER YEAR OF SIGNIFICANT GROWTH. THE GROUP IS ACTIVELY INVOLVED AS AN INVESTOR, OPERATOR, TECHNICAL PROJECT MANAGER OR COMBINATION OF ALL OF THE ABOVE IN SIX PROJECTS THAT HAVE ALL PROGRESSED WELL IN 2019 AND CONTINUE TO PROGRESS FURTHER NOTWITHSTANDING THE 2020 PANDEMIC.

ROME

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

OPENING 2022

DEVELOPMENTS

CONTINUED

ARTIST'S IMPRESSION

BRUSSELS

The project delays in 2019 are mainly attributed to intensive re-design and negotiations with various contractors with the objective to achieve a project price in line with the Group's targets. Discussions with a selected contractor are now nearing completion and the Company expects to be in a position to award a main contract as soon as it is in the Group's interest to proceed with works on site. Corinthia Developments International Limited is contracted to deliver the project, whilst Corinthia Hotels Limited is the operator.

OPENING 2023

DEVELOPMENTS

CONTINUED

ARTIST'S IMPRESSION

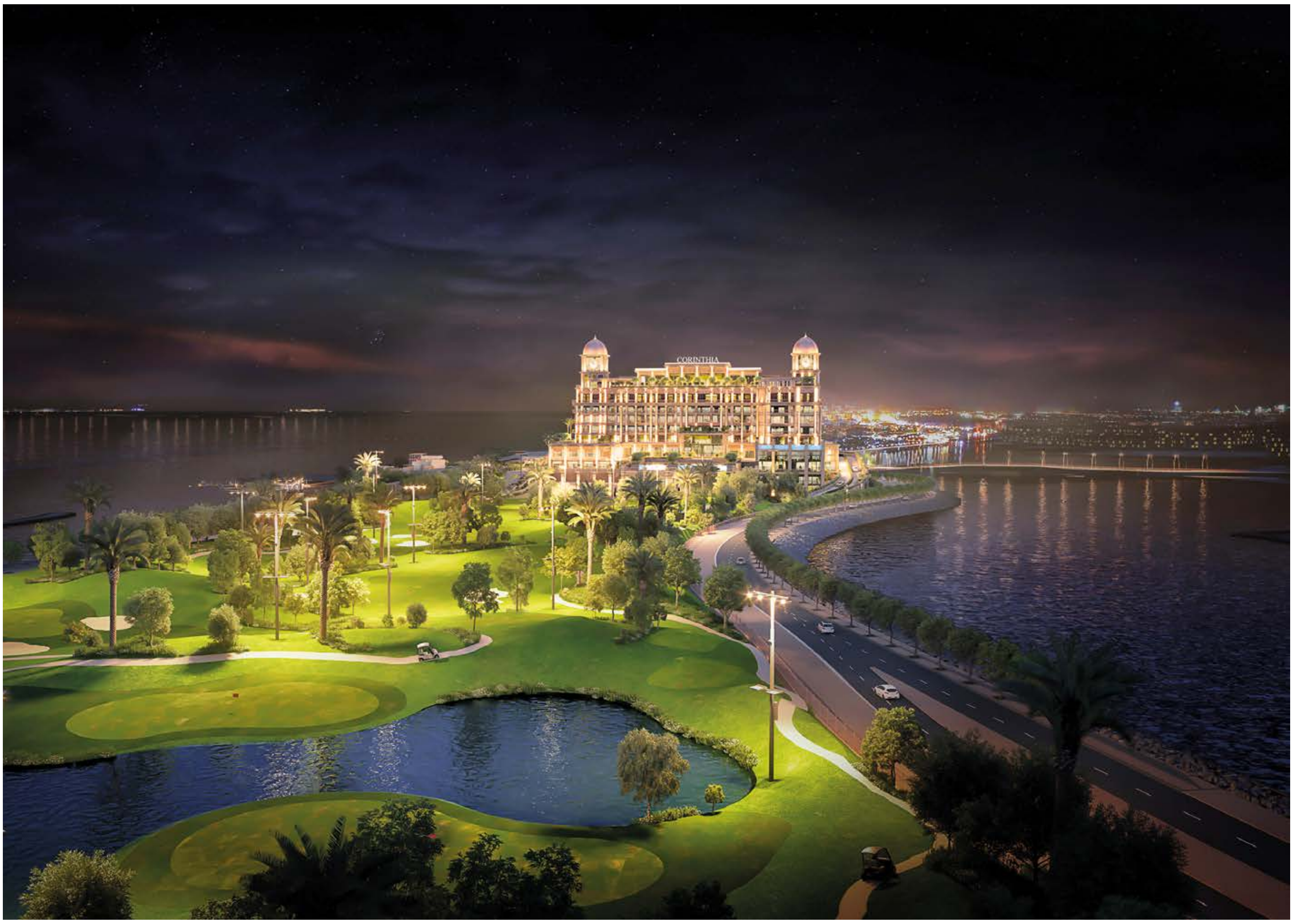
DUBAI

Corinthia Hotels Limited, as the operator and provider of hotel technical services, has stayed closely involved in the construction of the 55-storey flagship project on Jumeirah Beach. Works are now targeted for completion by 2021.

OPENING 2021

DEVELOPMENTS

CONTINUED



ARTIST'S IMPRESSION

DOHA

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

OPENING 2023

DEVELOPMENTS

CONTINUED

ĦAL FERĦ

The Group has commenced a process to revise its plans for the Ħal Ferħ site in Malta. A public consultation is underway to rezone the site allowing residential use, besides tourism. Subject to permits, the Group intends developing a flagship low-rise, extensively landscaped resort and residential project, set within existing restrictions on building heights, volumes and footprints.

PLANNING STAGE

DEVELOPMENTS

CONTINUED

BUCHAREST

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

OPENING 2022

DEVELOPMENTS

CONTINUED

ARTIST'S IMPRESSION

MOSCOW

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

OPENING 2023

SIMON NAUDI
Joint CEO

JOSEPH FENECH
Joint CEO

DIRECTORS' AND OTHER STATUTORY REPORTS

&

FINANCIAL STATEMENTS

for the year ended 31 December 2019

DIRECTORS' AND OTHER STATUTORY REPORTS & FINANCIAL STATEMENTS

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DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2019

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 2019.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS DEVELOPMENT AND FINANCIAL POSITION

Total revenue for the year under review amounted to €268.3 million compared to €256.3 million the year before. The increase in revenue is attributable to an increase in revenues in consequence of continued performance improvements in most of the operations in the Group.

EBITDA for 2019, excluding the consolidation of the results of jointly controlled companies, amounted to €69.8 million compared to €67.5 million achieved in 2018. The increase of €2.3 million is mainly attributable to an improved performance from the hotel operations in Budapest, Lisbon and London which registered a year-on-year increase. Conversely the hotel operations in Malta registered a lower performance in 2019 compared to that of 2018.

Contrary to 2018, in 2019 the Group reported an exchange profit of €4.7 million, compared to a loss on exchange of €8.0 million the year before. This overall improvement of €12.7 million in exchange differences is mainly related to the St Petersburg property, on account of an improved rouble compared to last year.

The Group's share of the associates and joint ventures, reflecting the Golden Sands hotel and timeshare operation in 2019, resulted in a €4.0 million erosion to the Group's EBITDA. The corresponding loss registered in 2018 was €1.4 million from this activity. The timeshare operation has been discontinued in 2020.

On an adjusted basis, the EBITDA for the Group including its share of the joint venture's EBITDA is €60.3 million compared to € 61.3 million in 2018.

In 2019, the Group registered net property uplifts of €6.9 million before tax on account of the continued improved trading performance of the Group's assets. The net property uplift before tax for 2018 amounted to €42.8 million.

On account of an improved sterling and rouble relative to the reporting currency of the Group which is Euro, the Group recorded a combined currency translation profit of €34.5 million in 2019, relative to a loss of €15.3 million registered in 2018.

The Group registered a total comprehensive income of €38.9 million in 2019 against €25.3 million registered in 2018. This improved performance has to be also considered in the light of a €8.8 million tax charge in 2019 relative to a marginal tax element in 2018 in consequence of exceptional tax effects.

At 31 December 2019, the Group is again reporting a positive working capital of €16.8 million, which is a further improvement of €6.9 million compared to the figure of €9.9 million reported in 2018. This additional improvement is in consequence of a further increase of €22.5 million in cash and cash balances, which was partly offset by a reduction in trade receivables of €9.8 million and a combined increase of €8.2 million in trade payables and current portion of bank borrowings.

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 2020 in all the Company's hotels in the first quarter of the year was positive, with actual performances surpassing the performance registered in the first quarter of 2019.

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

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

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2019

CONTINUED

FUTURE DEVELOPMENTS
· CONTINUED

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

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

Works on a mixed-used residential and hotel property in Moscow, in which IHI has a 10% shareholding, is also progressing well, with completion scheduled for 2023.

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

GOING CONCERN

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Group started trading in 2000, undertaking a strategy of rapid expansion. The hotel industry globally is marked by strong and increasing consolidation and many of the Group's current and potential competitors may thus have bigger name recognition, larger customer bases and greater financial and other resources than the companies within the Group.

The Group is subject to general market and economic risks that may have a significant impact on the valuations of its properties (comprising hotels and investment property). A number of the Group's major operations are located in stable economies. The Group also owns certain subsidiaries that have operations situated in emerging or unstable markets. Such markets present different economic and political conditions from those of the more developed markets and present less social, political and economic stability. Businesses in unstable markets are not operating in a market-oriented economy as known in other developed or emerging markets. Further information about the significant uncertainties being faced in Libya are included in Note 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 43 of the financial statements.

SUBSEQUENT EVENTS

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

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

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

RESERVES

During the year under review, the Company declared and paid a dividend to its shareholders of €12.3 million. 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

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2019

CONTINUED

AUDITORS

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

APPROVED BY THE BOARD OF DIRECTORS ON AND SIGNED ON 26 JUNE 2020 ON ITS BEHALF BY:

ALFRED PISANI
Chairman

FRANK XERRI DE CARO
Senior Independent Director

Registered Office
22 Europa Centre,
Floriana FRN 1400,
Malta

STATEMENT BY THE DIRECTORS
ON THE FINANCIAL STATEMENTS AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

STATEMENT BY THE DIRECTORS ON NON-FINANCIAL INFORMATION

INTRODUCTION

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

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

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

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

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

The Group envisages it will further integrate and generate awareness on sustainability practices throughout its operations in the countries 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 policies related to environmental protection, social responsibility, treatment of employees, respect for human rights, anti-corruption and bribery.

GOVERNANCE

The Group believes that strong sustainable governance processes ensure that delivery on performance with sustainability topics are integrated into and not separate from the business. The Board plays an essential role in determining strategic priorities and considers sustainability issues as an integral part of the business oversight. The Audit Committee assists the Board in providing more focused oversight for the Group's policies, programmes and related risks that concern key public policy and sustainability matters.

RISK MANAGEMENT

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

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

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

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

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

ETHICAL CONDUCT

ANTI-FRAUD AND WHISTLEBLOWER POLICY

The Group's set of values underpins its high standards of ethical conduct. It respects human rights, embraces diversity and stands firm against corruption. In September 2014, the Group introduced The Anti-Fraud and Whistleblower Policy. This was drawn up by the Audit Committee with 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.

The Policy has been widely distributed and is currently publicly available on the Group website www.corinthiagroup.com. There have been no cases reported under this policy in 2019.

STATEMENT BY THE DIRECTORS ON NON-FINANCIAL INFORMATION

CONTINUED

ETHICAL CONDUCT · CONTINUED

EMPLOYEE HANDBOOK

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

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

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

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

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

SOCIAL AND EMPLOYEE MATTERS

EMPLOYEES

As at 31 December 2019, the Group employed 2,614 (2018 – 2,737) full-time staff across its businesses worldwide. Of these 1,476 (2018 – 1,520) were males and 1,138 (2018 – 1,217) were females. Agency services are used for part-time employees across all jurisdictions. Employees in the various locations are represented by in-house union representatives who liaise with sectoral unions covering the various industry trades.

TABLE OF EMPLOYEES

Information on employees and other workers	2018						2019					
Contract type	**Permanent**			**Temporary**			**Permanent**			**Temporary**		
By region, by gender	**M**	**F**	**Total**	**M**	**F**	**Total**	**M**	**F**	**Total**	**M**	**F**	**Total**
CHStPetersburg	72	130	202	8	9	17	87	113	200	7	5	12
CHLisbon	48	53	101	62	54	116	65	61	126	54	45	99
CHLondon	419	374	793	31	26	57	413	346	759	27	23	50
CHTripoli	115	15	130	–	–	–	111	14	125	–	–	–
CHPrague	84	104	188	–	–	–	67	102	169	4	3	8
CHBudapest	128	118	246	–	–	–	112	88	200	–	–	–
Spain – Costa Coffee	51	55	106	–	–	–	45	60	105	–	–	–
Malta – St George's Bay	90	63	153	29	13	42	103	66	169	15	6	21
Malta – Marina	46	27	73	27	16	43	45	30	75	27	21	48
Malta – Palace	77	40	117	20	14	34	63	34	97	40	19	59
Malta – Radisson St. Julians	92	39	131	–	–	–	88	35	123	–	–	–
Malta and UK – CHL	30	31	61	–	1	1	31	27	58	–	1	1
Malta – Costa Coffee	64	94	158	–	–	–	80	93	173	–	–	–
Malta – ICL	162	56	218	73	51	124	122	46	168	4	–	4
Malta – QPM	42	18	60	–	–	–	44	23	67	–	–	–
Total	**1,520**	**1,217**	**2,737**	**250**	**184**	**434**	**1,476**	**1,138**	**2,614**	**178**	**123**	**302**

STATEMENT BY THE DIRECTORS
ON NON-FINANCIAL INFORMATION

CONTINUED

SOCIAL AND EMPLOYEE MATTERS

EMPLOYEES

The Group strives to remain an exemplary and leading employer. It provides its employees with the right development opportunities to cultivate their abilities and enable them to grow within the Group. Employees can gain experience by means of cross-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.

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 43.5 per cent of the Group's workforce is female, with the highest participation rate experienced in the Czech Republic (60.4 per cent) followed by Russia (56.5 per cent).

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

TABLE PARENTAL LEAVE

Parental Leave	2018		2019	
	M	F	M	F
Total number of employees entitled to parental leave				
CHBudapest	0	14	0	11
CHLondon	287	384	255	351
CHSPetersburg	0	18	0	18
CHLisbon	3	5	7	4
CHTripoli	0	0	0	11
CHPrague	0	22	0	20
Spain – Costa Coffee	0	0	0	2
Malta – St George's Bay	18	10	11	8
Malta – Marina	0	0	0	0
Malta – Palace	97	54	103	53
Malta – Radisson St. Julians	0	0	0	0
Malta and UK – CHL	30	31	31	28
Malta – Costa Coffee	0	0	0	0
Malta – ICL	0	0	0	0
Malta – QPM	4	1	4	1

HEALTH AND SAFETY

The Group ensures the health and safety of clients 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 which are considered of high risk.

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 rolled out across its operations and updated on a regular basis.

The Emergency Action Plan is split into three sections namely:

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

During 2019 system upgrades have remained a major priority and mainly focused on:

- CCTV systems;
- Guest Rooms' door lock systems;
- Scanning machines;
- Undertaking of security risk assessments; and
- Introducing 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.

STATEMENT BY THE DIRECTORS ON NON-FINANCIAL INFORMATION

CONTINUED

FOOD SAFETY

During 2019 the Group has continued with its drive to increase food safety awareness which is considered to be a major operational risk in the hospitality sector. It continues to sponsor robust systems to ensure compliance to its high standards. Where appropriate, the Group has sought to base its food safety management systems on Hazard Analysis and Critical Control Points (HACCP) which is a tool to assess hazards in the food chain and establish control systems that focus on preventing these hazards thereby ensuring the safety of food.

Food service employees are trained in food hygiene, allergen management and HACCP related to their responsibilities. Employees are trained and made responsible for ensuring strict adherence to Group food safety standards. Management assumes the role of supervision of all food service employees for compliance and conformance with the Group food safety policies and standards.

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

PROCUREMENT PRACTICES

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

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

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

ENVIRONMENT

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

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

Within the Group, specific initiatives have been taken to promote sustainability, plastic use reduction, energy efficiency and CSR activities. In the 2019 Senior Team Meeting, the topic of sustainability was the prime concern of participants and as a result the Group decided to act in a focused and coordinated manner. A cross-functional Sustainability-Committee was set up to drive the activity.

The issuing of a Sustainability and CSR Policy Document will include guidance on the type of CSR initiatives which the Company will be supporting, an outline of policy principles, a declaration/mission statement, a sustainability organigram within all divisions.

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

ENVIRONMENTAL PILLAR

- Designing waste management strategies to reduce waste. This will involve also the setting-up of a monitoring and reporting system, separation of waste, strategies to eliminate plastic waste and control of food waste. A number of these initiatives are already implemented in some properties.
- Using the in-house energy and resource consumption monitoring system to control usage. The hotels in Malta will continue using the best system for accurate monitoring.
- Undertaking initiatives to increase energy efficiency. To this effect the Company is undertaking a number of contracts with third parties offering services which are intended to optimize energy use. Contracts for six hotels have already been undertaken (London, Lisbon, Budapest, St George's Bay, Radisson St Julians, St Petersburg).
- Carrying out energy audits and the implementation of resultant action plans.
- Investigating the opportunities for implementing specific renewable energy projects in individual properties.

SOCIAL PILLAR

Undertaking community-oriented initiatives organised by the various entities such as educational activities with particular emphasis on sustainable living education, charity activities, community service activities and staff events.

ECONOMIC PILLAR

- This pillar is already adequately covered by the Principles of Good Governance which set out the activities of the Group as a Listed company.
- The principle of generating profit without affecting the environmental and social responsibilities is the key driver behind this pillar.

The activities which will be undertaken, and indeed the whole project are designed to move the Group to the forefront of sustainability within the economic sector it operates in.

STATEMENT BY THE DIRECTORS ON NON-FINANCIAL INFORMATION

CONTINUED

ENVIRONMENT · CONTINUED

ECONOMIC PILLAR · CONTINUED

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

CLIMATE CHANGE AND ENERGY

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

Direct (Scope 1) GHG emissions	**2018**	**2019**
Operation	**IHI**	**IHI**
CO_2 emissions – Diesel (tonnes)	1,061	894
CO_2 emissions – Petrol (tonnes)	21	22
CO_2 emissions – LPG (tonnes)	422	530
CO_2 emissions – NG (tonnes)	8,619	8,247
CO_2 emissions – HGO/TFO50 (Tonnes)	1,350	1,297
Total CO_2 emissions (Scope 1) (tonnes)	**11,473**	**10,990**

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

	2018	**2019**
Operation	**IHI**	**IHI**
Total CO_2 emissions (Scope 2) (tonnes)	30,566	28,697

GHG emissions intensity	**2018**	**2019**
Operation	**IHI**	**IHI**
Unit of measurement	**Tonnes**	**Tonnes**
CO_2 emissions intensity (Tonnes CO_2 / organisational metric)	**1.5**	**1.3**

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 air-conditioning in guest rooms and public areas according to requirements and external temperatures;

STATEMENT BY THE DIRECTORS ON NON-FINANCIAL INFORMATION

CONTINUED

CLIMATE CHANGE AND ENERGY · CONTINUED

- The replacement of chillers to ones with a much higher coefficient of performance, use of heat pump chillers, fine tuning with the building management systems wherever possible and introduction of three-way valves for space heating;
- The replacement of 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;
- 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 reduction 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 –2018-2019

In 2019, the total energy consumption within the organisation was 429,039,631 mega joules (2018 – 443,952,272)[1]. The foregoing energy saving initiatives yielded a substantial reduction of energy consumption of 3.36 per cent from 2018.

Fuel consumption	**2018**	**2019**
Operation	**IHI**	**IHI**
Unit of measurement	**MJ**	**MJ**
Fuel consumed – Diesel	15,454,785	13,016,767
Fuel consumed – Petrol	301,857	317,760
Fuel consumed – LPG	6,671,813	8,367,280
Fuel consumed – NG	168,527,470	161,306,556
Fuel consumed – HGO/TFO50	18,728,766	17,979,085
Total fuel consumed	**209,684,692**	**200,987,448**

Electricity / heating / cooling / steam consumed	**2018**	**2019**
Operation	**IHI**	**IHI**
Unit of measurement	**MJ**	**MJ**
Electrical energy purchased	229,429,307	223,929,881
Eletrical energy from PV systems	147,355	163,202
Electrical energy from CHP	4,690,919	3,959,100
Total consumed	234,267,581	228,052,183

Electricity / heating / cooling / steam sold	**2018**	**2019**
Operation	**IHI**	**IHI**
Unit of measurement	**MJ**	**MJ**
Electrical energy purchased		
Eletrical energy from PV systems		
Total sold	–	–

Total energy consumption with the organisation	**443,952,274**	**429,039,631**

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

USING WATER EFFICIENTLY

Water is an essential commodity that has applications throughout the business, and the 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 2019, the Company has consumed 731,258m^3 (2018 – 756,318m3)[2] of water, resulting in 3.31 per cent less than the amount used in 2018. 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;

[1&2] Figures for 2018 have been restated to include updated figures.

STATEMENT BY THE DIRECTORS ON NON-FINANCIAL INFORMATION

CONTINUED

USING WATER EFFICIENTLY - CONTINUED

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

Water withdrawal by source	2018	2019
Operation	**IHI**	**IHI**
Unit of measurement	**m^3**	**m^3**
Total	**756,318**	**731,258**

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 1.93 per cent was recycled in 2019 (2018 – 4.18 per cent)3. 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	2018	2019
Operation	**IHI**	**IHI**
Unit of measurement	**m^3**	**m^3**
Total water withdrawn	756,318	731,258
Total water reused	31,615	14,087
Total	**4.18**	**1.93**

MANAGING WASTE

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

Water discharge by quality and destination	2018	2019
Operation	**IHI**	**IHI**
Unit of measurement	**m^3**	**m^3**
Planned		
Volume of discharged water	680,686	658,132

		2018	2019
Hazardous waste by type and disposal method	**Unit**	**IHI**	**IHI**
Total	kg	**12,065**	**21,413**

		2018	2019
Non-hazardous waste by type and disposal method	**Unit**	**IHI**	**IHI**
Total	kg	**4,510,500**	**4,651,962**

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

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

CURRENT INITIATIVES

As part of the 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:

[3]Figures and percentages for 2018 have been restated to include updated figures.

STATEMENT BY THE DIRECTORS
ON NON-FINANCIAL INFORMATION

CONTINUED

CURRENT INITIATIVES
· CONTINUED

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

SOCIAL AND COMMUNITY ACTIVITIES

INITIATIVES WITHIN THE COMPANY

In line with the Company's philosophy of Uplifting Lives, various entities within the Company organised charitable initiatives to help improve the lives of others.

These initiatives included an unsolicited joint action of employees who donated a day from their leave entitlement for a colleague who needed to accompany his young child for months of hospitalisation abroad. Another involved entertaining a very young cancer patient with the surprise of his life. A Corinthia hotel invited this child with his mother and sister for a weekend at the hotel, where the child was entertained by a magician on his arrival and led to a room full of surprises. But the best surprise was when, during breakfast, the magician turned up with three boxes, one of which contained an iPad, which was the gift the child always dreamt of. These are just two examples of a long list of uplifting initiatives.

A group of Corinthia employees volunteered to clean, whitewash and paint Dar San Gużepp Ħaddiem in Żejtun which helps people who require support. These now have a workshop that they attend daily and work according to their needs under the guidance of a workshop manager.

The Company has also entertained young under-privileged children and senior citizens, by organising visits to places of interest and recreation, such as historical sites and animal parks.

RESTORATION

The Company has contributed towards the restoration of a painting by the Russian artist Dimitri Levitsky, which hangs in the President's Palace in Valletta and which was sent to Moscow for an exhibition held in its honour at the Tsaritsyno Palace Museum.

This painting was a personal gift from the Empress of Russia, Catherine the Great, to Grand Master Emmanuel de Rohan, in 1790 to further strengthen the good relationship between Russia and the Order of Malta.

SCHOLARSHIP AID

The Company has continued to annually award scholarship aid to two financially needy and deserving undergraduate students enrolled at the New York University School of Professional Studies, Jonathan M. Tisch Centre for Hospitality. Eight students have benefited from this aid by end 2019.

JUST A DROP

The Company has continued its sponsorship of Just a Drop (JAD), an international water-aid charity which aims to contribute positively to the reduction of child mortality caused 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.

STATEMENT BY THE DIRECTORS
ON NON-FINANCIAL INFORMATION

CONTINUED

SOCIAL AND COMMUNITY ACTIVITIES · CONTINUED

JUST A DROP · CONTINUED

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

TALENT AND EDUCATIONAL SUPPORT

The Company has retained its strong support of the BOV Joseph Calleja Foundation, which assists gifted youths to develop their career even internationally.

The Foundation also helps vulnerable children and is involved in a programme run by the Helen O'Grady Academy in conjunction with the Department of Education, aimed at enabling a number of immigrant children from 27 countries to integrate into mainstream schooling and with Maltese children.

CONCLUSION

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

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.

CASE STUDY: SAĠĠAR

The crucial role of trees is the production of oxygen and removal of excess carbon dioxide in the air. They are our life-savers.

Deeply conscious of this, the Company decided to sponsor a bold ecological intervention by pledging its support to the foundation, Saġġar.

Saġġar actually means 'to afforest' in Maltese, a fitting name for this organisation which aims to plant one million trees and shrubs of the native genotype and rehabilitate ecological reserves, public land and private lands. The aim is that 70 per cent of the project will be afforestation while the remaining 30 per cent will form a social project called 'Green Lungs'. Naturally this will involve also a programme to instill a nature-eco-culture in the general public and local authorities.

The afforestation process has various phases. First a propagation centre is identified where the vast majority of the trees is grown in cycles. Then, once grown, the trees are transported and planted in ecological reserves, agroforestry, private land and public land.

When presented with this project, the Company enthusiastically accepted to assist financially, and this in line with its active role in establishing environmentally-friendly practices across its properties.

STATEMENT BY THE DIRECTORS
ON NON-FINANCIAL INFORMATION

CONTINUED

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 26 JUNE 2020 BY:

ALFRED PISANI
Chairman

FRANK XERRI DE CARO
Senior Independent Director

STATEMENT BY THE DIRECTORS
ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

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

COMPLIANCE WITH THE CODE

PRINCIPLES 1 AND 4: THE BOARD

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

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

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

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

All directors are required to:

- Exercise prudent and effective controls which enable risk to be assessed and managed in order to achieve continued prosperity to the Company;
- Be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
- Determine the Company's strategic aims and the organisational structure;
- Regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the company;
- Acquire a broad knowledge of the business of the Company;
- Be aware of and be conversant with the statutory and regulatory requirements connected to the business of the Company;
- Allocate sufficient time to perform their responsibilities; and
- Regularly attend meetings of the board.

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

The board comprises a number of individuals, all of whom have extensive knowledge of hotel operations and real estate development, in particular across the various jurisdictions in which IHI operates. Members of the board are selected on the basis of their core competencies and professional background in the industry so as to ensure the continued success of IHI. There is no formal diversity policy in place however, the board will be considering the need of issuing guidelines for the Group in this respect.

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

PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE

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

The Chairman is responsible to:

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

STATEMENT BY THE DIRECTORS
ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

CONTINUED

COMPLIANCE WITH THE CODE · CONTINUED

PRINCIPLE 3: COMPOSITION OF THE BOARD

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

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

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

Each director declares that he undertakes to:

a) maintain in all circumstances his independence of analysis, decision and action;

b) not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and

c) clearly express his opposition in the event that he finds that a decision of the board may harm the Company.

The board is made up as follows:

Executive director	**Date of first appointment**
Mr Alfred Pisani, Chairman	29 March 2000

Non-executive directors

Mr Salem M.O.Hnesh	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 Jean-Pierre Schembri 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	2
Mr Hamad Buamim	1
Mr Abdulnaser Ahmida	0
Mr Abuagila Almahdi	5
Mr Douraid Zaghouani	5
Mr Joseph Pisani	5
Dr Joseph J. Vella	5
Mr Frank Xerri de Caro	5
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 11 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 Jean-Pierre Schembri acts as Secretary to the committee.

STATEMENT BY THE DIRECTORS
ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

CONTINUED

COMPLIANCE WITH THE CODE · CONTINUED

PRINCIPLE 8: COMMITTEES · CONTINUED

Audit committee · continued

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 2019, the internal audit function continued to advise the Audit committee on aspects of the regulatory framework which affect the day-to-day operations of the hotels.

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

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

The Audit committee oversaw the introduction of risk management 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 Jean-Pierre Schembri acts as Secretary to the committee.

The Nomination and Remuneration committee met five times in the course of 2019.

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 2019, 24 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.

During 2019 the Company continued issuing 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.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

CONTINUED

COMPLIANCE WITH THE CODE · CONTINUED

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.

In September 2019, the Company provided all Directors and Senior Executives with training to ensure that the legal requirements emanating from the Market Abuse Regulation (MAR) are well understood by each individual.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

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

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

NON-COMPLIANCE WITH THE CODE

PRINCIPLE 7: EVALUATION OF THE BOARD'S PERFORMANCE

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

PRINCIPLE 9: CONFLICTS BETWEEN SHAREHOLDERS

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

APPROVED BY THE BOARD OF DIRECTORS ON 26 JUNE 2020 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 2019:

	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 26 June 2020.

PURSUANT TO LISTING RULE 5.64.8

APPOINTMENT AND REPLACEMENT OF DIRECTORS

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

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

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

PURSUANT TO LISTING RULE 5.64.9

POWERS OF BOARD MEMBERS

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

STATEMENT BY THE DIRECTORS PURSUANT TO LISTING RULE 5.70.1

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

PURSUANT TO LISTING RULE 5.70.2

COMPANY SECRETARY AND REGISTERED OFFICE

Jean-Pierre Schembri
22 Europa Centre,
Floriana FRN 1400, Malta
Telephone (+356) 2123 3141

PURSUANT TO LISTING RULE 5.97.4

INTERNAL CONTROLS AND RISK MITIGATION PRACTICES

Internal Control

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

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

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

Organisation

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

Control Environment

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

OTHER DISCLOSURES
IN TERMS OF LISTING RULES

CONTINUED

PURSUANT TO LISTING RULE 5.97.4 · CONTINUED

INTERNAL CONTROLS AND RISK MITIGATION PRACTICES · CONTINUED

Control Environment · continued

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.

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 11 times in 2019 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 26 JUNE 2020 BY:

ALFRED PISANI
Chairman

FRANK XERRI DE CARO
Senior Independent Director

REMUNERATION STATEMENT

IHI REMUNERATION STATEMENT

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

The resolution by the shareholders of the Company at the Annual General Meeting held on 13th June 2017, approved an aggregate figure for the fees and remuneration due to the Chairman and non-Executive Directors of the Company, capped at €850,000 per annum. This figure relates only to: the salary of the Chairman; directors' fees due to the Chairman and non-Executive Directors in their capacity as directors of the Company and of the Company's subsidiaries; and fees due to the Chairman and non-Executive Directors with respect to their membership on sub-committees of the board of directors of the Company.

REMUNERATION COMMITTEE REPORT

The function of the Nomination and Remuneration Committee is to propose the appointment and the remuneration package of directors and senior executives of IHI and its subsidiaries. In 2019, the members of the committee were Dr Joseph J. Vella acting as Chairman and non-executive directors Mr Abuagila Almahdi and Mr Frank Xerri de Caro as members. Mr Jean-Pierre Schembri acts as Secretary to the committee.

The Nomination and Remuneration committee met five times in the course of 2019.

REMUNERATION POLICY – DIRECTORS AND SENIOR EXECUTIVES

The Executive Chairman and the CEOs are each entitled to a combination of a fixed base salary together with a variable performance bonus. The fixed base salary of the Executive Chairman and CEOs is based on a predefined amount, while their variable performance bonus is based on a predefined percentage of EBITDA. The bonus of other senior executives is based on a discretionary percentage of the base salary determined in line with the performance of the Company or the hotel they manage. These bonuses constitute the variable remuneration disclosed herein.

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

The compensation and employment conditions of the Board of Directors of the Company, including the Executive Chairman and CEOs and senior executives are considered to be in line with the pay and employment conditions applied by international companies operating in the same industry sector as the Company and are considered commensurate to the importance of the role performed by such persons in a company of such reputation and standing.

The remuneration of the Executive Chairman and Senior Executives of the Company and its subsidiaries paid during 2019 amounted to a fixed portion of €5.6 million and a variable portion of €2.3 million. This amount includes an accrual that has been made for bonuses (variable portion), relating to 2019. Other than those bonuses that are contractual, the final amounts still need to be formally approved.

REMUNERATION STATEMENT

CONTINUED

DIRECTORS' FEES

The directors' fees for 2019 including those for membership of board committees and other subsidiary boards are:

	€
Mr Alfred Pisani	50,000
Mr Salem M.O.Hnesh	21,932
Mr Hamad Buamim	15,000
Mr Abdulnaser Ahmida	47,500
Mr Abuagila Almahdi	25,000
Mr Douraid Zaghouani	15,000
Mr Joseph Pisani	15,000
Dr Joseph J. Vella	92,500
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.

The proposed remuneration policy of the Company shall be put to a binding vote of the shareholders at the next Annual General Meeting. This remuneration policy shall be reviewed regularly, and any material amendments thereto shall be submitted to a vote by the annual general meeting of the Company before adoption, and in any case at least every four years.

*Net of rechargeable for Executives

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS ON 26 JUNE 2020 BY:

ALFRED PISANI
Chairman

FRANK XERRI DE CARO
Senior Independent Director

Registered Office
22 Europa Centre,
Floriana FRN 1400,
Malta

INDEPENDENT AUDITOR'S REPORT
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 2019, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and

- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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 FS34 to FS121, comprise:

- the Income statement for the Group for the year ended 31 December 2019;
- 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 2019;
- the Statement of changes in equity for the Group for the year then ended;
- the Statement of cash flows for the Group for the year then ended;
- the Statement of comprehensive income for the Company for the year then ended;
- the Statement of financial position of the Company as at 31 December 2019;
- 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.

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).

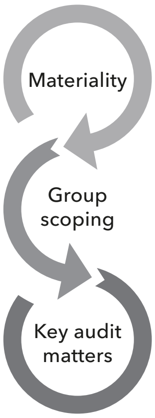
The non-audit services that we have provided to the group and its subsidiaries, in the period from 1 January 2019 to 31 December 2019 are disclosed in Note 8.1 to the financial statements.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN AS A RESULT OF COVID-19

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

OUR AUDIT APPROACH

Overview



Overall group materiality: €2,600,000, 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.
- Assessment of carrying amount of goodwill and intangible assets.

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	€2,600,000
How we determined it	approximately 1% of revenue
Rationale for the materiality benchmark applied	We have applied revenue as a benchmark as we considered that this provides us with a consistent year-on-year basis for determining materiality, reflecting the group's growth and fluctuating levels of profitability, and which we believe is also a key measure used by the shareholders as a body in assessing the group's performance. We selected 1% based on our professional judgement, noting that it is also within the range of commonly accepted revenue related benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €260,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	**How our audit addressed the Key audit matter**
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 2019 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 €74.1 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 events that occurred subsequent to the end of the reporting period in relation to COVID-19 give rise to heightened risks, even though the situation in Libya in this respect does not appear to be particularly adverse on the basis of information which is publicly available. The directors have continued to monitor the situation in Libya closely. They recognise the fact that the situation in Libya has not improved in line with their expectations and economic activity remains limited across all sectors in which the Group is involved. However, the directors also recognise that there is interest from a number of sources for short and long-term accommodation. The Group secured further lease agreements resulting in the Commercial Centre being almost fully leased out as from last quarter of 2018. With respect to the hotel, the directors have retained the expectations for a gradual recovery. 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 uncertainty could potentially be exacerbated by the events related to COVID-19, which events are dealt with separately below in the key audit matter for the valuation of property, plant and equipment and investment property.	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 detailed discussions about 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 2019. The note also explains the significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya that have also a bearing on the projected cash flows from the relative operations, which are in turn influenced by the timing of a recovery in the country. The events that occurred subsequent to the end of the reporting period in respect of COVID-19 and the potential impact on the prevailing uncertainty have also been referred to in the disclosures within the financial statements as referred to in the key audit matter below for the valuation of property, plant and equipment and investment property.

Key audit matter	How our audit addressed the Key audit matter
The economic conditions in Libya also create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2019, in addition to a current tax asset of €2.3 million, Corinthia Towers Tripoli Limited also had amounts due from Government related entities and other amounts receivable from embassies and corporate clients. Increased provisions for impairment have been registered to reflect the net estimated recoverable amounts in this respect.	*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, also taking cognisance of future developments in respect of the COVID-19 pandemic. 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 Notes 15 and 16 of the Group's financial statements* The Group's property comprises hotels, commercial centres and land for commercial use amounting to €1.4 billion. This represents the majority of the Group's assets as at 31 December 2019. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future returns. The existence of significant estimation uncertainty evidenced by the sensitivity of the property valuations to possible shifts in key assumptions as described in Note 16 could result in material misstatement, and therefore we have devoted 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 2019. This assessment was performed by carrying out a number of procedures including comparing actual financial results to projections, review of events and 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 by 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).	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 2019. • Testing the mathematical accuracy of the calculations derived from each model. • Assessing the key inputs in the calculations such as revenue growth and discount rate, by reference to management's forecasts, rental agreements for investment property, data external to the Group and our own expertise. • Considering the appropriateness of the fair values estimated by the external valuers based on our knowledge of the industry. We engaged our own in-house valuation experts to challenge the work performed and assumptions used by the valuers. • Considering the potential impact of reasonably possible changes in the key assumptions underlying the valuations. 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.

Key audit matter	How our audit addressed the Key audit matter
Fair value movements arising on these properties amounted to a net gain of €6.9 million, of which a loss of €0.1 million is accounted for in the Income Statement. The shifts in fair value determined during the year ended 31 December 2019 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. Developments relating to the COVID-19 pandemic that occurred after the end of the reporting period are deemed to be non-adjusting subsequent events for financial reporting purposes. However, the Group's financial reporting framework requires disclosure of material impacts of these developments on the fair valuation or carrying amount of the Group's property as at the date of approval of the financial statements.	We have also reviewed the disclosures relating to non-adjusting events occurring after the end of the reporting period indicating the estimated impact of COVID-19 on the carrying amount of the assets as at the date of approval of the financial statements. Developments and revisions to forecast economic and market conditions after the date of approval of the financial statements might give rise to potential changes in the outcome of management assessments carried out subsequent to that date.
Assessment of carrying amount of goodwill and intangible assets *Refer to Note 13 in the Group financial statements* Goodwill with a carrying amount of €17.1 million and intangible assets having a carrying amount of €32.0 million as at 31 December 2019, that are supported by the Group's cash flow forecasts, are included on the Group's Statement of Financial Position as at 31 December 2019. An assessment is required annually to establish whether goodwill and intangible assets that have an indefinite useful life should continue to be recognised, or if any impairment is required. The assessment was performed at the lowest level at which the Group could allocate and assess goodwill, which is referred to as a cash generating unit ('CGU'). Goodwill and intangible assets arising from acquisitions have been allocated to the respective CGUs (refer to Note 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 cash flows requires the application of significant judgement. The key judgements made by the directors include estimating future taxable returns, long term growth and discount rates. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires judgement. The extent of judgement and the size of the goodwill and related assets, resulted in this matter being identified as an area of audit focus.	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 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 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.

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

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

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

We ensured that our involvement in the work of our component auditors, together with the additional procedures performed at the Group level, were sufficient to allow us to conclude on our opinion on the Group financial statements as a whole.
The Group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

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, 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).

OTHER INFORMATION - CONTINUED

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. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS · CONTINUED

- 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.

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 FS22 to FS28 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.
- 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.

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 5 years.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

SIMON FLYNN
Partner

26 June 2020

INCOME STATEMENT
THE GROUP

	Notes	2019 €'000	2018 €'000
Revenue	7	**268,286**	256,314
Costs of providing services	8	**(127,789)**	(122,379)
		140,497	133,935
Marketing costs		**(10,933)**	(10,622)
Administrative expenses	8	**(41,763)**	(36,721)
Other operating expenses	8	**(18,011)**	(19,088)
		69,790	67,504
Depreciation and amortisation	13, 16, 17	**(36,766)**	(33,202)
Other losses arising on property, plant and equipment	16	**(1,826)**	(1,070)
Impairment losses attributable to intangibles	13	**(1,693)**	(1,980)
Net changes in fair value of investment property	15	**(137)**	6,994
Net changes in fair value of contingent consideration	8	**5,008**	353
Net changes in fair value of indemnification assets	14	**(210)**	(210)
Results from operating activities	7	**34,166**	38,389
Net changes in fair value of financial assets through profit and loss	23	**2,252**	126
Finance income	10		
– interest and similar income		**546**	833
Finance costs	10		
– interest expense and similar charges		**(23,765)**	(21,484)
– net exchange differences on borrowings		**4,664**	(8,028)
Share of net loss of associates and joint ventures accounted for using the equity method	19	**(3,951)**	(1,364)
Profit before tax		**13,912**	8,472
Tax expense	11	**(8,793)**	(13)
Profit for the year		**5,119**	8,459
Profit for the year attributable to:			
– Owners of IHI		**6,815**	11,350
– Non-controlling interests		**(1,696)**	(2,891)
		5,119	8,459
Earnings per share	12	**0.011**	0.018

STATEMENT OF COMPREHENSIVE INCOME
THE GROUP

	Notes	2019 €'000	2018 €'000
Profit for the year		**5,119**	8,459
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Gross surplus arising on revaluation of hotel properties	16, 26	**7,000**	35,842
Deferred tax on surplus arising on revaluation of hotel property		**(1,330)**	(6,255)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method			
– revaluation of hotel properties	26	**(4,550)**	-
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	11.2	**34,498**	(15,310)
Deferred tax arising on currency translation differences	11.2	**(2,048)**	1,895
Share of other comprehensive income of joint ventures and associates accounted for using the equity method			
– currency translation differences		**211**	631
Other comprehensive income for the year, net of tax		**33,781**	16,803
Total comprehensive income for the year		**38,900**	25,262
Attributable to:			
– Owners of IHI		**29,945**	26,992
– Non-controlling interests		**8,955**	(1,730)
		38,900	25,262

STATEMENT OF FINANCIAL POSITION
THE GROUP

	Notes	**31 December 2019 €'000**	31 December 2018 €'000
Assets			
Non-current			
Intangible assets	13	**49,036**	48,361
Indemnification assets	14	**23,396**	23,605
Investment property	15	**214,174**	203,539
Property, plant and equipment	16	**1,181,944**	1,151,245
Right-of-use assets	17	**13,776**	–
Deferred tax assets	34	**9,233**	10,963
Investments accounted for using the equity method	19	**40,144**	48,189
Financial assets at fair value through profit or loss	23	**8,401**	–
Other financial assets at amortised cost	20	**1,801**	184
Trade and other receivables	22	**–**	596
Assets placed under trust arrangement	43, 32	**3,698**	3,645
		1,545,603	1,490,327
Current			
Inventories	21	**12,626**	11,490
Other financial assets at amortised cost	20	**125**	1,683
Trade and other receivables	22	**43,192**	53,029
Current tax asset		**3,922**	2,527
Financial assets at fair value through profit or loss	23	**8,909**	8,485
Cash and cash equivalents	24	**72,699**	50,190
Assets placed under trust arrangement	43, 32	**122**	122
		141,595	127,526
Total assets		**1,687,198**	1,617,853

STATEMENT OF FINANCIAL POSITION
THE GROUP

CONTINUED

		31 December	31 December
		2019	2018
	Notes	**€'000**	€'000
Equity and liabilities			
Equity			
Capital and reserves attributable to owners of IHI:			
Issued capital	25	**615,685**	615,685
Revaluation reserve	26	**27,538**	26,418
Translation reserve	27	**475**	(21,535)
Reporting currency conversion difference	29	**443**	443
Other components of equity	28	**2,617**	2,617
Retained earnings	30	**54,247**	59,746
		701,005	683,374
Non-controlling interests		**196,142**	194,246
Total equity		**897,147**	877,620
Liabilities			
Non-current			
Trade and other payables	35	**6,257**	5,410
Bank borrowings	31	**324,597**	317,559
Bonds	32	**222,584**	202,507
Lease liabilities	17	**11,202**	-
Other financial liabilities	33	**-**	59
Deferred tax liabilities	34	**100,422**	96,936
Provisions		**206**	206
		665,268	622,677
Current			
Trade and other payables	35	**74,777**	71,501
Bank borrowings	31	**45,436**	40,517
Lease liabilities	17	**2,795**	-
Other financial liabilities	33	**-**	4,553
Current tax liabilities		**1,775**	985
		124,783	117,556
Total liabilities		**790,051**	740,233
Total equity and liabilities		**1,687,198**	1,617,853

The financial statements on pages FS34 to FS121 were approved by the board of directors, authorised for issue on 26 June 2020 and signed on its behalf by:

ALFRED PISANI
Chairman

FRANK XERRI DE CARO
Senior Independent Director

STATEMENT OF CHANGES IN EQUITY

THE GROUP

	Notes	Share capital	Revaluation reserve	Translation reserve	Reporting currency conversion difference	Other equity components	Retained earnings	Total attributable to owners	Non-controlling interests	Total equity
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance 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 declared or paid	36	-	-	-	-	-	(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**
Balance at 1 January 2019		**615,685**	**26,418**	**(21,535)**	**443**	**2,617**	**59,746**	**683,374**	**194,246**	**877,620**
Profit for the year		-	-	-	-	-	6,815	6,815	(1,696)	5,119
Other comprehensive income		-	1,120	22,010	-	-	-	23,130	10,651	33,781
Total comprehensive income		-	1,120	22,010	-	-	6,815	29,945	8,955	38,900
Transactions with owners in their capacity as owners:										
Dividend declared or paid	36	-	-	-	-	-	(12,314)	(12,314)	(7,059)	(19,373)
Balance at 31 December 2019		**615,685**	**27,538**	**475**	**443**	**2,617**	**54,247**	**701,005**	**196,142**	**897,147**

STATEMENT OF CASH FLOWS
THE GROUP

	Notes	2019 €'000	2018 €'000
Profit before tax		**13,912**	8,472
Adjustments	37	**52,562**	60,284
Working capital changes:			
Inventories		**(574)**	(800)
Trade and other receivables		**5,470**	(8,214)
Advance payments		**1,714**	(311)
Trade and other payables		**(5,304)**	4,615
Cash generated from operations		**67,780**	64,046
Tax paid		**(4,930)**	(5,066)
Net cash generated from operating activities		**62,850**	58,980
Investing activities			
Payments to acquire property, plant and equipment		**(16,045)**	(27,474)
Payments to acquire intangible assets		**(924)**	(153)
Payments to acquire investment property		**(275)**	(13)
Payments for the acquisition of businesses, net of cash acquired	40	**677**	(8,631)
Payments for the acquisition of financial assets at fair value through profit or loss		**(11,639)**	-
Proceeds from sale of financial asset at fair value through profit or loss		**5,277**	-
Payments for the acquisition of financial assets at fair value through other comprehensive income		**-**	(7)
Loan to parent company		**941**	-
Repayments of loan by parent company		**-**	(269)
Loan to joint venture		**(1,000)**	-
Interest received		**546**	891
Dividend received		**-**	504
Net cash used in investing activities		**(22,442)**	(35,152)

STATEMENT OF CASH FLOWS
THE GROUP

CONTINUED

	Notes	2019 €'000	2018 €'000
Financing activities			
Proceeds from bank borrowings		**36,359**	52,161
Repayment of bank borrowings		**(36,436)**	(39,861)
Proceeds from the issue of bonds		**19,687**	–
Bank loan arrangement fees		**–**	(471)
Repayment of loans from related parties		**(3,716)**	(52)
Principal elements of lease payments		**(2,139)**	–
Contributions to sinking fund		**(53)**	(1,478)
Interest paid		**(22,976)**	(20,824)
Dividends paid		**(12,313)**	(10,314)
Net cash used in financing activities		**(21,587)**	(20,839)
Net change in cash and cash equivalents		**18,821**	2,989
Cash and cash equivalents at beginning of year		**44,291**	42,652
Effect of translation of group entities to presentation currency		**2,351**	(1,350)
Cash and cash equivalents at end of year	24	**65,463**	44,291

STATEMENT OF COMPREHENSIVE INCOME
THE COMPANY

	Notes	2019 €'000	2018 €'000
Dividend income		**18,080**	39,705
Interest income on other financial assets at amortised cost		**3,219**	3,406
Management fees and other similar income		**4,554**	4,412
Interest expense and similar charges		**(12,551)**	(11,718)
Administrative expenses		**(8,934)**	(8,077)
Gain on disposal of intangible asset	13	**–**	15,400
Net changes in fair value of contingent consideration		**563**	–
Profit before tax		**4,931**	43,128
Tax income/(expense)	11	**3,575**	(760)
Profit for the year		**8,506**	42,368
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	28.2	**(9,975)**	(1,826)
Income tax relating to these items	28.2	**2,656**	359
Reversal of deferred income tax liability on fair value movements following amendment in tax legislation	28.2	**42,683**	–
Other comprehensive income for the year, net of tax		**35,364**	(1,467)
Total comprehensive income for the year		**43,870**	40,901

STATEMENT OF FINANCIAL POSITION
THE COMPANY

	Notes	**31 December 2019 €'000**	31 December 2018 €'000
Assets			
Non-current			
Intangible assets	13	**2,449**	3
Indemnification assets	14	**1,997**	1,997
Property, plant and equipment	16	**136**	83
Right-of-use assets	17	**358**	–
Deferred tax assets	34	**3,202**	–
Investments in subsidiaries	18	**892,774**	877,428
Investments in associates and joint ventures	19	**12,790**	12,760
Other financial assets at amortised cost	20	**86,478**	85,957
Assets placed under trust arrangement	43, 32	**3,698**	3,645
		1,003,882	981,873
Current			
Other financial assets at amortised cost	20	**91**	672
Trade and other receivables	22	**40,495**	42,394
Current tax asset		**1,053**	3,056
Cash and cash equivalents	24	**15,043**	7,824
Assets placed under trust arrangement	43, 32	**122**	122
		56,804	54,068
Total assets		**1,060,686**	1,035,941

STATEMENT OF FINANCIAL POSITION
THE COMPANY

CONTINUED

	Notes	**31 December 2019 €'000**	31 December 2018 €'000
Equity			
Issued capital	25	**615,685**	615,685
Other reserves	28.2	**102,179**	66,815
Reporting currency conversion difference	29	**443**	443
Accumulated losses	30	**29,417**	33,225
Total equity		**747,724**	716,168
Liabilities			
Non-current			
Trade and other payables	35	**822**	563
Bank borrowings	31	**10,718**	8,592
Bonds	32	**222,584**	202,507
Other financial liabilities	33	**39,781**	26,027
Lease liabilities	17	**176**	–
Deferred tax liabilities	34	**26,142**	71,495
		300,223	309,184
Current			
Trade and other payables	35	**10,484**	8,920
Bank borrowings	31	**1,872**	1,584
Other financial liabilities	33	**98**	85
Lease liabilities	17	**285**	–
		12,739	10,589
Total liabilities		**312,962**	319,773
Total equity and liabilities		**1,060,686**	1,035,941

The financial statements on pages FS34 to FS121 were approved by the board of directors, authorised for issue on 26 June 2020 and signed on its behalf by:

ALFRED PISANI
Chairman

FRANK XERRI DE CARO
Senior Independent Director

STATEMENT OF CHANGES IN EQUITY
THE COMPANY

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

STATEMENT OF CASH FLOWS
THE COMPANY

	Notes	2019 €'000	2018 €'000
Profit before tax		**4,931**	43,128
Adjustments	37	**(9,091)**	(46,751)
Working capital changes:			
Trade and other receivables		**6,003**	11,784
Trade and other payables		**2,460**	(3,833)
Cash generated from operations		**4,303**	4,328
Interest received		**1,590**	1,659
Interest paid		**(12,124)**	(10,730)
Dividend received		**-**	505
Net cash used in operating activities		**(6,231)**	(4,238)
Tax refunded/(paid)		**2,003**	(199)
Net cash used in operating activities		**(4,228)**	(4,437)
Investing activities			
Payments to acquire property, plant and equipment		**(80)**	(29)
Payments to acquire intangible assets		**(54)**	-
Purchase of investment in subsidiary		**(4,685)**	-
Loan repayments received from related parties		**6,052**	12,142
Advance of loan to parent company		**-**	(2,500)
Net cash generated from investing activities		**1,233**	9,613
Financing activities			
Proceeds from bank borrowings		**4,500**	-
Repayment of bank borrowings		**(2,086)**	(2,038)
Proceeds from bond issue		**19,686**	-
Proceeds of loans from related parties		**-**	11,500
Repayment of loan from related parties		**750**	(1,062)
Lease payment - principal		**(269)**	-
Dividends paid		**(12,314)**	(10,314)
Contributions to sinking fund		**(53)**	(1,477)
Net cash generated from/(used in) financing activities		**10,214**	(3,391)
Net change in cash and cash equivalents		**7,219**	1,785
Cash and cash equivalents at beginning of year		**7,824**	6,039
Cash and cash equivalents at end of year	24	**15,043**	7,824

NOTES TO THE FINANCIAL STATEMENTS *for the year ended 31 December 2019*

1. GENERAL INFORMATION

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

2. NATURE OF OPERATIONS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 BASIS OF PREPARATION

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES · CONTINUED

3.1 BASIS OF PREPARATION · CONTINUED

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

The Company's senior management team has compiled Group financial projections for the years ending 31 December 2020 and 31 December 2021, comprising historical financial information up to the date of authorisation for issue of these financial statements and forecast financial information for the residual period, incorporating the estimated impact of the events referred to above on the projected financial results, cash flows and financial position of the Group. The projected financial information reflects the estimated impact of the stressed conditions currently experienced, under a scenario which encompasses a set of prudent and severe assumptions that capture the forecast business conditions until 31 December 2021. These assumptions centre around the expected timing of resumption of operations of the different hospitality and catering businesses, the expected pace of recovery to business as usual once operations resume, and expected level of activity and revenues post resumption. The Group is incorporating minimal forecast revenues for the residual period of the financial year ending 31 December 2020 within the projections and is assuming that forecast revenues for the subsequent year would amount to a fraction of the historical 2019 figures. Hence the Group is projecting that revenue levels will not revert to pre COVID-19 benchmarks before the financial year ending 31 December 2022. The projections referred to above contemplate the impact of the cost containment and management measures taken, together with government support in respect of operating expenditure until 31 December 2020. The cost containment measures adopted in 2020 are assumed to be lifted in relation to operating costs throughout 2021, but the Group may continue to apply certain measures should the need arise.

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

The Group is in the process of applying for banking facilities with local banks under the Malta Development Bank COVID-19 Guarantee Scheme, with the requested facilities amounting to the maximum amount possible under the Scheme. At the date of authorisation for issue of these financial statements, the Group has submitted applications for a part of the aggregate amount. The entire amount of the facilities is included as liquidity inflows within the projections as the rest of the applications will be filed shortly.

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

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

The Company has secured a line of credit from its parent company, Corinthia Palace Hotel Company Limited, to ensure funding is available in case of any cashflow shortfalls. This line of credit would be partly utilised during 2020 according to the projections and a more significant part of the facility would be drawn down during 2021. At the date of approval of the financial statements, the Company needs to formalise approval from its parent in respect of the amount expected to be utilised during 2021.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES · CONTINUED

3.1 BASIS OF PREPARATION · CONTINUED

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

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

- While the Group's analysis assumes a sharp downturn in the level of business activity during 2020, followed by a gradual recovery into 2021, limited to a fraction of the business generated in 2019, the eventual outcome of the pandemic remains subject to material uncertainty. A more prolonged outbreak, or a resurgence of the disease, would lead to more widespread economic disruption; which may in part be countered by further governmental measures that also cannot be foreseen at this stage.

- The political and economic uncertainties prevailing in Libya entail significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya, which is influenced by the timing of a recovery in the country that in turn has a bearing on the projected cash flows from the relative operations. These projections remain subjective and difficult to predict due to the current market environment, also taking into account the COVID-19 related events subsequent to the end of the reporting period. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant manner (refer to Note to the financial statements for further information in this respect).

- At the date of approval of these financial statements, the Group has not yet obtained approval of the required banking facilities from local banks under the Malta Development Bank COVID-19 Guarantee Scheme and has not obtained waivers for the forecast covenant breaches in the latter part of 2020 and in 2021, attributable to certain banking facilities. At that date, the Company has not yet formally secured the approval of the amount expected to be utilised by the Group during 2021 under the line of credit made available by CPHCL. Also the outcome in respect of the Group's remaining funding arrangements, referred to above, is not yet within the control of the Group as at the date of the 2019 financial statements.

Should an adverse outcome emanate from the uncertainties surrounding any one individual item out of banking facilities under the Malta Development Bank COVID-19 Guarantee Scheme and the line of credit made available by CPHCL and the assumed refinancing of the other funding arrangements, the level of headroom in respect of liquidity available to the Group throughout the period to 31 December 2021 is impacted in a significant manner but not depleted. Should adverse developments occur in respect of more than one factor referred to above or should waivers for the forecast covenant breaches attributable to certain banking facilities not be secured, the headroom of liquidity available to the Group would be depleted. However, should these latter unlikely events materialise, the Group would be able to deploy other mechanisms or funding options as highlighted previously.

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

- the approval of the full amount of requested banking facilities from local banks under the Malta Development Bank COVID-19 Guarantee Scheme;

- continued support from its funding banks and waivers for the forecast covenant breaches in the latter part of 2020 and in 2021 together with refinancing of other funding arrangements; and

- continued support from the Company's parent, CPHCL, which is considered as willing and financially able to support the Group.

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

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

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 2019

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

- IFRS 16 *Leases*
- Annual Improvements 2015-2017 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Long term interests in Associates and Joint Ventures – Amendments to IAS 28
- Interpretation 23 *Uncertainty over Income Tax Treatment*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES · CONTINUED

3.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2019 · CONTINUED

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

3.4 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 2019. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's and the Company's current or future reporting periods and on foreseeable future transactions.

3.5 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.7).

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

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

(ii) Associates

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

(iii) Joint arrangements

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

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity method

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

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

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

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES · CONTINUED

3.5 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING · CONTINUED

(v) Changes in ownership interests · continued

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

3.6 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES IN THE COMPANY'S STAND-ALONE FINANCIAL STATEMENTS

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

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

3.7 BUSINESS COMBINATIONS

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

3.8 MERGERS BETWEEN ENTITIES UNDER COMMON CONTROL

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

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

3.9 FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES · CONTINUED

3.9 FOREIGN CURRENCY TRANSLATION · CONTINUED

(ii) Transactions and balances · continued

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

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

(iii) Group companies

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

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

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

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

3.10 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (refer to Note 3.14.4). 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 the Group's parent, 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 Groups 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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.14 FINANCIAL ASSETS

3.14.1 Classification

The Group and the Company classify their financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

3.14.2 Recognition and derecognition

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

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

3.14.3 Measurement

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

Debt instruments

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating expenses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within investment income in the period in which it arises. The Group classified its investments in mutual funds in this category, on the basis that such investments fails to meet the 'solely payments of principal and interest' test.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES · CONTINUED

3.14 FINANCIAL ASSETS · CONTINUED

3.14.4 Impairment

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 43.1 for further details.

3.15 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 43.1.

3.16 INVENTORIES

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

3.17 CASH AND CASH EQUIVALENTS

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

3.18 FINANCIAL LIABILITIES

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

3.19 TRADE AND OTHER PAYABLES

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

3.20 BORROWINGS

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

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

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

3.21 OFFSETTING FINANCIAL INSTRUMENTS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES · CONTINUED

3.25 REVENUE RECOGNITION · CONTINUED

(c) Project management services

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

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

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

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

As explained in note 3.3 above, the Group has changed its accounting policy for leases where the Group is the lessee. The Group accounting policy applicable as from 1 January 2019 is disclosed in Note 17 and the impact of the change is explained in Note 4.

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

Leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, 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.

3.26.2 Accounting policy where the Group is the lessor

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

3.27 BORROWING COSTS

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

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

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

3.28 EMPLOYEE BENEFITS

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Bonus plans

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3.28 EMPLOYEE BENEFITS

(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 16 *Leases* on the Group's and the Company's financial statements.

The Group has adopted IFRS 16 *Leases* retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 17(b).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group's weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.1%, whilst the Company's weighted average rate was 5.0%.

i. Practical expedients applied

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

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

ii. Measurement of lease liabilities

	The Group	The Company
	2019	2019
	€'000	€'000
Operating lease commitments disclosed as at 31 December 2018	28,997	702
Discounted using the lessee's incremental borrowing rate at the date of application	(16,391)	(76)
Add: adjustments as a result of a different treatment of extension and termination options	1,208	–
Lease liability recognised as at 1 January 2019	**13,814**	**626**
Of which are:		
Current lease liabilities	2,133	430
Non-current lease liabilities	11,681	196
	13,814	**626**

4. CHANGES IN ACCOUNTING POLICIES · CONTINUED

iii. Measurement of right-of-use assets

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

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

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

Group:

- right-of-use assets (property, plant and equipment – increase by €13.8m
- lease liabilities – increase by €13.8m

Company:

- right-of-use assets (property, plant and equipment) – increase by €0.6m
- lease liabilities – increase by €0.6m

v. Lessor accounting

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

5. CRITICAL ACCOUNTING ESTIMATES, 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. 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.

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

The Company's critical estimates pertain to the fair valuation of its investments in subsidiaries, associates and joint ventures. Refer to Note 43.6 for more information.

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

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 €74.1m (2018: €76.4m);
- An adjoining Commercial Centre to the above-mentioned hotel, with a carrying amount of €73.7m (2018: €73.7m);
- The ownership of a site surrounding the hotel, with a carrying amount of €29.5m (2018: €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 (2018: €12.8m).

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

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

6. THE GROUP'S OPERATIONS IN LIBYA - CONTINUED

Having stated the above, it should be noted that the turnover registered during 2019 by Corinthia Towers Tripoli Limited amounts to €10.4m (2018: €10.7m) representing 3.9% (2018: 4.2%) of the Group's revenue, with a profit before tax of €1.4m (2018: €6.5m). Current year revenue includes €7.2m (2018: €6.9m) generated from rental contracts attributable to the Commercial Centre that remained in full operation throughout since its opening, generating a steady income from the lease of commercial offices within the Centre. The existence of long-term leases has mitigated the impact of the continued political instability and state of uncertainty on the Commercial Centre. The Group secured further lease agreements resulting in the commercial centre being almost fully leased out as from the last quarter of 2018.

Accordingly, whilst the hotel sustained negative net financial results during 2019 and 2018 particularly in view of the relatively fixed nature of certain expenses, the net contribution from the Commercial Centre was positive. Management's objective for the hotel is to minimise operational losses and to ensure that payroll and other operating costs are managed in the context of the reduced operating income levels. At the same time, however, the company continues to invest in maintenance and security costs to ensure that the hotel is kept in a pristine condition to allow it to 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 uncertainty could potentially be exacerbated by the events related to COVID-19.

The future performance of the hotel and the Commercial Centre and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside.

In assessing the value of the hotel, the directors also believe that the outlook has not changed significantly over the past twelve months and therefore they have retained the expectations of a gradual recovery for the hotel. However, the directors also recognise that there is interest from a number of sources for short and long-term accommodation. Hotel occupancy rates in the initial months of 2020 are encouraging and occupancy levels of 20% have been reached. The results of the valuation assessment 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 €2.6 million representing the depreciation charge for the year under review. In accordance with this assessment, no further impairment charges were deemed necessary in these financial statements after taking into account the impairment charges of €40.5 million recognised in 2014 and further depreciation charges amounting to €14.4 million accounted for between 2015 and 2019.

In the case of the Commercial Centre, in 2018 the Directors engaged a firm of independent third-party valuers to assist them in establishing fair value of this asset. This exercise resulted in the value of the premises increasing by €5.5 million. This increase was supported by the fact that the premises were almost fully leased out to blue chip companies. The carrying amount of the property is unchanged as at 31 December 2019.

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. Information on the estimated impacts of the COVID-19 related events, that occurred subsequent to the end of the reporting period, on the valuations is also referred to in the said note.

The economic conditions in Libya also create significant uncertainty in relation to the recoverability of debtors, amongst other current assets. As at 31 December 2019, in addition to a current tax asset of €2.3 million, Corinthia Towers Tripoli Limited also had amounts due from Government related entities and other amounts receivable from embassies and corporate clients. Increased provisions for impairment have been registered to reflect the net estimated recoverable amounts in this respect.

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 2019, which is unchanged from the carrying amount as at 31 December 2018. This fair valuation is based on an independent real estate value of the site taking into account limited available market information.

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 2019 comprise the project site carried at €28.2m (2018: €27.8m), amounts capitalised in respect of the project amounting to €16.4m (2018: €16.0m) and cash balances amounting to €8.1m (2018: €8.4m).

6. THE GROUP'S OPERATIONS IN LIBYA - CONTINUED

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

	Carrying amount as at	
	31 December	31 December
	2019	2018
	€m	€m
Corinthia Towers Tripoli Limited		
Property, plant and equipment	74.1	76.4
Investment property	103.2	103.2
Inventories	1.7	1.7
Trade receivables, net of provisions	1.3	1.3
Current tax receivable	2.3	2.3
Medina Towers J.S.C.		
Investment in associate accounted for using the equity method of accounting	12.8	12.8

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

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

7. SEGMENT REPORTING

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

An operating segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from that of other segments. Each hotel is considered to be an operating segment. Hotel ownership, development and operations is the dominant source of the Group's risks and returns. The Group is also engaged in the ownership and leasing of its investment property. Malta is the jurisdiction of the parent and management companies.

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

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

INFORMATION ABOUT REPORTABLE SEGMENTS

Hotels	Malta		Portugal		Hungary		Russia	
	2019	2018	2019	2018	2019	2018	2019	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment revenue	**48,000**	47,568	**28,635**	26,404	**28,054**	26,360	**16,243**	16,500
EBITDA	**10,623**	11,397	**7,911**	7,125	**8,181**	7,514	**5,848**	6,775
Depreciation and amortisation	**(4,217)**	(4,354)	**(3,188)**	(2,679)	**(1,648)**	(1,432)	**(2,422)**	(2,462)
Segment profit or loss	**6,406**	7,043	**4,723**	4,446	**6,533**	6,082	**3,426**	4,313

7. SEGMENT REPORTING · CONTINUED

INFORMATION ABOUT REPORTABLE SEGMENTS · CONTINUED

Hotels	Prague		London		Libya		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Segment revenue	20,454	20,100	74,862	68,803	3,156	3,779	219,404	209,514
EBITDA	5,231	5,323	15,272	14,971	(2,141)	(2,362)	50,925	50,743
Depreciation and amortisation	(2,245)	(1,686)	(14,370)	(13,807)	(2,601)	(2,598)	(30,691)	(29,018)
Segment profit or loss	2,986	3,637	902	1,164	(4,742)	(4,960)	20,234	21,725

Hotels	Total	
	2019	2018
	€'000	€'000
Segment revenue	**219,404**	209,514
Rental income from investment property	**13,694**	12,836
Hotel management company revenue	**16,963**	17,014
Catering business revenue	**25,081**	24,815
Project management revenue	**6,876**	5,956
Development revenue	**834**	917
Holding company revenue	**34,575**	57,961
Elimination of intra-group revenue	**(49,141)**	(72,699)
Group revenue	**268,286**	256,314
Segment profit or loss	**20,234**	21,725
Net rental income from investment property	**11,739**	10,918
Change in fair value of investment property	**(137)**	6,994
Catering business result	**929**	1,274
Impairment of catering non-current assets	**(3,013)**	(1,980)
Other impairments	**(205)**	-
Net changes in fair value of contingent consideration	**5,008**	353
Project management business result	**1,314**	1,328
Development business result	**88**	137
Corporate office operating profit	**14,667**	52,307
Hotel management company operating profit	**8,107**	7,523
Depreciation	**(3,903)**	(1,542)
Amortisation	**(2,172)**	(2,642)
Movement in indemnification assets	**(210)**	(210)
Unallocated items	**(496)**	(559)
Consolidation adjustments	**(17,784)**	(57,237)
	34,166	38,389
Share of results from equity accounted investments	**(3,951)**	(1,364)
Net changes in fair value of financial assets at fair value through profit and loss	**2,252**	126
Finance income	**546**	833
Finance costs	**(19,101)**	(29,512)
Profit before tax	**13,912**	8,472

7. SEGMENT REPORTING · CONTINUED

INFORMATION ABOUT REPORTABLE SEGMENTS · CONTINUED

Hotels	Malta		Portugal		Hungary		Russia		Prague		London		Libya		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Hotels	**169,850**	168,881	**116,943**	114,736	**123,323**	121,874	**88,690**	79,146	**94,040**	88,300	**512,206**	496,398	**74,106**	76,367	**1,179,158**	1,145,702
Investment properties															**214,174**	203,539
Hotel management															**28,860**	23,580
Catering business															**8,743**	11,321
Project management business															**2,641**	2,666
Development business															**2**	4
Holding company															**58,453**	60,084
Unallocated items															**53,572**	43,431
															1,545,603	1,490,327

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

8. EXPENSES BY NATURE

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

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
(Gain)/loss on disposal of property, plant and equipment	**(232)**	1,763	**(563)**	2
Depreciation of property, plant and equipment (Note 16)	**32,409**	30,560	**27**	24
Depreciation of right-of-use assets* (Note 17)	**2,185**	-	**185**	-
Amortisation of intangible assets (Note 13)	**2,172**	2,642	**8**	15
Operating lease costs*	**-**	4,729	**-**	218
Net exchange differences	**282**	314	**-**	-
Professional fees	**4,246**	3,322	**426**	664
Cost of goods sold	**23,918**	22,212	**-**	-
Energy utilities	**8,384**	8,144	**-**	-
Employee benefit expenses (Note 9)	**94,487**	86,806	**5,352**	4,863
Property taxes	**3,138**	3,136	**-**	-
Repairs and maintenance	**2,213**	2,201	**-**	-

*From 1 January 2019, the Group recognised right-of-use assets for leases in which the Group is a lessee and which were previously recognised as operating leases. See Note 4 and 17 for more information.

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

Director's remuneration charged in the income statements in 2019 amounted €0.9m (2018: €0.9m). This amount is net of a recharge of €0.5m (2018: €0.5m) to CPHCL, the Group's immediate parent entity. The gross amount includes a fixed portion of €0.9m (2018: €0.9m) and a variable portion of €0.5m (2018: €0.5m). Included in this remuneration are Directors' fees of €0.4m (2018: €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 2019 and 31 December 2018 are shown in the table below.

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**561**	493	**97**	88
Tax compliance and advisory fees	**185**	158	**113**	18
Other non-audit services	**59**	32	**59**	27
	805	683	**269**	133

9. PERSONNEL EXPENSES

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Wages and salaries	**80,318**	73,436	**5,256**	4,777
Social security contributions	**7,080**	6,523	**57**	49
Other staff costs	**7,089**	6,847	**39**	37
	94,487	86,806	**5,352**	4,863

9. PERSONNEL EXPENSES - CONTINUED

Weekly average number of employees:

	The Group		The Company	
	2019	2018	**2019**	2018
	No.	No.	**No.**	No.
Management and administrative	**599**	720	**29**	24
Operating	**2,353**	1,990	**-**	-
	2,952	2,710	**29**	24

10. FINANCE INCOME AND FINANCE COSTS

	The Group	
	2019	2018
	€'000	€'000
Finance income:		
Interest income on:		
Loans advanced to related companies	**195**	445
Other balances	**9**	12
Bank deposits	**342**	376
Finance income	**546**	833
Finance costs:		
Interest expense on:		
Bank borrowings	**(10,693)**	(9,689)
Bonds	**(10,852)**	(10,238)
Amortisation of transaction costs on borrowings	**(1,384)**	(845)
Lease liabilities	**(721)**	-
Capital and other creditors	**(109)**	(668)
Other costs	**(6)**	(44)
Net exchange differences	**4,664**	(8,028)
Finance costs	**(19,101)**	(29,512)

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Current taxation:				
Current year tax expense	**(6,307)**	(3,052)	**(674)**	(3,288)
Deferred taxation:				
Deferred tax income	**(1,908)**	2,333	**4,249**	2,528
Adjustment recognised in financial period for deferred tax of prior period	**(578)**	706	**-**	-
	(8,793)	(13)	**3,575**	(760)

Refer to Note 34 for information on the deferred tax assets and liabilities.

11. TAX (EXPENSE)/INCOME - CONTINUED

11.1 TAX (EXPENSE)/INCOME RECONCILIATION

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Profit before tax	**13,912**	8,472	**4,931**	43,128
Income tax using the Company's domestic tax rate	**(4,869)**	(2,965)	**(1,726)**	(15,094)
Effect of (losses)/income subject to foreign/different tax rates	**3,076**	(1,325)	**5,301**	14,334
Effect of reduction in tax rate on opening temporary difference	**(1,658)**	–	**-**	–
Non-tax deductible expenses	**(1,234)**	(205)	**-**	
(Under)/over provision in respect of previous years	**(578)**	706	**-**	–
Movement in unrecognised temporary differences	**(1,479)**	(820)	**-**	
Increase in tax base of intangible asset	**-**	5,390	**-**	–
Effect of Group's share of profit and loss of investments recognised using the equity method	**(1,383)**	(477)	**-**	–
Other	**(668)**	(317)	**-**	–
Tax (expense)/income	**(8,793)**	(13)	**3,575**	(760)

During 2019, the elements that contributed to an increased consolidated tax rate as a percentage of profits mainly comprise:

- the one-off impact of a decreased corporate income tax rate emanating from NLI operations, from 20% to 17%. The reduction in tax rate mainly had the impact of reducing opening deferred tax assets on unutilised tax losses, increasing the consolidated tax charge by €1.7m;
- losses recognised by subsidiary undertakings, namely the Group's catering operations in Spain, for which the directors assessed recoverability of tax losses as not probable in the foreseeable future; and
- the tax impact of the Group's share of losses from investments accounted for using the equity method. Such losses are not tax deductible.

The amount of €5.4m in the comparative tax 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.

11.2 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:

	2019			2018		
		Tax			Tax	
	Before tax	**(charge)/credit**	**Net of tax**	Before tax	(charge)/credit	Net of tax
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Group						
Fair valuation of land and buildings	**7,000**	**(1,330)**	**5,670**	35,842	(6,255)	29,587
Currency translation differences	**34,498**	**(2,048)**	**32,450**	(15,310)	1,895	(13,415)
	41,498	**(3,378)**	**38,120**	20,532	(4,360)	16,172
Company						
Fair value movements on investments in subsidiaries, associates and joint ventures	**(9,975)**	**45,339**	**35,364**	(1,826)	359	(1,467)

11. TAX (EXPENSE)/INCOME - CONTINUED

11.2 TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

During 2019, following an amendment to Maltese income tax legislation, the Company recognised a gain of €42.7m within other comprehensive income representing a reversal of part of the opening deferred tax liability on fair value movements of investments in subsidiaries, associates and joint ventures (Note 28.2).

The change in legislation provides that any capital gain derived by companies registered in Malta on the sale of shares of foreign investees that do not own immovable property in Malta, is exempt at the level of the Maltese company. Further to this, any capital gains derived by Maltese companies on the sale of shares of local investees that own immovable property outside of Malta is exempt to the extent of the portion of the gain to which non-residents are beneficially entitled.

Until the year ended 31 December 2018, deferred tax in respect of these investees was recognised at the Maltese income tax rate of 35%, calculated on the fair value movements.

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	
	2019	2018
	€'000	€'000
Profit from operations attributable to the owners of the parent	**6,815**	11,350
Number of shares:		
At 1 January and 31 December	**615,685**	615,685
Weighted average number of shares:		
At 1 January and 31 December	**615,685**	615,685

As at 31 December 2019 and 2018, 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	**Brands**	**Brand design fee and other rights**	**Concessions**	**Operating contracts**	**Others**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Cost							
At 1 January 2018	28,614	22,721	10,682	463	23,334	2,143	87,957
Business combinations (Note 40)	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
At 1 January 2019	30,982	22,721	9,558	463	23,334	2,427	89,485
Business combinations (Note 40)	1,215	2,400	–	–	–	–	3,615
Additions	–	–	194	–	–	731	925
At 31 December 2019	32,197	25,121	9,752	463	23,334	3,158	94,025
Amortisation							
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
At 1 January 2019	15,114	1,500	8,129	330	14,198	1,853	41,124
Impairment	–	1,693	–	–	–	–	1,693
Amortisation for the year	–	–	586	40	1,167	379	2,172
At 31 December 2019	15,114	3,193	8,715	370	15,365	2,232	44,989
Carrying amount							
At 1 January 2018	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
At 31 December 2019	17,083	21,928	1,037	93	7,969	926	49,036

13. INTANGIBLE ASSETS - CONTINUED

	The Company		
	Brand	**Others**	**Total**
	€'000	**€'000**	**€'000**
Cost			
At 1 January 2018	19,600	1,081	20,681
Acquisitions	(19,600)	(153)	(19,753)
At 31 December 2018	–	928	928
At 1 January 2019	–	928	928
Additions	2,400	54	2,454
At 31 December 2019	**2,400**	**982**	**3,382**
Amortisation			
At 1 January 2018	–	1,007	1,007
Disposal	–	(97)	(97)
Amortisation for the year	–	15	15
At 31 December 2018	–	925	925
At 1 January 2019	–	925	925
Amortisation for the year	–	8	8
At 31 December 2019	**–**	**933**	**933**
Carrying amount			
At 1 January 2018	19,600	74	19,674
At 31 December 2018	–	3	3
At 31 December 2019	**2,400**	**49**	**2,449**

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

Simultaneously with the acquisition of the brand, IHI p.l.c. also acquired investments in Catermax Limited and Corinthia Caterers Limited. These were assessed as one business combination from a Group perspective on which goodwill of €1.2m was recognised. Refer to Note 40 for further detail.

INTANGIBLE ASSETS ARISING FROM HOTEL MANAGEMENT

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

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

During 2018, the Company sold the Corinthia brand to CHL for an amount of €35.0m, recognising a profit on disposal of €15.4m. Although the intra-group profit was eliminated at Group level, the tax base from use of the brand from a Group perspective increased from €19.6m to €35.0m, and a deferred tax asset was recognised in this respect (Notes 11 and 34).

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 2019 and 2018.

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

- revenue derived from IHI properties is based on operational projections. This accounts for 75.0% of the total revenue in the explicit period (2018 - 72.0%);
- revenue from other properties is assumed to increase by 2.0% per annum on 2020 budget (2018 – 2.0% on 2019 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 13.4% was applied to the operating projections of CHL (2018 – 12.9%).

13. INTANGIBLE ASSETS - CONTINUED

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.

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 2019, following an assessment of the brand's recoverable amount, the directors impaired the value of the brand by €1.6m (2018: €1m). Following the recognition of the impairment loss, the brand's carrying amount as at 31 December 2019 is nil (2018: €1.6m). Given that the brand is no longer being used, it was fully impaired.

BRAND DESIGN FEE AND OTHER RIGHTS

The Group has franchise agreements with Costa International Limited to develop and operate the Costa Coffee brand in the Maltese Islands as well as in the territory of Spain (East Coast), the Balearic Islands and the Canary Islands. These intangibles arise from the acquisition of the IHGH Group in 2015 and the Group is identifying two cash-generating units ("CGUs") from this acquisition: Costa Coffee Spain and Costa Coffee Malta. The total amount of brand design fees and other rights recognised on acquisition amounted to €8.7m, of which €6.1m related to Costa Coffee Spain.

Costa Coffee Malta

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

Costa Coffee Spain

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

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, the related intangible was fully impaired in 2018.

The key assumptions utilised in determining the value of these CGUs as at 31 December 2018 is disclosed below. There was no indication of impairment of the Costa Coffee Malta brand, or conversely, an indicator that the Costa Coffee Spain CGU brand impairment may be subject to a reversal. Accordingly, during 2019, an impairment test on these CGUs was deemed to not be required.

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

Others

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

14. INDEMNIFICATION ASSETS

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
At 1 January	**23,606**	23,815	**1,997**	1,997
Change in fair value	**(210)**	(210)	**-**	-
At 31 December	**23,396**	23,605	**1,997**	1,997

In view of Group tax relief provisions applicable in Malta, any tax due by Corinthia Palace Hotel Company Limited ("CPHCL") on the transfer of the shares in IHI Towers s.r.o ("IHIT") and Corinthia Towers Tripoli Limited ("CTTL") to IHI effected in 2007 was deferred. This tax will only become due in the eventuality that IHI sells the shares in IHIT and/or CTTL and/or their underlying properties outside the Group. In accordance with the indemnity agreement entered into at the time of the acquisitions, CPHCL has indemnified the Group for future tax it may incur should the Group sell the shares or the underlying properties outside the Group. This indemnity will be equivalent to the tax that will be due by IHI on the gain that was untaxed in the hands of CPHCL.

The indemnity has no time limit and has a maximum value of €45.0m.

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

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

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

15. INVESTMENT PROPERTY

	The Group	
	2019	2018
	€'000	€'000
At 1 January	**203,539**	205,238
Change in fair value (a)	**(137)**	6,994
Additions	**275**	13
Currency translation differences	**10,497**	(8,706)
At 31 December	**214,174**	203,539

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.

15. INVESTMENT PROPERTY - CONTINUED

The carrying amount of each investment property is as follows:

	The Group	
	2019	2018
	€'000	€'000
Investment property		
Commercial Centre in St Petersburg	**64,829**	55,687
Commercial Centre in Tripoli	**73,743**	73,743
Apartment block in Lisbon	**3,160**	2,800
Site in Tripoli	**29,500**	29,500
Apartment in London	**42,942**	41,809
	214,174	203,539

b) All investment property is hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 31.

c) Rental income earned by the Group for the period from investment property amounted to €13.7m (2018: €12.8m) and direct expenses to €2.0m (2018: €1.9m).

d) All investment property is leased out under operating leases with rentals payable monthly. Lease payments for some contracts include Consumer Price Index (CPI) increases. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

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

16. PROPERTY, PLANT AND EQUIPMENT

	The Group					
	Land and buildings	**Plant and equipment**	**Furniture, fixtures and fittings**	**Motor vehicles**	**Assets in the course of construction**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Cost/revalued amount						
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 40)	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
Balance at 1 January 2019	1,288,211	122,639	112,073	844	58,655	1,582,422
Revaluation surplus	7,000	–	–	–	–	7,000
Business combinations (Note 40)	603	962	291	561	–	2,417
Additions	1,944	2,713	1,634	56	10,636	16,983
Reallocations	1,985	4,768	1,154	23	(7,930)	–
Disposals	(42)	(2,262)	(831)	(45)	–	(3,180)
Currency translation differences	40,508	3,572	3,897	18	1,511	49,506
Balance at 31 December 2019	**1,340,209**	**132,392**	**118,218**	**1,457**	**62,872**	**1,655,148**
Depreciation and impairment losses						
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
Balance at 1 January 2019	253,738	93,692	82,938	809	–	431,177
Depreciation for the year	14,803	9,192	8,391	23	–	32,409
Net impairment losses	–	713	607	–	–	1,320
Reallocations	–	–	–	–	–	–
Disposals	(57)	(2,021)	(574)	–	–	(2,652)
Currency translation differences	4,809	2,980	3,145	16	–	10,950
Balance at 31 December 2019	**273,293**	**104,556**	**94,507**	**848**	**–**	**473,204**
Carrying amounts						
At 1 January 2018	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
At 31 December 2019	**1,066,916**	**27,836**	**23,711**	**609**	**62,872**	**1,181,944**

16. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

	The Company				
	Land and buildings	Plant and equipment	Furniture, fixtures and fittings	Motor vehicles	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
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
Balance at 1 January 2019	4	205	127	42	378
Additions	–	25	55	–	80
Balance at 31 December 2019	**4**	**230**	**182**	**42**	**458**
Depreciation					
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
Balance at 1 January 2019	–	150	103	42	295
Depreciation for the year	1	21	5	–	27
Balance at 31 December 2019	**1**	**171**	**108**	**42**	**322**
Carrying amounts					
At 1 January 2018	4	55	21	–	80
At 31 December 2018	4	55	24	–	83
At 31 December 2019	**3**	**59**	**74**	**-**	**136**

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

16.1 FAIR VALUATION OF PROPERTY

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

During 2019, 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.

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

During the year ended 31 December 2018, the Group acquired the Corinthia Palace Hotel and Spa, Malta through the acquisition described in Note 40. 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 26) 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.

16. PROPERTY, PLANT AND EQUIPMENT · CONTINUED

16.1 FAIR VALUATION OF PROPERTY · CONTINUED

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

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

The Group's land and buildings, within property, plant and equipment, consists principally of hotel properties that are owned and managed by companies forming part of the Group. The Group's investment property comprises property that is held for long-term rental yields or for capital appreciation or both, and principally comprise the Commercial Centre in St Petersburg, the Commercial Centre in Tripoli and a site forming part of the grounds of the Corinthia Hotel in Tripoli, an apartment block in Lisbon and an apartment in London. All the recurring property fair value measurements at 31 December 2019 and 2018, 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.

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 2019 and 2018, 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.

16. PROPERTY, PLANT AND EQUIPMENT · CONTINUED

16.1 FAIR VALUATION OF PROPERTY · CONTINUED

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

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

Information about fair value measurements using significant unobservable inputs (Level 3)

	Fair value at										
Description by class based on highest and best use	**31 Dec 2019 €'000**	**31 Dec 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 rate (WACC)**		**Growth rate**		**Capitalisation rate**	
				2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
						%	%	**%**	%	**%**	%
Corinthia Hotel & SPA Lisbon **(a)**	**116,943**	114,736		***FY19-FY23 €8.2m - €10.7m***	*FY19-FY23 €8.2m – €10.7m*	**7.66**	7.66	**2.00**	2.00	**5.66**	5.66
Corinthia Hotel Prague	**93,552**	88,300		***FY20-FY24 €5.5m - €6.8m***	*FY19-FY23 €5.5m – €6.8m*	**7.34**	7.74	**2.00**	2.00	**5.34**	5.74
Marina Hotel, St. George's Bay, Malta **(c)**	**29,918**	30,500		***FY17-FY21 €2.9m - €3.1m***	*FY17-FY21 €2.9m – €3.1m*	**9.91**	9.91	**1.80**	1.80	**5.23**	5.23
Corinthia Hotel, St. George's Bay, Malta **(c)**	**38,498**	39,070		***FY17-FY21 €4.1m - €4.5m***	*FY17-FY21 €4.1m – €4.5m*	**10.56**	10.56	**1.80**	1.80	**5.66**	5.66
Corinthia Hotel St Petersburg **(a)**	**88,690**	79,022		***FY19-FY23 RUB562m – RUB630m***	*FY19-FY23 RUB562m – RUB630m*	**12.25**	12.25	**4.00**	4.00	**8.25**	8.25
Corinthia Hotel Tripoli **(b)**	**74,106**	76,367		***FY18-FY22 (€2.7m) - €9.7m***	*FY18-FY22 (€2.7m) – €9.7m*	**11.82**	11.82	**2.00**	2.00	**9.82**	9.82
Radisson Blu Resort, Malta **(c)**	**36,580**	37,513		***FY17-FY21 €3.9m - €4.3m***	*FY17-FY21 €3.9m – €4.3m*	**10.42**	10.42	**1.80**	1.80	**5.57**	5.57
Corinthia Hotel London **(b)**	**485,509**	472,622		***FY18-FY22 £19.2m - £25.7m***	*FY18-FY22 £19.2m – £25.7m*	**7.20**	7.20	**2.70**	2.70	**4.50**	4.50

16. PROPERTY, PLANT AND EQUIPMENT · CONTINUED

16.1 FAIR VALUATION OF PROPERTY · CONTINUED

Information about fair value measurements using significant unobservable inputs (Level 3) · continued

Description by class based on highest and best use	Fair value at 31 Dec 2019 €'000	Fair value at 31 Dec 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 rate (WACC)**		**Growth rate**		**Capitalisation rate**	
				2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
						%	%	**%**	%	**%**	%
Corinthia Palace Hotel and Spa, Malta **(b)**	**30,925**	28,915		***FY18 – FY22*** **€1.2m – €3.3m**	*FY18 – FY22* €1.2m – €3.3m	**11.72**	11.72	**1.80**	1.80	**1.92**	1.92
Current use as hotel properties (classified as property, plant and equipment):			**Adjusted sales-comparison approach**	**Sales price per room**							
				2019	2018						
Corinthia Hotel Budapest **(c)**	**122,744**	121,874		**€1,769**	€1,769						
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**	
				2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
						%	%	**%**	%	**%**	%
Commercial Centre in St Petersburg	**64,829**	55,687		***FY20 – FY24*** **RUB353m – RUB448m**	*FY19 – FY23* RUB352m – RUB463m	**11.80**	12.70	**3.00**	3.00	**8.80**	9.70
Commercial Centre in Tripoli	**73,743**	73,743		***FY20 – FY24*** **€6.7m – €8.3m**	*FY19 – FY23* €6.8m – €7.2m	**12.00**	11.20	**3.00**	3.00	**9.00**	7.84
Current property for commercial use (classified as investment property):			**Adjusted sales-comparison approach**	**Sales price per square meter**							
				2019	2018						
Apartment block in Lisbon	**3,160**	2,800		**€6,492**	€5,572						
Site in Tripoli	**29,500**	29,500		**€2,300**	€2,300						
London apartment	**42,942**	41,809		**£29,642**	£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 metre, 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) · continued

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

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

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

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

As explained in Note 6 to the financial statements, the future performance of the Group's hotel and the commercial centre situated in Tripoli and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside. In accordance with the fair valuations as at 31 December 2019 no further impairment charges were deemed necessary in these financial statements, 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%)	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Corinthia Hotel & Spa Lisbon	**+/- 10,050**	+/- 10,050	**+/- 7,772**	+/- 7,772
Corinthia Hotel Budapest	**+/- 720**	+/- 720	**+/- 5,600**	+/- 5,600
Corinthia Hotel Prague	**+/- 8,168**	+/- 7,105	**+/- 4,729**	+/- 4,395
Marina Hotel, St George's Bay, Malta	**+/- 200**	+/- 200	**+/- 1,600**	+/- 1,600
Corinthia Hotel St George's Bay, Malta	**+/- 250**	+/- 250	**+/- 2,000**	+/- 2,000
Corinthia Hotel St Petersburg	**+/- 4,658**	+/- 4,658	**+/- 4,506**	+/- 4,506
Corinthia Hotel Tripoli	**+/- 3,625**	+/- 3,000	**+/- 3,863**	+/- 4,000
Commercial Centre in St Petersburg	**+/- 1,755**	+/- 2,921	**+/- 3,406**	+/- 2,929
Commercial Centre in Tripoli	**+/- 4,236**	+/- 4,236	**+/- 3,722**	+/- 3,722
Radisson Blu Resort, Malta	**+/- 250**	+/- 250	**+/- 2,000**	+/- 2,000
Corinthia Hotel London	**+/- 20,000**	+/- 20,000	**+/- 24,000**	+/- 24,000
Corinthia Palace Hotel and Spa, Malta	**+/- 1,974**	+/- 1,974	**+/- 1,544**	+/- 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:

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

16. PROPERTY, PLANT AND EQUIPMENT · CONTINUED

16.2 ADJUSTMENTS TO CARRYING AMOUNT OF PROPERTIES · CONTINUED

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

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

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

	At 1 January 2018	Movement	At 31 December 2018
	€'000	€'000	€'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	522	–	522
Corinthia Hotel & Spa Lisbon	1,068	–	1,068
Corinthia Hotel Prague	3,642	–	3,642
Corinthia Hotel Tripoli	8,038	–	8,038
Corinthia Hotel Budapest	1,628	–	1,628
Corinthia Hotel St Petersburg	340	–	340
Marina Hotel, St George's Bay, Malta	121	–	121
	15,359	**-**	**15,359**

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

The shifts in fair value determined in 2019 and 2018, reflected in the above tables, are principally attributable to changes in the projected financial performance and net operating cash inflows of the hotel properties and commercial centres.

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

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	
	2019	2018
	€'000	€'000
Hotel property		
Corinthia Hotel St George's Bay, Malta	**38,498**	39,070
Corinthia Hotel & Spa Lisbon	**116,943**	114,736
Corinthia Hotel Prague	**93,552**	88,300
Corinthia Hotel Tripoli	**74,106**	76,367
Corinthia Hotel Budapest	**122,744**	121,874
Corinthia Hotel St Petersburg	**88,690**	79,022
Corinthia Hotel London	**485,509**	472,622
Marina Hotel, St George's Bay, Malta	**29,918**	30,500
Radisson Blu Resort, Malta	**36,580**	37,513
Corinthia Palace Hotel and Spa, Malta	**30,925**	28,915
	1,117,465	1,008,919

16.4 HISTORIC COST BASIS OF PROPERTIES

If the cost model had been used the carrying amounts of the revalued properties would be €987.9m (2018: €968.5m). The revalued amounts include a revaluation surplus of €130.7m before tax (2018: €123.7m), 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 31.

17. LEASES

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see Note 15.

I. AMOUNTS RECOGNISED IN THE BALANCE SHEET

The balance sheet shows the following amounts relating to leases:

	The Group		The Company	
	31 December 2019	**1 January 2019**	**31 December 2019**	**1 January 2019**
	€'000	**€'000**	**€'000**	**€'000**
Right-of-use assets				
Land and buildings	11,302	12,143	122	430
Plant and equipment	1,977	1,158	-	-
Motor vehicles	497	513	236	196
	13,776	**13,814**	**358**	**626**
Lease liabilities				
Current	2,795	2,133	285	430
Non-current	11,202	11,681	176	196
	13,997	**13,814**	**461**	**626**

*In the previous year, the Group did not recognise lease assets and lease liabilities in relation to leases, since all of the Group's leases were assessed as having been 'operating leases' under IAS 17 Leases.

Additions to the Group's and the Company's right-of-use assets during the 2019 financial year were €2.4m (out of which €1.0m pertained to additions on business combinations) and €0.1m respectively.

17. LEASES - CONTINUED

II. AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

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

	The Group		The Company	
	31 December	31 December	**31 December**	31 December
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Depreciation charge of right-of-use assets				
Land and buildings	**1,770**	–	122	–
Plant and equipment	**271**	–	–	–
Motor vehicles	**144**	–	63	–
	2,185	–	185	–
Interest expense (included in finance cost)	**721**	–	23	–
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**2,160**	–	–	–

The total cash outflow for leases in 2019 was €2.9m for the Group and €0.3m for the Company.

III. THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

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

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

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

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

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

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

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

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

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

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

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

17. LEASES · CONTINUED

IV. VARIABLE LEASE PAYMENTS

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

Some property leases contain variable payment terms that are linked to sales generated from retail stores, and which range from 7.0% to 23.5% of sales. An increase of €1.0m in sales per store in the Group with such variable lease contracts would increase variable lease payments by approximately €0.2m (17%).

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

The variable lease payments element amounts to €2.2m for the year ended 31 December 2019. Variable lease payments that depend on sales are excluded from the measurement of the lease liability and are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

V. EXTENSION AND TERMINATION OPTIONS

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

Judgements in determining the lease term

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

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

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

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

18. INVESTMENTS IN SUBSIDIARIES

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

	The Company	
	2019	2018
	€'000	€'000
Share in subsidiary companies (Note 18.3)	**714,517**	708,479
Loans to subsidiary companies	**178,257**	168,949
	892,774	877,428

18. INVESTMENTS IN SUBSIDIARIES

18.1 PRINCIPAL SUBSIDIARIES

The Group had the following subsidiaries as at 31 December 2019 and 31 December 2018:

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	
			2019	2018	**2019**	2018	**2019**	2018
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.	Kingsfordweg 151, 1043 GR Amsterdam The Netherlands	Owns and operates the Corinthia Hotel St Petersburg	**100**	100	**100**	100	**-**	-
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	**-**	-
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

18. INVESTMENTS IN SUBSIDIARIES · CONTINUED

18.1 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	
			2019	2018	**2019**	2018	**2019**	2018
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	**-**	-
Bay Point Hotel Limited	22, Europa Centre Floriana Malta	Owner and operator of hotel	**100**	-	**100**	100	**-**	-
Bay Point Properties Limited	22, Europa Centre Floriana Malta	Non-operating	**100**	100	**100**	100	**-**	-
Bay Point Collection Limited	First Name House, Victoria Residence, Dougles Isle of Man	Vacation ownership company	**100**	100	**100**	100	**-**	-
Island Caterers Limited (merged with Corinthia Caterers Limited during 2019)	22, Europa Centre Floriana Malta	Event catering company	**100**	100	**100**	100	**-**	-
Catering Holding Limited (merged with Corinthia Caterers Limited during 2019)	22, Europa Centre Floriana Malta	Retail catering and holding company	**100**	100	**100**	100	**-**	-
Catering Operations Limited (merged with Corinthia Caterers Limited during 2019)	22, Europa Centre Floriana Malta	Contract catering company	**-**	-	**100**	100	**-**	-
The Heavenly Collection Limited	22, Europa Centre Floriana Malta	Owner of tract land in Golden Bay	**100**	-	**100**	100	**-**	-
The Coffee Company Malta Limited	22, Europa Centre Floriana Malta	Franchise retail catering company	**-**	-	**100**	100	**-**	-
The Coffee Company Spain S.L.	COSTA Diagonal, Avinguda Diagonal, 566 Barcelona 08021	Franchise retail catering company	**-**	-	**100**	100	**-**	-
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	**-**	-

18. INVESTMENTS IN SUBSIDIARIES · CONTINUED

18.1 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	
			2019	2018	**2019**	2018	**2019**	2018
D.X. Design Consultancy Ltd	22, Europa Centre Floriana Malta	Project management services	**-**	-	**100**	100	**-**	-
QPM (UK) Ltd	The Corinthia Hotel London Whitehall Place London SW1 2BD, United Kingdom	Project management services	**-**	-	**100**	100	**-**	-
NLI Holding Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a Group that owns and operates the Corinthia Hotel London and 10 Whitehall Place in London, UK	**50**	50	**50**	50	**50**	50
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owns the Corinthia Hotel London, UK	**-**	-	**50**	50	**50**	50
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owns apartment 12, 10 Whitehall Place	**-**	-	**50**	50	**50**	50
NLI Finance Limited	CTV House La Pouquelaye St Helier Jersey	Provision of finance to companies within the NLI Holdings Limited Group structure.	**-**	-	**50**	50	**50**	50
IHI Brussels Limited	22, Europa Centre Floriana Malta	Holding company of Hotel Astoria SA	**-**	-	**50**	50	**50**	50
NLI Operator Limited	Corinthia Hotel London, Whitehall Place, London SW1A 28D	Operates Corinthia Hotel London, a five star luxury hotel	**-**	-	**50**	50	**50**	50
IHI Malta Hotel Limited	22, Europa Centre Floriana Malta	Owns and operates the Corinthia Palace Hotel and Spa, Malta	**100**	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	**100**	100	**-**	-
Corinthia Caterers Limited	22, Europa Centre Floriana Malta	Event catering	**100**	-	**100**	-	**-**	-
Catermax Limited	22, Europa Centre Floriana Malta	Event catering	**100**	-	**100**	-	**-**	-
Corinthia Hotels (UK) Limited	Corinthia Hotel London, Whitehall Place, London SW1A 28D	Management consultancy services	**100**	-	**100**	-	**-**	-

18. INVESTMENTS IN SUBSIDIARIES · CONTINUED

18.1 PRINCIPAL SUBSIDIARIES · CONTINUED

As disclosed in Note 40, in June 2019, the Group, through IHI p.l.c., obtained control of the operations of Catermax Limited and Corinthia Caterers Limited. As a result of these transactions, as from the acquisition date, the results and financial position of these businesses are consolidated within the Group. Following this acquisition, the companies relating to catering were restructured such that Island Caterers Limited merged into Corinthia Caterers Limited; and Catering Holding Limited, Catering Operations Limited and Catering Management Limited merged into Catermax Limited.

As disclosed in Note 40, 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.

18.2 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	2019 €000	2018 €000
Current assets	**45,259**	40,865
Current liabilities	**(34,570)**	(46,082)
Current net assets	**10,689**	(5,217)
Non-current assets	**564,206**	548,767
Non-current liabilities	**(183,820)**	(156,254)
Non-current net assets	**380,386**	392,513
Net assets	**391,075**	387,296
Accumulated NCI	**195,538**	193,648

Summarised statement of comprehensive income	2019 €000	2018 €000
Revenue	**75,896**	69,159
Loss for the period	**(3,391)**	(5,782)
Other comprehensive income	**21,301**	2,320
Total comprehensive income	**17,910**	(3,462)
Loss allocated to NCI	**(1,696)**	(2,891)
Other comprehensive income allocated to NCI	**10,651**	1,160
Dividend paid to NCI	**7,059**	–

Summarised cash flows	2019 €000	2018 €000
Cash flows from operating activities	**12,782**	12,373
Cash flows used in investing activities	**(8,470)**	(12,875)
Cash flows used in financing activities	**(6,276)**	(4,032)
Net decrease in cash and cash equivalents	**(1,964)**	(4,534)

18. INVESTMENTS IN SUBSIDIARIES · CONTINUED

18.3 SHARES IN SUBSIDIARY COMPANIES

	The Company	
	2019	2018
	€000	€000
At 1 January	**708,479**	623,664
Additions	**16,043**	86,797
Change in fair value	**(10,005)**	(1,982)
At 31 December	**714,517**	708,479

€10.7m (2018: €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.

18.3.1 Investments in subsidiaries at fair value through other comprehensive income

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

19. OTHER INVESTMENTS

19.1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	The Group	
	2019	2018
	€000	€000
Associates	**12,790**	12,760
Joint ventures	**27,354**	35,429
At 31 December	**40,144**	48,189

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

	The Group	
	2019	2018
	€000	€000
Associates	**(149)**	(173)
Joint ventures	**(3,802)**	(1,191)
At 31 December	**(3,951)**	(1,364)

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

	The Group	
	2019	2018
	€000	€000
Associates	**177**	329
Joint ventures	**(4,516)**	302
At 31 December	**(4,339)**	631

19. OTHER INVESTMENTS - CONTINUED

19.2 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	The Company	
	2019	2018
	€'000	€'000
Associates	**12,790**	12,760
At 31 December	**12,790**	12,760

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

	The Company	
	2019	2018
	€'000	€'000
Associates	**30**	156
At 31 December	**30**	156

19.3 INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
At 1 January	**12,760**	12,604	**12,760**	12,604
Share of results	**(149)**	(173)	**-**	-
Share of other comprehensive income	**177**	329	**-**	-
Fair value movements	**-**	-	**30**	156
Other movements	**2**	-	**-**	-
At 31 December	**12,790**	12,760	**12,790**	12,760

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

Company name	**Registered office**	**Nature of business**	**% of ownership interest held by the Group and the Company**	
			2019	2018
Medina Towers J.S.C.	Suite 107, Tower 2 Tripoli Tower Tripoli Libya	Owns the Medina Towers project in Tripoli	**25**	25

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

19. OTHER INVESTMENTS · CONTINUED

19.3 INVESTMENTS IN ASSOCIATES · CONTINUED

19.3.1 Summarised financial information for material associates

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

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

19.3.2 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.	
	2019	2018
	€000	€000
1 January	**51,038**	50,412
Loss for the period	**(589)**	(692)
Other comprehensive income	**711**	1,318
Closing net assets	**51,160**	51,038
Interest in associate (25%)	**12,790**	12,760
Carrying value	**12,790**	12,760

19.4 INVESTMENTS IN JOINT VENTURES

	The Group	
	2019	2018
	€000	€000
At 1 January	35,429	36,822
Share of results	(3,802)	(1,191)
Share of other comprehensive income	(4,516)	302
Dividend distribution	–	(504)
Other movements	243	–
At 31 December	27,354	35,429

The significant joint ventures of the Group as at 31 December 2019 and 2018 are set out below. The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

19. OTHER INVESTMENTS · CONTINUED

19.4 INVESTMENTS IN JOINT VENTURES · CONTINUED

Company name	Registered office	Nature of business	% of ownership interest held by the Group	
			2019	2018
Golden Sands Resort Limited	The Radisson SAS Golden Sands Resort & Spa Golden Bay l/o Mellieha, Malta	A five-star luxury hotel	**50**	50
Azure Services Limited (in liquidation)	Level 1 LM Complex Brewery Street Mriehel, Malta	Marketing and promotional services	**50**	50
Azure Ultra Limited (in liquidation)	Level 1 LM Complex Brewery Street Mriehel, Malta	Luxury yacht leasing	**50**	50

			% of ownership interest held by the Group	
Company name	**Registered office**	**Nature of business**	**% Ownership**	
			2019	2018
Azure XP Limited (in liquidation)	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Financing of vacation ownership	**50**	50
Heathfield Overseas Limited (in liquidation)	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Payment solutions	**50**	50
Azure Resorts Limited (in liquidation)	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Vacation ownership selling agent	**50**	50
Brooksfield Overseas Limited (in liquidation)	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Marketing and promotional services	**50**	50
Medi International Limited (in liquidation)	Level 1, Palm Grove House Wickham's Cay 1 Road Town, Tortola British Virgin Islands	Internal financing	**50**	50
Catering Management Limited (formerly MKIC Limited)	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).

19. OTHER INVESTMENTS · CONTINUED

19.4 INVESTMENTS IN JOINT VENTURES · CONTINUED

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

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.

Judgements and estimates on the investment in Azure Resorts Group

As disclosed in Note 42, subsequent to year-end, the Azure Resorts Group was placed into liquidation. The event was treated as a non-adjusting event from the Group's perspective since, in management's view, the events and conditions for liquidation were not yet present as at 31 December 2019. This is notwithstanding that, as at year-end, Azure's management had announced that it intends to downsize the scale of operations, in order to focus on servicing its existing members' base, rather than to sell its developer stock. The COVID-19 pandemic occurring after year-end was, in the directors' opinion, the event that provided circumstances for Azure to enter liquidation. Accordingly, the carrying amount of the investment in the joint venture was recognised using the equity method without adjusting for the possible impacts of the liquidation on both classification and measurement of the investment.

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

19.4.1 Summarised financial information for material joint ventures

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

	Golden Sands Resort	
	2019	2018
	€000	€000
Cash and cash equivalents	**128**	169
Non-current assets	**63,761**	81,577
Current assets	**2,205**	3,216
Total assets	**66,094**	84,962
Current financial liabilities (excluding trade and other payables and provisions)	**18,366**	6,028
Current liabilities	**22,061**	10,308
Non-current financial liabilities (excluding trade and other payables and provisions)	**4,091**	18,148
Non-current liabilities	**15,747**	25,713
Total liabilities	**37,808**	46,021
Revenue	**17,828**	18,715
EBITDA	**2,619**	4,919
Depreciation and amortisation	**(3,439)**	(3,273)
Interest income	**66**	48
Interest expense	**(740)**	(825)
Income tax expense	**533**	(332)
Loss for the year	**(961)**	537
Other comprehensive income	**(9,100)**	–
Total comprehensive income	**(10,061)**	537

19. OTHER INVESTMENTS · CONTINUED

19.4 INVESTMENTS IN JOINT VENTURES · CONTINUED

19.4.2 Reconciliation of summarised financial information

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

	Golden Sands Resort	
	2019	2018
	€000	€000
1 January	**39,478**	38,941
Loss for the period	**(961)**	537
Other comprehensive income	**(9,100)**	–
Closing net assets	**29,417**	39,478
Interest in joint venture (50%)	**14,708**	19,739
Goodwill	**6,456**	6,456
Carrying value	**21,164**	26,195

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

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

20. OTHER FINANCIAL ASSETS AT AMORTISED COST

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Ultimate parent company	**672**	–	**672**	–
Group companies	**-**	–	**85,806**	85,957
Joint ventures	**1,000**	–	**-**	–
Other	**129**	184	**-**	–
Total non-current loans receivable	**1,801**	184	**86,478**	85,957
Current				
Ultimate parent company	**73**	672	**-**	672
Other related parties	**-**	961	**-**	–
Other	**52**	50	**91**	–
Total current loans receivable	**125**	1,683	**91**	672

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 43.

20. OTHER FINANCIAL ASSETS AT AMORTISED COST · CONTINUED

TERMS

€54.0m (2018: €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 (2018: €26.0m) of the Company's loans to Group companies are unsecured, bear interest at 4.00% and are subordinated to bank loans.

€4.4m (2018: €5.5m) of the Company's loans to Group companies are unsecured, bear interest at 6.25% and are subordinated to bank loans.

€0.5m (2018: €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.

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

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

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

21. INVENTORIES

	The Group	
	2019	2018
	€'000	€'000
Food and beverages	**3,024**	2,143
Consumables	**751**	718
Goods held for resale	**296**	199
Others	**8,555**	8,430
	12,626	11,490

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Other receivables	**-**	596	**-**	-
Total receivables – non- current	**-**	596	**-**	-
Current				
Trade receivables	**18,446**	14,721	**36**	65
Amounts owed by:				
Parent company	**8,073**	16,147	**1,005**	6,806
Subsidiary companies	**-**	-	**36,795**	31,994
Associate companies	**34**	31	**-**	-
Joint ventures	**3,120**	1,663	**163**	-
Other related companies	**3,882**	4,010	**1**	2
Other receivables	**3,638**	6,770	**235**	1,279
Contract assets	**1,632**	2,283	**2,095**	2,102
Financial assets	**38,825**	45,625	**40,330**	42,248
Advance payments in respect of capital creditors	**513**	1,052	**-**	-
Prepayments	**3,854**	6,352	**165**	146
Total receivables – current	**43,192**	53,029	**40,495**	42,394

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.

22. TRADE AND OTHER RECEIVABLES - CONTINUED

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 43.

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

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

23. 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 2019 and 2018, these include investments in funds and mutual funds whose instruments fail to meet the definition of equity from the issuer's perspective.
- Equity investments for which the Group has not elected to recognise fair value gains and losses through OCI.

	The Group	
	2019	2018
	€'000	€'000
Non-current assets		
Unlisted equity securities	**8,401**	–
Current assets		
Listed securities		
Equities	**4,641**	1,821
Mutual funds	**4,268**	6,664
	8,909	8,485

In 2019, the Group acquired 10% of Global Hotel Alliance, and a 10% shareholding in a hotel and residential development in Moscow. During the year, the Group recognised €2.3m (2018: €0.1m) fair value gains or losses in profit or loss.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Cash and bank balances:				
Current	**72,699**	50,190	**15,043**	7,824
Cash and cash equivalents in the statement of				
financial position	**72,699**	50,190	**15,043**	7,824
Bank overdraft (Note 31)	**(7,236)**	(5,899)	**-**	-
Cash and cash equivalents in the statement of cash cash flows	**65,463**	44,291	**15,043**	7,824

The bank balances include amounts of €11.1m (2018: €10.2m) set aside by the Group for debt servicing requirements of which €0.7m (2018: €0.7m) are set aside by the Company and €2.2m (2018: €0.8m) set aside for capital expenditure purposes.

25. SHARE CAPITAL

25.1 AUTHORISED SHARE CAPITAL

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

25.2 ISSUED SHARE CAPITAL

The issued share capital consists of 615.7m (2018: 615.7m) ordinary shares of €1 each, fully paid up.

	The Group and Company	
	2019	2018
	€'000	€'000
At 1 January and 31 December	**615,685**	615,685

25.3 SHAREHOLDER RIGHTS

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

26. REVALUATION RESERVE

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

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

26. REVALUATION RESERVE - CONTINUED

	The Group		
	Revaluation surplus	**Deferred taxation**	**Net**
	€'000	**€'000**	**€'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

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

	The Group		
	Revaluation surplus	**Deferred taxation**	**Net**
	€'000	**€'000**	**€'000**
At 1 January 2018 and 31 December 2018	10,348	(3,623)	6,725
At 1 January 2019	**10,348**	**(3,623)**	**6,725**
Golden Sands Resort	(7,000)	2,450	(4,550)
At 31 December 2019	**3,348**	**(1,173)**	**2,175**

The revaluation reserve is non-distributable.

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

26. REVALUATION RESERVE - CONTINUED

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	
	2019	2018
	€'000	€'000
Aggregate amounts disclosed in tables above:	**99,302**	98,182
Bonus and other similar share issues:		
Opening and closing balance	**(71,764)**	(71,764)
Total revaluation reserve	**27,538**	26,418

27. TRANSLATION RESERVE

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

28. OTHER RESERVES AND EQUITY COMPONENTS

28.1 OTHER EQUITY COMPONENTS

	The Group		
	Stepped acquisition of subsidiary	**Other**	**Total**
	€'000	**€'000**	**€'000**
At 1 January 2018, 31 December 2018 and 31 December 2019	**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.

28.2 OTHER RESERVES

	The Company			
	FVOCI reserve	**Bonus shares**	**Other**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
As 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
Fair value movements on investments in subsidiaries, associates and joint ventures, net of tax	(7,319)	–	–	(7,319)
Reversal of opening deferred income tax liability on fair value movements following amendment in tax legislation	42,683	–	–	42,683
At 31 December 2019	**201,278**	**(75,090)**	**(24,009)**	**102,179**

28. OTHER RESERVES AND EQUITY COMPONENTS · CONTINUED

28.2 OTHER RESERVES · CONTINUED

Financial assets at FVOCI

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

Other reserves

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

29. 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.

30. RETAINED EARNINGS

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

31. BANK BORROWINGS

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Bank overdraft	**7,236**	5,899	**-**	-
Bank loans	**362,797**	352,177	**12,590**	10,176
	370,033	358,076	**12,590**	10,176
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 – 5 years	**252,175**	104,394	**8,296**	4,831
Bank loans due later than 5 years	**72,422**	213,165	**2,422**	3,761
	324,597	317,559	**10,718**	8,592
Current bank borrowings				
Bank overdraft	**7,236**	5,899	**-**	-
Bank loans due within 1 year	**38,200**	34,618	**1,872**	1,584
	45,436	40,517	**1,872**	1,584

Bank borrowings are subject to variable interest rates linked to Euribor, other reference rates or bank base rates with an average interest rate of 2.95% annually at 31 December 2019 (2018: 2.75% annually) for the Group and 3.59% annually at 31 December 2019 (2018: 4.8%) for the Company.

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

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

32. BONDS

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Bond V	**19,879**	19,823	**19,879**	19,823
Bond VI	**9,938**	9,925	**9,938**	9,925
Bond VII	**44,400**	44,308	**44,400**	44,308
Bond IX	**34,677**	34,603	**34,677**	34,603
Bond X	**54,440**	54,367	**54,440**	54,367
Bond XI	**59,250**	39,481	**59,250**	39,481
	222,584	202,507	**222,584**	202,507
Non-current	**222,584**	202,507	**222,584**	202,507
Current	**-**	-	**-**	-
	222,584	202,507	**222,584**	202,507

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

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

(ii) Interest

Interest is payable annually in arrears on the due date.

(iii) Security

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

(iv) Sinking funds

The prospectus for bond V provides for the setting up of sinking funds administered independently to cover 50% of the repayment of the bonds on maturity. The required contributions to the sinking funds as deposited under a trust arrangement as at 31 December 2019 amounted to €3.8m (2018: €3.8m).

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

	V	VI	VII	IX	X	XI
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2018	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
Proceeds from issue	-	-	-	-	-	20,000
Amortisation of transaction costs	56	13	92	74	73	82
Issue costs	-	-	-	-	-	(313)
At 31 December 2019	**19,879**	**9,938**	**44,400**	**34,677**	**54,440**	**59,250**

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

32. BONDS · CONTINUED

The market price of bonds in issue is as follows:

	2019	2018
	€	€
Bond V	**101.5**	107.0
Bond VI	**108.5**	107.0
Bond VII	**106.5**	109.5
Bond IX	**106.3**	109.2
Bond X	**103.0**	103.0
Bond XI	**101.0**	102.0

33. OTHER FINANCIAL LIABILITIES

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Amounts owed to:				
Group companies	**-**	–	**39,879**	26,112
Related companies	**-**	4,500	**-**	–
Obligations - lease	**-**	112	**-**	–
	-	4,612	**39,879**	26,112
Non-current liabilities				
Amounts owed to:				
Group companies	**-**	–	**39,781**	26,027
Obligations - lease	**-**	59	**-**	–
	-	59	**39,781**	26,027
Current liabilities				
Amounts owed to:				
Group companies	**-**	–	**98**	85
Related companies	**-**	4,500	**-**	–
Obligations - lease	**-**	53	**-**	–
	-	4,553	**98**	85

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 2019			
Group companies	**6,900**	4.95%	Due by 4 August 2025
Group companies	**13,000**	Euribor + 2.65%	Due by 3 August 2025
Group companies	**19,979**	0%	Due within 3 years
	39,879		
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		

None of the loans are secured.

34. 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	
	2019	2018	**2019**	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Depreciation of property, plant and equipment	**-**	-	**(39,252)**	(43,642)	**(39,252)**	(43,642)
Fair valuation of land and buildings	**-**	-	**(60,214)**	(52,779)	**(60,214)**	(52,779)
Fair valuation of investment property	**-**	-	**(16,612)**	(15,694)	**(16,612)**	(15,694)
Intangible assets	**-**	-	**(665)**	(572)	**(665)**	(572)
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	**30,501**	31,709	**-**	-	**30,501**	31,709
Exchange differences	**-**	-	**(181)**	(125)	**(181)**	(125)
Provision on trade receivables	**1,898**	1,808	**-**	-	**1,898**	1,808
Other	**382**	368	**-**	-	**382**	368
Tax assets/(liabilities) – before offsetting	**32,882**	33,986	**(124,071)**	(119,959)	**(91,189)**	(85,973)
Offset in the statement of financial position	**(23,649)**	(23,023)	**23,649**	23,023	**-**	-
Tax assets/(liabilities) – as presented in the statement of financial position	**9,233**	10,963	**(100,422)**	(96,936)	**(91,189)**	(85,973)

The Company	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Depreciation of property, plant and equipment	**-**	-	**(23)**	(11)	**(23)**	(11)
Investment in subsidiaries	**-**	-	**(26,141)**	(71,678)	**(26,141)**	(71,678)
Investment in associates	**-**	198	**-**	-	**-**	198
Unrelieved tax losses and unabsorbed capital allowances	**3,245**	-	**-**	-	**3,245**	-
Exchange differences	**-**	-	**(21)**	(4)	**(21)**	(4)
Tax assets/(liabilities)	**3,245**	198	**(26,185)**	(71,693)	**(22,940)**	(71,495)
Offset in the statement of financial position	**(43)**	(198)	**43**	198	**-**	-
Tax assets/(liabilities) – as presented in statement of financial position	**3,202**	-	**(26,142)**	(71,495)	**(22,940)**	(71,495)

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period. The deferred tax assets and liabilities reflected in other comprehensive income relate to fair valuation of property, plant and equipment and investments in subsidiaries, associates and joint venture which have been measured as financial assets at fair value through other comprehensive income.

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

34. DEFERRED TAX ASSETS AND LIABILITIES · CONTINUED

The Group	Balance 01.01.2018	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	Balance 31.12.2018	Recognised in profit or loss	Recognised in other comprehensive income	Business combinations	Balance 31.12.2019
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	(88,335)	627	(4,296)	(4,417)	(96,421)	61	(3,406)	300	(99,466)
Investment property	(13,903)	(2,490)	699	–	(15,694)	(210)	(708)	–	(16,612)
Intangible assets	(11,547)	10,975	–	–	(572)	(93)	–	–	(665)
Investments in subsidiaries	(7,147)	–	–	–	(7,147)	–	–	–	(7,147)
Investments in associates	101	–	–	–	101	–	–	–	101
Unrelieved tax losses and capital allowances	36,629	(6,734)	(235)	2,049	31,709	(2,249)	830	211	30,501
Exchange differences	(368)	240	3	–	(125)	(55)	(1)	–	(181)
Provision on trade receivables	1,429	379	–	–	1,808	90	–	–	1,898
Others	369	42	(43)	–	368	(30)	44	–	382
	(82,772)	3,039	(3,872)	(2,368)	(85,973)	(2,486)	(3,241)	511	(91,189)

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 2019, the Group did not recognise deferred income tax assets of €2.7m (2018: €2.0m), in respect of losses amounting to €10.5m (2018: €8.1m) 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:

The Company	Balance 01.01.2018	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31.12.2018	Recognised in profit or loss	Recognised in other comprehensive income	Surrender of losses	Balance 31.12.2019
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	(25)	14	–	(11)	(12)	–	–	(23)
Intangible assets	(5,488)	5,488	–	–	–	–	–	–
Investments in subsidiaries	(72,092)	–	414	(71,678)	–	45,537	–	(26,141)
Investments in associates	253	–	(55)	198	–	(198)	–	–
Unrelieved tax losses and capital allowances	2,972	(2,972)	–	–	4,278	–	(1,033)	3,245
Exchange differences	(2)	(2)	–	(4)	(17)	–	–	(21)
	(74,382)	2,528	359	(71,495)	4,249	45,339	(1,033)	(22,940)

34. DEFERRED TAX ASSETS AND LIABILITIES - CONTINUED

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 2019 and 31 December 2018.

35. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Other payables	**3,299**	1,639	**822**	–
Other liabilities - contingent consideration (Note 43.6)	**-**	563	**-**	563
Financial liabilities	**3,299**	2,202	**822**	563
Contract liabilities	**2,475**	2,854	**-**	–
Advance payments	**483**	354	**-**	–
Total payables - non-current	**6,257**	5,410	**822**	563
Current				
Trade payables	**19,054**	16,926	**256**	426
Amounts owed to:				
Parent company	**680**	37	**-**	–
Subsidiary companies	**-**	–	**2,400**	990
Joint ventures	**250**	401	**-**	29
Other related parties	**7,620**	1,505	**240**	240
Capital creditors	**1,236**	1,596	**-**	–
Other payables	**8,625**	6,362	**990**	1,069
Other liabilities – contingent consideration (Note 43.6)	**-**	8,688	**-**	–
Refundable lease deposits	**247**	–	**-**	–
Accruals	**22,198**	21,270	**6,525**	6,139
Financial liabilities	**59,910**	56,785	**10,411**	8,893
Contract liabilities	**6,302**	6,069	**-**	–
Lease payments received in advance	**3,961**	3,093	**-**	–
Statutory liabilities	**4,604**	5,554	**73**	27
Total payables – current	**74,777**	71,501	**10,484**	8,920

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

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

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

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

The aggregate transaction price allocated to this long-term arrangement amounted to £2.3m (€2.7m), of which £2.0m (€2.4m) remains unsatisfied as at year-end. Management expects that the unsatisfied portion of the transaction price will be recognised as revenue on a straight-line basis over the remaining term of 43 years, since the directors consider the arrangement consistent with a stand-ready obligation to perform.

Revenue recognised during 2019 that was included in the contract liability balance at the beginning of the period amounted to €6.1m.

36. DIVIDENDS

During 2019, the Company declared an interim dividend amounting to €12.3m (2018: €12.3m). This equates to €0.02 per share (2018: €0.02 per share).

37. CASH FLOW INFORMATION

37.1 CASH GENERATED FROM/(USED IN) OPERATIONS

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Adjustments:				
Depreciation of property, plant and equipment	**32,409**	30,560	**27**	24
Depreciation of right-of-use assets	**2,185**	–	**185**	–
Increase in provision for impairment of trade receivables	**89**	388	**-**	–
Net (gain)/loss on disposal of property, plant and equipment	**(232)**	1,763	**-**	2
Amortisation of intangible assets	**2,172**	2,642	**8**	15
Impairment losses on intangible assets	**1,693**	1,980	**-**	–
Net gain on disposal of intangible assets	**-**	–	**-**	(15,344)
Net impairment losses on property, plant and equipment	**1,320**	–	**-**	–
Net changes in fair value of contingent consideration	**(5,008)**	–	**(563)**	–
Fair value movements on investment properties	**137**	(6,994)	**-**	–
Fair value movements on investments	**(2,252)**	–	**-**	–
Share of results of associates and joint ventures	**3,951**	1,364	**-**	–
Net changes in fair value of indemnification assets	**210**	210	**-**	–
Amortisation of transaction costs on borrowings	**1,384**	845	**391**	351
Interest income	**(546)**	(833)	**(3,219)**	(3,461)
Interest expense	**22,372**	20,513	**12,160**	11,367
Dividend income	**-**	–	**(18,080)**	(39,705)
Net exchange differences	**(7,322)**	7,846	**-**	–
	52,562	60,284	**(9,091)**	(46,751)

37. CASH FLOW INFORMATION · CONTINUED

37.2 RECONCILIATION OF FINANCING LIABILITIES

The Group		**Liabilities from financing activities**				
	Assets placed under trust arrangement	**Bonds**	**Bank loans**	**Other financial liabilities**	**Lease liabilities**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'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
Acquisition of subsidiaries	–	–	(443)	–	–	(443)
Foreign exchange adjustments	–	–	(6,791)	–	–	(6,791)
Currency translationdifferences	–	–	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)**
As at 1 Jan 2019						
– Principal	3,767	(202,507)	(352,177)	(4,612)	–	(555,529)
– Accrued interest	–	(4,074)	(931)	–	–	(5,005)
– Net	3,767	(206,581)	(353,108)	(4,612)	–	(560,534)
– Initial application of IFRS 16	–	–	–	–	(13,814)	(13,814)
Cash flows	53	(8,835)	11,479	3,716	2,860	9,273
Acquisition of subsidiaries	–	–	(150)	–	(1,004)	(1,154)
Foreign exchange adjustments	–	–	7,118	–	–	7,118
Currency translation differences	–	–	(16,688)	–	–	(16,688)
Other movements	–	(11,244)	(12,512)	896	(2,039)	(24,899)
As at 31 December 2019	**3,820**	**(226,660)**	**(363,861)**	**–**	**(13,997)**	**(600,698)**
Comprising:						
– Principal	3,820	(222,584)	(362,797)	–	(13,997)	(595,558)
– Accrued interest	–	(4,076)	(1,064)	–	–	(5,140)
As at 31 December 2019	**3,820**	**(226,660)**	**(363,861)**	**–**	**(13,997)**	**(600,698)**

37. CASH FLOW INFORMATION · CONTINUED

37.2 RECONCILIATION OF FINANCING LIABILITIES · CONTINUED

The Company		Liabilities from financing activities				
	Assets placed under trust arrangement	Bonds	Bank loans	Other financial liabilities	Lease liabilities	Total
	€'000	€'000	€'000	€'000	€'000	€'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)**
As at 1 Jan 2019						
– Principal	3,767	(202,507)	(10,176)	(26,112)	–	(235,028)
– Accrued interest	–	(4,074)	(5)	–	–	(4,079)
– Net	3,767	(206,581)	(10,181)	(26,112)	–	(239,107)
– Initial application of IFRS 16	–	–	–	–	(626)	(626)
Cash flows	53	(8,835)	(1,173)	(750)	292	(10,413)
Other movements	–	(11,244)	(1,311)	(13,017)	(127)	(25,699)
As at 31 December 2019	**3,820**	**(226,660)**	**(12,665)**	**(39,879)**	**(461)**	**(275,845)**
Comprising:						
– Principal	3,820	(222,584)	(12,590)	(39,879)	(461)	(271,694)
– Accrued interest	–	(4,076)	(75)	–	–	(4,151)
As at 31 December 2019	**3,820**	**(226,660)**	**(12,665)**	**(39,879)**	**(461)**	**(275,845)**

37.3 SIGNIFICANT NON-CASH TRANSACTIONS

As disclosed in Note 40, the Group obtained control of the catering companies and the Corinthia brand from CPHCL for €3.7m. The consideration was settled through a set-off of amounts receivable from the same party.

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 a 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.

38. COMMITMENTS

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

	The Group	
	2019	2018
	€'000	€'000
Contracted for:		
Property, plant and equipment	**3,500**	2,774
Authorised but not yet contracted for:		
Property, plant and equipment	**71,078**	81,352
	74,578	84,126

The board of directors of joint ventures have not authorised capital commitments for property, plant and equipment during the year (2018: €0.4m). The Group's share of the 2018 commitments was equivalent to 50%.

OPERATING LEASES

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

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Less than one year	-	2,170	-	291
Between one and five years	-	5,961	-	408
More than five years	-	20,866	-	3
	-	28,997	-	702

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 31 December 2018, €4.7m and €0.2m for the Group and Company respectively were recognised as an expense in the income statement in respect of operating leases.

From 1 January 2019, the Group has recognised right-of-use assets for these leases.

39. 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.

40. BUSINESS COMBINATIONS

BUSINESS COMBINATIONS DURING 2019

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

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

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

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

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

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

PURCHASE CONSIDERATION – CASH OUTFLOW

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

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

40. BUSINESS COMBINATIONS · CONTINUED

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 and liabilities assumed	
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**

41. RELATED PARTIES

The Company and its subsidiaries have related party relationships with CPHCL, the Company's ultimate controlling party (Note 44), 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 19) 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 41.2.

No guarantees were given or received. Amounts owed by/to related parties are shown separately in Notes 20, 22, 33 and 35.

41. RELATED PARTIES - CONTINUED

41.1 TRANSACTIONS WITH RELATED PARTIES

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Revenue				
Services rendered to:				
Parent company	**1,233**	1,595	**1,100**	1,100
Subsidiaries	**-**	–	**3,466**	3,257
Other related parties	**2,179**	1,637	**-**	–
Joint ventures	**-**	98	**-**	–
Dividends received from:				
Subsidiaries	**-**	–	**18,080**	39,705
	3,412	3,330	**22,646**	44,062
Financing				
Interest income				
Parent company	**161**	377	**73**	260
Subsidiaries	**-**	–	**3,146**	3,146
Other related parties	**34**	67	**-**	–
Interest expenses				
Subsidiaries	**-**	–	**(833)**	(638)
	195	444	**2,386**	2,768
Equity transactions				
Dividend distributed to:				
Parent company	**7,120**	7,120	**7,120**	7,120

During 2018, the Group acquired the operations of Corinthia Palace Hotel & Spa from its ultimate parent company, as disclosed in Note 40. Also, during 2019, the Group acquired the operations of Corinthia Catering Ltd and Catermax Ltd from its ultimate parent company, as disclosed in Note 40.

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).

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

41.2 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 2019, the remuneration of the executive Chairman and Senior Executives of the Company and its subsidiaries amounted to €7.9m (2018: €8.5m). The foregoing comprises a fixed portion of €5.6m (2018: €6.2m) and a variable portion of €2.3m (2018: €2.3m). This variable portion includes an accrual that has been made for bonuses relating to 2019. Other than those bonuses that are contractual, the final amounts still need to be formally approved.

42. EVENTS AFTER THE REPORTING PERIOD

OUTBREAK OF COVID-19

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

LIQUIDATION OF JOINT VENTURE

As disclosed in Note 19.4, the Azure Resorts Group was placed into liquidation. As at the date of signing these financial statements, the Group's directors are still assessing the impact of the liquidation on the classification of the investment following the appointment of a liquidator, and the measurement of the investment in the Group's financial statements subsequent to year end.
As at 31 December 2019, the Group's interest in Azure Resorts was carried at €6.2m. An additional amount of €2.8m is recognised within the Group's translation reserves as a loss of translation. Upon liquidation, the amount recognised in the translation reserve will be reclassified to profit or loss.

43. 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 43.5 for a summary of the Group's financial assets and liabilities by category.

43.1 CREDIT RISK

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

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Classes of financial assets – carrying amounts				
Long-term loans	**1,801**	184	**86,478**	85,957
Short-term loans	**125**	1,683	**91**	672
Assets placed under trust arrangement	**3,820**	3,767	**3,820**	3,767
Trade and other receivables, including contract assets	**38,825**	46,221	**40,330**	42,248
Cash in hand and at bank	**72,699**	50,190	**15,043**	7,824
	117,270	102,045	**145,762**	140,468

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.

43. RISK MANAGEMENT OBJECTIVES AND POLICIES · CONTINUED

43.1 CREDIT RISK · CONTINUED

(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.

The impairment methodology and conclusions below represent management's assessment at year-end and do not take into account the pandemic after the year-end (Note 3.1). Given the nature of the Group's operations, management do not expect a significant impact on the expected loss allowance of the Group's trade and other receivables. However, the impact of the loss allowance of other receivables and the Company's loans to related parties is still being assessed due to the loss of business/forced closures that group companies and other related parties are experiencing, which in turn may result in a significant increase in credit risk.

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 2019 and 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on the assessment carried out in accordance with the above methodology, the movement in loss allowances identified as at 31 December 2019 and 31 December 2018 is deemed immaterial by management.

The Group's loss allowance balance on trade receivables and contract assets as at 31 December 2019 and 2018 mainly comprises a provision on an amount due from an individual counterparty that did not have an impact on the identified loss rates and expected credit losses on the rest of the Group's trade receivables and contract assets. On this basis, the information pertaining to loss rates and loss allowances in the Group's provisions matrix, which would have otherwise been required by IFRS 7, is not presented as at 31 December 2019 and 31 December 2018.

43. RISK MANAGEMENT OBJECTIVES AND POLICIES · CONTINUED

43.1 CREDIT RISK · CONTINUED

Trade receivables and contract assets · continued

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

The Group	Trade receivables and contract assets	
	2019	2018
	€'000	€'000
Opening loss allowance as at 1 January	**5,740**	4,929
Increase in loss allowance recognised in profit or loss during the year	**224**	980
Business combinations	**153**	-
Receivables written off during the year as uncollectible	**(135)**	(130)
Unused amounts reversed	**-**	(39)
At 31 December	**5,982**	5,740

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.

All impaired balances were unsecured.

Other financial assets at amortised cost

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

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Amounts due from ultimate parent entity	**745**	672	**672**	672
Amounts due from subsidiaries	**-**	-	**85,806**	85,957
Amounts due from other related parties	**1,000**	961	**-**	-
At 31 December	**1,745**	1,633	**86,478**	86,629

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

As at year-end, based on the Directors' assessments of these factors, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management together with the support of shareholders in place, the resulting impairment charge required was deemed to be immaterial.

Cash at bank

The Group's cash is placed with reputable financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the companies within the Group. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

Financial assets at fair value through profit or loss

The Group is also directly and indirectly exposed to credit risk in relation to certain bond funds that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments €0.5m. (2018: €0.5m).

43. RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

43.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Note 3.1 discloses the measures that the Group has taken or is currently taking to manage the impact of the economic situation pursuant to the outbreak of COVID-19 subsequent to year end. The Group's exposure and management of liquidity risk as 31 December 2019 is disclosed below.

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

The Group actively manages its cash flow requirements. Management monitors liquidity risk by reviewing expected cash flows through cash flow forecasts, covering both Head Office corporate cash flows and all Group entities' cash flows, financing facilities are expected to be required. This is performed at a central treasury function, which controls the overall liquidity requirements of the Group within certain parameters. Each subsidiary company within the Group updates its cash flow on a monthly basis.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financing or borrowing obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably forecasted.

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

The Group	**Current**	**Non-current**	
	Within 1 year	**1-5 years**	**More than 5 years**
31 December 2019	**€'000**	**€'000**	**€'000**
Non-derivatives:			
Bank borrowings	45,000	266,905	77,131
Bonds	11,028	105,052	171,788
Lease liabilities	2,748	6,339	20,549
Bank overdraft	7,525	-	-
Trade and other payables	59,910	3,299	-
	126,211	**381,595**	**269,468**

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

The Group	**Current**	**Non-current**	
	Within 1 year	**1-5 years**	**More than 5 years**
31 December 2018	**€'000**	**€'000**	**€'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**

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

43. RISK MANAGEMENT OBJECTIVES AND POLICIES · CONTINUED

43.2 LIQUIDITY RISK · CONTINUED

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

The Company	**Current**	**Non-current**	
	Within 1 year	**1-5 years**	**Within 1 year**
31 December 2019	**€'000**	**€'000**	**€'000**
Non-derivatives:			
Bank borrowings	2,331	9,382	2,466
Bonds	11,028	105,052	171,788
Other financial liabilities	97	169	43,625
Lease liabilities	301	186	7
Trade and other payables	10,411	822	–
	24,168	**115,611**	**217,886**

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

The Company	**Current**	**Non-current**	
	Within 1 year	**1-5 years**	**Within 1 year**
31 December 2018	**€'000**	**€'000**	**€'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**

43.3 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.

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:

43. RISK MANAGEMENT OBJECTIVES AND POLICIES · CONTINUED

43.3 MARKET RISK · CONTINUED

(i) Foreign currency risk · continued

The Group	**2019**				2018			
	Functional currency				Functional currency			
	EUR		**RUB**		EUR		RUB	
	HUF	**LYD**	**CZK**	**EUR**	HUF	LYD	CZK	EUR
	€'000	**€'000**	**€'000**	**€000**	€'000	€'000	€'000	€'000
Group								
Assets:								
Loans and receivables:								
Trade receivables	**1,774**	**1,595**	**581**	**-**	2,304	2,101	478	-
Other receivables	**596**	**155**	**523**	**-**	932	191	510	-
Liabilities:								
Bank borrowings	**-**	**-**	**-**	**(46,187)**	-	-	-	(48,775)
Trade payables	**(770)**	**(1,137)**	**(1,180)**	**-**	(805)	(746)	(1,047)	-
Other payables	**(2,805)**	**(2,867)**	**(2,385)**	**-**	(3,065)	(2,847)	(2,120)	-
Net exposure	**(1,205)**	**(2,254)**	**(2,461)**	**(46,187)**	(634)	(1,301)	(2,179)	(48,775)

At 31 December 2019, if the euro had weakened/strengthened by 10% (2018: 10%) against the Rouble with all other variables held constant, Group post-tax profit for the year would have been €5.1m lower/€5.1m higher (2018: €5.4m lower/€5.4m 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 (2018: €54.1m) and €13.8m (2018: €16.8m) respectively, are considered part of the Group's net investment in the foreign operation. Accordingly, any foreign exchange differences with respect to these balances, which at IHI Benelux standalone level are recognised in profit or loss, were reclassified to other comprehensive income on consolidation.

At 31 December 2019, if the euro had weakened/strengthened by 10% (2018: 10%) against the Rouble with all other variables held constant, the Group's equity would have been €7.8m lower/€7.8m higher (2018: €8.1m lower/€8.1m 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.

43. RISK MANAGEMENT OBJECTIVES AND POLICIES · CONTINUED

43.3 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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Fixed rate instruments				
Financial assets:				
Parent company loan and other loans receivable	**926**	1,867	**32,425**	32,576
Assets placed under trust arrangement	**3,820**	3,767	**3,820**	3,767
Financial liabilities:				
Bonds	**(222,584)**	(202,507)	**(222,584)**	(202,507)
Other financial liabilities	**-**	(4,500)	**(6,900)**	(6,900)
	(217,838)	(201,373)	**(193,239)**	(173,064)
Variable rate instruments				
Financial assets:				
Loans to related company	**-**	-	**54,053**	54,053
Financial liabilities:				
Bank borrowings	**(370,033)**	(358,076)	**(12,590)**	(10,176)
Other financial liabilities	**-**	-	**(13,000)**	(13,000)
	(370,033)	(358,076)	**28,463**	30,877

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 €3.5m (2018: €3.1m) 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 €99.8k (2018: €22.9k) lower/higher as a result of higher/lower net interest expense.

(iii) Price risk

The Group's exposure to equity securities price risk arises from its investments in equities, funds and mutual funds, which are classified in the balance sheet as financial assets at fair value through profit or loss. As at 31 December 2019, the carrying amount of these investments amounted to €17.3m (2018: €8.5m).

€8.9m (2018: €€8.5m) of investments are publicly traded. Management does not consider that a reasonable shift in indexes will have a significant impact on the Group's equity and post-tax profit. Accordingly, a sensitivity analysis disclosing how profit or loss and equity would have been affected by changes in indexes that were reasonably possible at the end of the reporting period is not deemed necessary.

In addition to the above, the Group holds a 10% investment in two private equities that were purchased during the reporting period. As at year-end, management do not consider that reasonable movements in market prices will impact the fair value of these investments materially.

43.4 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.

43. RISK MANAGEMENT OBJECTIVES AND POLICIES · CONTINUED

43.4 CAPITAL MANAGEMENT POLICIES AND PROCEDURES · CONTINUED

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	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Bank loans (Note 31)	**362,797**	352,177	**12,590**	10,176
Other financial liabilities (Note 33)	**-**	4,612	**39,879**	26,112
Bonds (Note 32)	**222,584**	202,507	**222,584**	202,507
Lease liabilities (Note 17)	**13,997**	-	**461**	-
Less: cash and cash equivalents (Note 24)	**(65,463)**	(44,291)	**(15,043)**	(7,824)
Net debt	**533,915**	515,005	**260,471**	230,971
Total equity	**897,147**	877,620	**747,724**	716,168
Total capital	**1,431,062**	1,392,625	**1,008,195**	947,139
Net debt ratio	**37.3%**	37.0%	**25.8%**	24.4%

The net debt to equity ratio of the Group and the Company increased from 37.0% to 37.3% and from 24.4% to 25.8% respectively following the adoption of IFRS 16 *Leases*. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See Note 4 for further information.

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.

43. RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

43.5 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Assets				
Other financial assets at amortised cost				
Cash and cash equivalents	**72,699**	50,190	**15,043**	7,824
Trade receivables	**18,446**	14,721	**36**	65
Other receivables	**5,270**	9,053	**2,330**	3,381
Amounts due from Group and related companies	**16,854**	23,484	**302,699**	294,380
Assets placed under trust arrangement	**3,820**	3,767	**3,820**	3,767
Financial assets measured at fair value				
Equity securities				
Private equities:				
Investments in subsidiaries	**-**	-	**714,517**	708,479
Investments in associates and joint ventures	**-**	-	**12,790**	12,760
Financial assets at fair value through profit or loss	**8,401**	-	**-**	-
Listed equities:				
Financial assets at fair value through profit or loss	**4,641**	1,821	**-**	-
Funds and mutual funds				
Financial assets at fair value through profit or loss	**4,268**	6,664	**-**	-
Total assets	**134,399**	109,700	**1,051,235**	1,030,656

	The Group		The Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Liabilities				
Financial liabilities measured at fair value				
Contingent consideration	**-**	9,251	**-**	563
Other financial liabilities measured at amortised cost				
Bank borrowings	**370,033**	358,076	**12,590**	10,176
Bonds	**222,584**	202,507	**222,584**	202,507
Other financial liabilities	**-**	4,612	**39,879**	26,112
Lease liabilities	**13,997**	-	**461**	-
Trade payables	**19,054**	16,926	**256**	426
Other payables	**21,957**	20,791	**4,452**	2,891
Accruals	**22,198**	21,270	**6,525**	6,139
Total liabilities	**669,823**	633,433	**286,747**	248,814

43. RISK MANAGEMENT OBJECTIVES AND POLICIES · CONTINUED

43.6 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	**2019**	2018
	€'000	€'000
Level 1		
Investments in publicly-traded investments measured instruments at fair value through profit or loss	**8,909**	8,485
Level 3		
Investments in unlisted equities measured at fair value through profit or loss	**8,401**	-
Contingent consideration	**-**	(9,251)

The Company	**2019**	2018
	€'000	€'000
Level 3		
Investments in subsidiaries (a)	**714,517**	708,479
Investments in associates and joint ventures (b)	**12,790**	12,760
Contingent consideration	**-**	(563)

Measurement of fair value

The fair value of investments in financial assets at FVTPL was obtained by reference to published market prices as at the balance sheet date.

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

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 the carrying amounts of investments in subsidiaries are indicated in Note 18.

b. Investment in associates and joint ventures

   Investment in associates and joint ventures are accounted for as financial assets at fair value through other comprehensive income in the Company's balance sheet as outlined in Note 19. 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.

43. RISK MANAGEMENT OBJECTIVES AND POLICIES · CONTINUED

43.7 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 20, 22, 31, 32, 33 and 35. 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			
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
	Level 1		**Level 3**	
Financial assets				
Other financial assets at amortised cost	**-**	-	**1,926**	1,867
Trade and other receivables	**-**	-	**38,825**	45,625
Assets placed under trust arrangement	**-**	-	**3,820**	3,767
	-	-	**44,571**	51,259
Financial liabilities				
Bank borrowings	**-**	-	**370,033**	358,076
Bonds	**222,584**	202,507	**-**	-
Other financial liabilities	**-**	-	**-**	4,612
Lease liabilities	**-**	-	**13,997**	-
Trade and other payables	**-**	-	**59,910**	56,785
	222,584	202,507	**443,940**	419,473

43. RISK MANAGEMENT OBJECTIVES AND POLICIES · CONTINUED

43.7 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE · CONTINUED

	The Company			
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
	Level 1		**Level 3**	
Financial assets				
Loans receivable	**-**	-	**264,826**	245,906
Trade and other receivables	**-**	-	**40,330**	42,248
Assets placed under trust arrangement	**-**	-	**3,820**	3,767
	-	-	**308,976**	291,921
Financial liabilities				
Bank borrowings	**-**	-	**12,590**	10,176
Bonds	**222,584**	202,507	**-**	-
Other financial liabilities	**-**	-	**39,879**	26,112
Lease liabilities	**-**	-	**461**	-
Trade and other payables	**-**	-	**10,411**	8,893
	222,584	202,507	**63,341**	45,181

44. 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.

CORINTHIA

GROUP

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CORINTHIA

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