CORINTHIA FINANCE plc

A member of the Corinthia Group of Companies

COMPANY ANNOUNCEMENT

Information on audited financial statements of Corinthia Palace Hotel Company Limited for 2018 as Guarantor

The audited financial statements for the year ended 31st December 2018 of Corinthia Palace Hotel Company Limited as guarantor of the bond issues of Corinthia Finance p.l.c. are attached to this company announcement and are also available on http://www.corinthiagroup.com/investor-announcements-year/2018/.

Eugenio Privitelli
Company Secretary

Encl.

27 June 2019

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Corinthia Palace Hotel Company Limited

Report and Financial Statements
31 December 2018

Company Registration Number C 257

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Directors' report

The directors present their report together with the audited financial statements of Corinthia Palace Hotel Company Limited (the 'Company' or 'CPHCL') and the consolidated financial statements of the Group of which it is the parent, for the year ended 31 December 2018.

Principal Activities

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

Results

Total revenue for the year under review amounted to €302.5 million compared to €291.2 million registered in 2017 this being the result of continued performance improvements in the Group's operations.

During 2018 the Group registered a total comprehensive income of €35.7 million which is very much in line with the corresponding figure of €35.6 million in 2017. This is made up of a profit after tax of €19.7 million (2017: €2.7 million) and net other comprehensive income of €16.0 million (2017: €32.9 million).

€22.9 million (2017: €18.7 million) of the total comprehensive income is attributable to the shareholders of CPHCL whilst the balance is attributable to non-controlling interests.

Details of the results for the year under review are set out in the consolidated income statement and the statement of comprehensive income on pages 12 to 15 and in the related notes to the audited financial statements for the year ended 31st December 2018.

Review of Performance

The Earnings for 2018 before Interest, Tax, Depreciation and Amortisation **(EBITDA), excluding the results of jointly controlled companies shown under a different line item, amounted to €70.3 million more or less mirroring the €70.4 million achieved in 2017.** This represents a 23% conversion on Revenue and this consistent and positive result year-on-year becomes even more significant given that in 2017 there was a one-off positive effect of €4.0 million in other income. Indeed, the €70.3 million EBITDA for 2018 was effectively a record performance for the Corinthia Group.

The 2018 operational results registered by the Group's main lines of business were generally on the same levels as those for 2017 with relatively small fluctuations. On the other hand, the Group's operations in Libya registered a year-on-year improvement of €2.5 million, with €1.5 million generated by the additional income derived from the rental of the Commercial Centre, adjacent to the Corinthia Hotel Tripoli.

The depreciation and amortisation charge for 2018 increased to €39.4 million from €38.4 million in 2017. This was also influenced by the effect of higher depreciation charges resulting from property revaluation uplifts registered in 2017.

Revaluation uplifts on investment properties for 2018 amounted to €7.0 million and were mainly attributable to the commercial properties in Tripoli (€5.5 million) and St Petersburg.

Directors' report – continued

In 2018 the effect on the Income Statement of Revaluation uplifts and impairments of plant, property and equipment, was a marginal impairment of €0.3 million. In 2017 the main highlights were the reversal of €4.0 million impairment in the carrying value of the hotel in St Petersburg and the impairment of €2.5 million on assets held by MFCC.

Net Finance costs increased by €3.2 million (from €30.8 million in 2017 to €34.0 million in 2018). Net Finance costs consist of both interest and currency movements. In 2018 the two currencies to which the Group is mainly exposed, i.e. the Pound Sterling and the Russian Rouble, continued to weaken against the Euro with the Russian Rouble losing 15% over a one-year time span. In contrast there has been a significant recovery in 2019 to date. These adverse currency movements resulted in an exchange loss of €9.0 million (2017: €4.4 million). The Group's interest expense reduced by €1.6 million on a relatively even level of borrowings.

The net profit of €9.6 million resulting from the Group's share of results of associate companies (Loss of €1.4 million in 2017) was mainly due to the impressive turnaround registered by MIH plc through its principal subsidiary company Palm City Ltd, owner of the Palm City Residences in Libya. In 2018, this investment contributed €10.85 million to the Group's profitability, this being a 50% share of a €21.7 million profit compared to a 50% share of a profit of €0.2 million in 2017. Against this improvement a loss was registered by the Golden Sands Resort, Malta, amounting to €2.4 million (Restated Loss of €3.1 million in 2017) that resulted in a negative contribution to the Group of €1.2 million (50% share owned by IHI).

In 2018 there was a considerable increase in clients' leases at Palm City Residences. These clients were predominantly expatriates looking for a safe and well serviced environment. From an occupancy of 25% at the end of 2017 the tenancy increased gradually to reach 45% by the end of 2018. Revenue for the year amounted to €18.9 million (€8.4 million in 2017) while the Operating Profit increased from €3.6 million in 2017 to €11.6 million in 2018. The above positive developments triggered a partial reversal of the significant impairment in value that had been recognised in previous years on this property. This resulted in a fair value gain of €21.6 million less deferred tax of €7.6 million being recognised in 2018 on the Palm City Residencies.

The results of the Golden Sands Resort for 2018 (Loss of €2.4 million – Group's share €1.2 million) were negatively impacted by the introduction of IFRS 15 that deals with revenue recognition and principles for reporting useful information to users of financial statements. As a result of the application of the provisions of this IFRS, the Resort's results for 2017 had to be re-stated, i.e. from a profit of €4.2 million to a loss of €3.1 million with the Group reporting its 50% share of such results.

The Group's Consolidated Profit before Tax net of the above movements amounted to €9.8 million compared to a Loss of €2.9 million reported in 2017.

The unusual tax income of €9.9 million recorded in 2018 was largely due to a one-off positive effect of €12.3 million resulting from the recognition of a deferred tax asset arising from an increase in the tax base of one of the Group's intangible assets.

In consequence of the foregoing, in 2018 the Group registered a profit after tax of €19.7 million against a profit of €2.8 million in 2017.

The other comprehensive income for 2018 was also positive with an income of €15.9 million (2017: €32.9 million), mainly reflecting the effect of property revaluation uplifts totalling €39.5 million (2017: €32.0 million) recognised on various hotel properties, including the Corinthia Hotel Lisbon (€17.2 million), the Corinthia Hotel Prague (€7.4 million), the Corinthia Hotel London (€6.3 million), the Corinthia Hotel St Petersburg (€4.9 million) and the Corinthia Palace Hotel (€1.3 million) less the deferred tax incidence thereon of €7.9 million (2017: €2.5 million).

Directors' report – continued

On the other hand, the Group recorded negative currency translation effects of €16.5 million (2017: €21.6 million) mainly on its investments in Russia and the United Kingdom resulting from the weakening of the Russian Rouble and the Pound Sterling, respectively.

In 2017 the Group had recognised a one-off release of €24 million in deferred tax liability that had been provided by IHI until it eventually acquired control over the distribution of profits of NLI (UK), the owning company of the Corinthia Hotel London.

The various and substantial positive effects described above helped the Group achieve a total comprehensive income for 2018 of €35.7 million against €35.6 million registered in 2017.

The Group's total asset value remained at the €1.8 billion level with owners' equity increasing from €406.5 million in 2017 to €426.3 million at the end of 2018.

State of Affairs

Development and Investments

In 2018 the Group continued with its intensive development and expansion programme.

In Portugal the Corinthia Hotel Lisbon continued with the refurbishment of all its 518 bedrooms over a three-year period, with a budgeted cost of €13 million. 363 bedrooms have already been completed and, notwithstanding these ongoing works, the Hotel has yet again posted a year-on-year increase in profit.

The Corinthia Hotel Budapest is midway through a three-year program to refurbish the rooms' corridors and bathrooms, for a total cost of €4.3 million. 122 of the hotel's 440 bathrooms have already been completed.

Following the upgrading of the original Hotel, the focus in St Petersburg has turned to the maximization of income from the non-hotel properties. The Nevskij Plaza commercial centre and commercial areas on the front-facing Nevskij Boulevard are already let to third parties and generating stable rental income. The Group is now embarking on the development of two stand-alone properties at the back of the Hotel which will be funded from the existing operational cash flow.

In September 2018, the Corinthia Hotel London re-launched one of its two restaurants as the award-winning Kerridge's Bar & Grill. This new operation has been a major success supported by the international acclaim of Tom Kerridge, who is among the country's best-known chefs. The conversion of 22 of the Hotel's smaller bedrooms into 11 suites was completed in June 2018 to match demand for high-rated suites in the city. The revenue generated by these 11 suites have surpassed the commensurate revenue from the 22 rooms occupying the same areas in 2017.

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

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

Directors' report – continued

Similarly, in Malta an entire floor of the Sands Tower at the Golden Sands Resort was converted into 9 luxury suites for sale on a timeshare basis.

Over the past few years the Group has been working on the regeneration of its properties at St George's Bay, Malta, where it owns three hotels. To this end, plans have been finalized for the conversion of the current Corinthia Hotel into a six-star luxury hotel. Given the extent and scope of the location, the Group is negotiating terms with Government to permit the redevelopment of the site into a mixed-use destination. Negotiations on the form and value of a restated land title are ongoing and will require a number of regulatory and Parliamentary processes to be finalized.

In Libya the Corinthia Tripoli Hotel remains ready to resume operations as soon as more stability returns to the country. In the meantime, the adjoining Commercial Centre has now been practically fully rented to major international oil companies.

The redevelopment works on the former Grand Hotel du Boulevard to be operated as Corinthia Hotel Bucharest are progressing well with opening set for 2020.

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

Financing

During 2018, the Group successfully concluded the refinancing of its bank loan on the Lisbon property. The new €40 million loan, other than releasing cash for corporate funding also provided funds for the extensive refurbishment works being carried out in this property.

In October 2018 the Group, backed by the higher and stable rental income being generated from the adjacent commercial centre, recommenced the capital repayments of the bank loan on the Corinthia Tripoli Hotel after a three-year moratorium. Interest on the loan was always paid when it fell due.

The bank loan on the Panorama Hotel and Pankrac Garage in Prague which was maturing in 2020, was successfully re-financed in 2018 thereby releasing €6.0 million for the Group's corporate funding requirements.

Working Capital

At 31 December 2018, the Group's working capital, net of the payment of dividends to the owners and to non-controlling interests effected during the year, is a marginal deficit of €0.3 million compared to a positive €6.0 million at the end of 2017.

Apart from the effect of improving surplus cash flows being generated by its operations, the Group also supplements the cash available for its working capital requirements through various financing initiatives and the disposal of non-core assets. In the meantime, the Group's gearing ratio remains at the prudent level of 40.1% (2017: 40.8%).

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

Directors' report – continued

Outlook

The Corinthia Group's business as a developer, operator, and project manager of hotels and real estate has continued to evolve and diversify over the years with the result that there is no major dependence on any single operation. The outlook for 2019 in all the Group's hotels and businesses, remains positive and the profit forecast for 2019 shows a further improvement on the result achieved in 2018.

The Group remains very active in pursuing opportunities for the development and management of new luxury Corinthia hotels in cities such as Moscow, Rome, New York, Miami, Cannes and others where in some cases negotiations have registered significant progress. The Group is committed to ensure that such new properties are among the very best in the hotel industry, befitting the Corinthia brand which is being taken forward to become a global luxury hotel brand recognised by third party investors and developers worldwide.

Dividends

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

The continued positive results achieved by this subsidiary company has spurred it to accelerate the process of flowing cash dividends and other payments from its subsidiary companies that should enable it to continue paying cash dividends on a regular basis.

On 26 June 2019, a dividend of €4 million gross (circa. €3 million net of tax) was proposed by the directors in respect of the year ended 31 December 2018. These financial statements do not reflect this dividend payable and it will be accounted for as an appropriation of retained earnings in the shareholders' equity in the year ending 31 December 2019.

Going concern

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

Directors' report – continued

Principal risks and uncertainties

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

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

The Group is exposed to various risks arising through its use of financial instruments including market risk, credit risk and liquidity risk, which result from both its operating activities. The most significant financial risks as well as an explanation of the risk management policies employed by the Group are included in Note 37 of the financial statements.

Subsequent events

In January 2019, the Group finalised the acquisition of a 10% share in a prime property, earmarked for development on Moscow's main boulevard. Once completed, this project will include a 53-bedroom luxury Corinthia hotel, 4,700m2 of retail and public amenity areas for rent, as well as 16,000m2 in high-end branded residential apartments for sale.

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

Reserves

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

Directors

The following have served as directors of CPHCL during 2018 and until the date of these financial statements:

Mr Alfred Pisani – Chairman
Mr Abuagila Almahdi – Vice Chairman (resigned 31 July 2018, reappointed 1 August 2018)
Mr Joseph Pisani
Mr Victor Pisani
Mr Mustafa Ali Ahmed Ghnedi (resigned 14 June 2018)
Mr Khalid S T Benrjoba (appointed on the 5 March 2018)
Ms Karima Munir Elbeshir (appointed on the 14 June 2018)

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

Directors' report – continued

Statement of directors' responsibilities for the Financial Statements

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

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

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

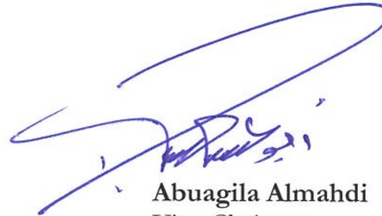
The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies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

Auditors

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

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

Alfred Pisani
Chairman



Abuagila Almahdi
Vice-Chairman

22 Europa Centre,
Floriana FRN 1400,
Malta

26 June 2019

Independent auditor's report

To the Shareholders of Corinthia Palace Hotel Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Corinthia Palace Hotel Company Limited's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2018, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Corinthia Palace Hotel Company Limited's financial statements, set out on pages 12 to 156 comprise:

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

Basis for opinion

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

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

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.

Independent auditor's report - continued

To the Shareholders of Corinthia Palace Hotel Company Limited

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 6 to the financial statements, which highlights the significant political and economic uncertainties prevailing in Libya and their impact on the Group's financial statements. The note also explains the significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya which is influenced by the timing of a recovery in the country that in turn has a bearing on the projected cash flows from the relative operations. In particular, the fair value gains registered during the current financial year in respect of a residential property in Libya are driven by assumptions, principally relating to the attainment of projected increased lease rates, that remain subjective and difficult to predict also due to the current market environment. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant manner. This matter is considered to be of fundamental importance to the users' understanding of the financial statements because of the potential impact that this uncertainty may have on the valuation of the Group's assets in Libya.

Other information

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

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

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

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

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

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

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

Independent auditor's report - continued

To the Shareholders of Corinthia Palace Hotel Company Limited

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 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.

Independent auditor's report - continued

To the Shareholders of Corinthia Palace Hotel Company Limited

- 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.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

26 June 2019

Income statements

	Notes	The Group 2018 €'000	The Group 2017 €'000 (restated)	The Company 2018 €'000	The Company 2017 €'000
Continuing operations					
Revenue	7.1	**302,456**	291,183	**-**	-
Net operating expenses	7.2	**(233,988)**	(223,039)	**(6,363)**	(5,708)
Depreciation and amortisation	7.2	**(39,436)**	(38,372)	**(39)**	(49)
Other income		**1,324**	4,413	**1,159**	4,079
Exchange differences		**475**	(2,137)	**224**	(1,580)
Credit losses on investments and loans receivable		**-**	-	**(2,716)**	-
Net changes in fair value of investment Property	14	**6,966**	213	**-**	-
Net reversals of impairment losses attributable to hotel properties	15	**-**	3,998	**-**	-
Impairment losses attributable to properties	15	**(345)**	(2,663)	**-**	-
Other losses arising on property, plant and equipment		**(1,426)**	(378)	**-**	-
Impairment losses attributable to intangible assets	13	**(2,339)**	(3,000)	**-**	-
Net changes in fair value of contingent consideration		**438**	657	**85**	-
Net changes in fair value of indemnification liabilities	29	**-**	-	**210**	210
Results from operating activities		**34,125**	30,875	**(7,440)**	(3,048)
Investment income		**126**	-	**11,269**	11,770
Finance income	9				
- interest and similar income		**799**	1,083	**314**	229
Finance costs	9				
- interest expense and similar charges		**(25,822)**	(27,439)	**(5,019)**	(5,061)
- net exchange differences on borrowings		**(8,974)**	(4,406)	**-**	-
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method	17.1	**9,579**	(1,416)	**-**	-
Gain on sale of investment in Subsidiary	16.1	**-**	182	**-**	-
Reclassification adjustment in respect of currency translation reserve upon acquisition of control over entity previously categorised as joint venture	35.1	**-**	(1,809)	**-**	-
Profit/(loss) before tax		**9,833**	(2,930)	**(876)**	3,890
Tax income/(expense)	10	**9,903**	5,691	**(225)**	98
Profit/(loss) from continuing operations		**19,736**	2,761	**(1,101)**	3,988

Income statements – continued

	Note	The Group		The Company	
		2018	2017	**2018**	2017
		€'000	€'000 (restated)	**€000**	€'000
Discontinued operations					
Profit/(loss) from discontinued operations	11	**-**	-	**1,535**	(98)
Profit for the year		**19,736**	2,761	**434**	3,890
Profit for the year attributable to:					
- Owners of CPHCL		**14,719**	(4,283)	**434**	3,890
- Non-controlling interests		**5,017**	7,044	**-**	-
		19,736	2,761	**434**	3,890

Statements of total comprehensive income

		The Group		The Company	
	Notes	**2018 €'000**	2017 €'000 (restated)	**2018 €'000**	2017 €'000
Profit for the year		**19,736**	2,761	**434**	3,890
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss					
Surplus arising on revaluation of hotel properties	15	**37,675**	25,252	-	-
Deferred tax on surplus arising on revaluation of hotel properties		**(7,868)**	(2,535)	-	-
Reversal of deferred tax liability attributable to asset previously held for sale		-	-	**2,397**	-
Share of other comprehensive income of joint ventures and associates accounted for using the equity method					
- Surplus arising on revaluation of hotel and other property	17	**1,794**	6,726	-	-
Reversal of deferred tax attributable to interest in joint venture upon acquisition of control over entity	24	-	23,997	-	-
Items that may be subsequently reclassified to profit or loss					
Available-for-sale financial assets:					
- Net changes in fair value	20	-	472	-	-
- Deferred tax arising on changes in fair value		-	(165)	-	-
Currency translation differences		**(16,512)**	(21,577)	-	-
Reversal of deferred tax attributable to interest in joint venture upon acquisition of control over entity	24	-	(339)	-	-
Share of other comprehensive income of joint ventures and associates accounted for using the equity method:					
- Cash flow hedges		**(33)**	60	-	-
- Currency translation differences		**860**	(860)	-	-
Other		-	23	-	-

Statements of total comprehensive income - continued

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000 (restated)	**€'000**	€'000
Items reclassified to profit or loss				
- Reclassification adjustment in respect of currency translation reserve upon acquisition of control over entity previously categorised as joint venture	**-**	1,809	**-**	-
Other comprehensive income for the year, net of tax	**15,916**	32,863	**2,397**	-
Total comprehensive income for the year	**35,652**	35,624	**2,831**	3,890
Total comprehensive income attributable to:				
- Owners of CPHCL	**22,888**	18,675	**2,831**	3,890
- Non-controlling interests	**12,764**	16,949	**-**	-
	35,652	35,624	**2,831**	3,890
Total comprehensive income attributable to equity shareholders arises from:				
Continuing operations	**22,888**	18,675	**(1,101)**	3,988
Discontinued operations	**-**	-	**3,932**	(98)
	22,888	18,675	**2,831**	3,890

Statements of financial position

	Notes	The Group			The Company	
		31 December 2018 €'000	31 December 2017 €'000 (restated)	1 January 2017 €'000 (restated)	**31 December 2018 €'000**	31 December 2017 €'000
Assets						
Non-current						
Intangible assets	13	**8,589**	13,496	18,090	**-**	-
Investment property	14	**228,667**	234,668	196,684	**820**	820
Property, plant and equipment	15	**1,252,693**	1,238,824	747,611	**148**	182
Investments in subsidiaries	16	**-**	-	-	**386,491**	392,260
Investments in associates and joint ventures	17	**128,950**	118,236	308,756	**28,604**	29,342
Deferred tax assets	30	**21,702**	12,985	2,689	**2,751**	-
Trade and other receivables	19	**1,406**	484	-	**1,030**	484
Assets placed under trust Arrangement	27.2	**5,229**	3,258	1,752	**-**	-
		1,647,236	1,621,951	1,275,582	**419,844**	423,088
Current						
Inventories	18	**14,122**	13,100	9,406	**-**	590
Trade and other receivables	19	**48,314**	43,131	42,726	**8,273**	15,140
Current tax assets		**3,956**	3,335	4,710	**1,095**	-
Financial assets at fair value through profit or loss	20	**8,485**	-		**-**	-
Available-for-sale investments	20	**-**	8,604	-	**-**	-
Assets placed under trust Arrangement	27.2	**122**	122	4,961	**-**	-
Cash and cash equivalents	21	**61,179**	62,694	40,039	**2,809**	61
		136,178	130,986	101,842	**12,177**	15,791
Assets classified as held for sale	22	**1,267**	1,689	-	**-**	25,971
Total current assets		**137,445**	132,675	101,842	**12,177**	41,762
Total assets		**1,784,681**	1,754,626	1,377,424	**432,021**	464,850

Statements of financial position – continued

	Notes	The Group 31 December 2018 €'000	The Group 31 December 2017 €'000 (restated)	The Group 1 January 2017 €'000 (restated)	The Company 31 December 2018 €'000	The Company 31 December 2017 €'000
Equity and liabilities						
Equity						
Capital and reserves attributable to owners of CPHCL:						
Issued capital	23	**20,000**	20,000	20,000	**20,000**	20,000
Other reserves	24	**164,767**	158,890	266,304	**21,617**	19,220
Retained earnings		**241,495**	227,657	101,568	**205,951**	215,317
		426,262	406,547	387,872	**247,568**	254,537
Non-controlling interests		**482,621**	475,387	265,282	**-**	-
Total equity		**908,883**	881,934	653,154	**247,568**	254,537

Statements of financial position – continued

	Notes	The Group			The Company	
		31 December 2018 €'000	31 December 2017 €'000 (restated)	1 January 2017 €'000 (restated)	**31 December 2018 €'000**	31 December 2017 €'000
Liabilities						
Non-current						
Bank borrowings	26	**354,886**	355,602	202,331	**4,032**	1,691
Bonds	27	**249,383**	249,656	249,396	**-**	-
Other borrowings	28	**20,617**	22,207	26,635	**134,195**	125,705
Deferred tax liabilities	30	**105,104**	103,229	123,651	**-**	33
Indemnification liabilities	29	**-**	-	-	**23,606**	23,816
Trade and other payables	31	**7,807**	15,058	3,146	**-**	-
Provisions		**219**	220	220	**-**	-
		738,016	745,972	605,379	**161,833**	151,245
Current						
Bank borrowings	26	**45,920**	42,701	37,033	**1,798**	10,970
Bonds	27	**-**	-	9,706	**-**	-
Other borrowings	28	**4,553**	4,552	228	**947**	22,687
Current tax liabilities		**1,592**	5,260	3,512	**-**	995
Trade and other payables	31	**85,717**	74,207	68,412	**19,875**	24,416
		137,782	126,720	118,891	**22,620**	59,068
Total liabilities		**875,798**	872,692	724,270	**184,453**	210,313
Total equity and liabilities		**1,784,681**	1,754,626	1,377,424	**432,021**	464,850

The financial statements on pages 24 to 156 were approved by the board of directors, authorised for issue on 26 June 2019 and signed on its behalf by:

Alfred Pisani
Chairman

Abuagila Almahdi
Vice-Chairman

Statement of changes in equity - the Group

	Notes	Issued capital €'000	Other reserves €'000	Retained earnings €'000	Total attributable to owners of CPHCL €'000	Non controlling interest €'000	Total equity €'000
Balance at 1 January 2017 as originally presented		20,000	266,304	108,624	394,928	270,429	665,357
Change in accounting policy	4	-	-	(4,091)	(4,091)	(2,984)	(7,075)
Correction of error	5	-	-	(2,965)	(2,965)	(2,163)	(5,128)
Restated equity at 1 January 2017		**20,000**	**266,304**	**101,568**	**387,872**	**265,282**	**653,154**
Comprehensive income:							
Profit for the year (restated)		-	-	(4,283)	(4,283)	7,044	2,761
Other comprehensive income (restated)		-	22,972	(14)	22,958	9,905	32,863
Total comprehensive income		**-**	**22,972**	**(4,297)**	**18,675**	**16,949**	**35,624**
Transactions with owners:							
Transfer to retained earnings	25	-	(2,404)	2,404	-	-	-
Dividends distributed	12	-	-	-	-	(210)	(210)
Non controlling interest upon acquisition of control over NLI (restated)	35.1	-	-	-	-	193,366	193,366
Reclassification of revaluation reserves attributable to NLI to retained earnings upon acquisition of control over entity		-	(127,982)	127,982	-	-	-
Total transactions with owners, recognised directly in equity		**-**	**(130,386)**	**130,386**	**-**	**193,156**	**193,156**
Balance at 31 December 2017 (restated)		**20,000**	**158,890**	**227,657**	**406,547**	**475,387**	**881,934**

Statements of changes in equity - the Group – continued

	Notes	Issued capital €'000	Other reserves €'000	Retained earnings €'000	Total attributable to owners of CPHCL €'000	Non controlling interest €'000	Total equity €'000
Balance at 31 December 2017 as originally presented		20,000	158,619	236,632	415,251	486,344	901,595
Change in accounting policy	4		160	(6,200)	(6,040)	(4,406)	(10,446)
Correction of error	5		111	(2,775)	(2,664)	(6,551)	(9,215)
Restated equity at 31 December 2017		**20,000**	**158,890**	**227,657**	**406,547**	**475,387**	**881,934**
Change in accounting policy	4	-	(88)	(85)	(173)	(127)	(300)
Restated equity at 1 January 2018		**20,000**	**158,802**	**227,572**	**406,374**	**475,260**	**881,634**
Comprehensive income:							
Profit for the year		-	-	14,719	14,719	5,017	19,736
Other comprehensive income		-	8,201	(32)	8,169	7,747	15,916
Total comprehensive income		**-**	**8,201**	**14,687**	**22,888**	**12,764**	**35,652**
Transactions with owners:							
Transfer to retained earnings	25		(2,236)	2,236	-	-	-
Dividends distributed	12	-	-	(3,000)	(3,000)	(5,403)	(8,403)
Total transactions with owners, recognised directly in equity		**-**	**(2,236)**	**(764)**	**(3,000)**	**(5,403)**	**(8,403)**
Balance at 31 December 2018		**20,000**	**164,767**	**241,495**	**426,262**	**482,621**	**908,883**

Statement of changes in equity - the Company

	Notes	Issued capital €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2017		20,000	19,158	211,427	250,585
Comprehensive income:					
Profit for the year		-	-	3,890	3,890
Other movements in equity	24	-	62	-	62
Balance at 31 December 2017 as originally presented		20,000	19,220	215,317	254,537
Change in accounting policy	4	-	-	(6,800)	(6,800)
Restated equity at 1 January 2018		20,000	19,220	208,517	247,737
Comprehensive income:					
Profit for the year		-	-	434	434
Other comprehensive income	24	-	2,397	-	2,397
Total comprehensive income		-	2,397	434	2,831
Transactions with owners:					
Dividends distributed		-	-	(3,000)	(3,000)
Balance at 31 December 2018		**20,000**	**21,617**	**205,951**	**247,568**

Statements of cash flows

	Notes	The Group 2018 €'000	The Group 2017 €'000 (restated)	The Company 2018 €'000	The Company 2017 €'000
Profit/(loss) before tax from					
- Continuing operations		**9,833**	(2,930)	**(876)**	3,890
- Discontinued operations	32	**-**	-	**1,535**	(98)
Profit/(loss) before tax including discontinued operations		**9,833**	(2,930)	**659**	3,792
Adjustments	32	**62,516**	73,008	**(4,015)**	(6,883)
Working capital changes:					
Inventories		**(1,022)**	(397)	**590**	(210)
Trade and other receivables		**(7,740)**	5,578	**6,321**	(2,062)
Trade and other payables		**4,996**	(9,221)	**(10,042)**	(1,662)
Cash generated from/(used in) operating activities		**68,583**	66,038	**(6,487)**	(7,025)
Interest paid		**(25,758)**	(28,208)	**(223)**	(564)
Tax paid		**(7,841)**	(1,434)	**(302)**	(595)
Tax refund received		**37**	8	**37**	8
Net cash generated from/(used in) operating activities		**35,021**	36,404	**(6,975)**	(8,176)
Investing activities					
Payments to acquire investment Property	14	**(481)**	(544)	**-**	-
Payments to acquire intangible assets	13	**(350)**	(497)		
Payments to acquire property, plant and equipment	15	**(32,397)**	(21,547)	**(5)**	(1,461)
Proceeds from disposal of property, plant and equipment, intangible assets and investment property		**2,320**	929	**25,971**	-
Acquisition of subsidiaries, net of cash acquired	35	**-**	9,225	**-**	(7)
Disposal of subsidiaries, net of cash disposed	35	**-**	1,952	**-**	-

Statements of cash flows – continued

	Note	The Group 2018 €'000	The Group 2017 €'000 (restated)	The Company 2018 €'000	The Company 2017 €'000
Investing activities - continued					
Acquisition of financial assets		**(7)**	(8,131)	**-**	-
Proceeds from trustee following repayment of bonds		**-**	4,825	**-**	-
Transfer of cash to trustee placed under trust arrangement		**(1,971)**	(1,492)	**-**	-
Loan advances to subsidiary companies		**-**	-	**(3,419)**	(3,561)
Loan repayments from subsidiary Companies		**-**	-	**-**	90
Loans repayments from joint ventures		**-**	225	**-**	-
Loan repayments from associate companies		**749**	2,919	**499**	-
Loan to associate companies			-	**-**	-
Dividends received		**504**	979	**6,617**	1,655
Interest received		**799**	1,083	**314**	228
Net cash generated from / (used in) investing activities		**(30,834)**	(10,074)	**29,977**	(3,056)
Financing activities					
Repayments of bank borrowings		**(60,524)**	(154,229)	**(2,588)**	(1,761)
Proceeds from bank borrowings		**76,870**	159,420	**5,000**	1,442
Bank loan arrangement fees		**(471)**	-	**-**	-
Repayment of bonds		**-**	(9,706)	**-**	-
Repayment of loans from related Parties		**(1,589)**	(105)	**(20,714)**	-
Proceeds of loans from related parties		**-**	-	**7,291**	7,866
Issue costs		**-**	(1,957)	**-**	-
Dividend payments		**(8,404)**	(210)	**-**	-
Net cash (used in)/generated from financing activities		**5,882**	(6,787)	**(11,011)**	7,547
Net change in cash and cash equivalents		**10,069**	19,543	**11,991**	(3,685)
Cash and cash equivalents at beginning of year		**44,821**	25,278	**(9,225)**	(5,540)
Cash and cash equivalents at end of year	21	**54,890**	44,821	**2,766**	(9,225)

Notes to the financial statements

1. General information

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

2. Nature of operations

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

3. Summary of significant accounting policies

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

3.1 Basis of preparation

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

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

The preparation of consolidated financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies (see Note 4 – Critical accounting estimates, judgements and errors).

3.2 Working capital position

The Group's working capital position as at the end of December 2018 reflects a deficiency of €0.3 million (2017: surplus of €6.0 million). The reduction in working capital was partly affected by the utilization of €3.5 million from the €20.0 million cash raised in 2017 for the development of the Grand Hotel Astoria in Brussels. Moreover, during 2018 the Company distributed a dividend of €3.0 million to its shareholders while its main subsidiary company IHI plc distributed a dividend of €5.2 million to the Group's non-controlling interests. Apart from the surplus cash flows generated from the Group's operations, the Group maintains a policy of supplementing cash available for its working capital requirements through various financing initiatives and the disposal of non-core assets.

3. Summary of significant accounting policies - continued

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

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

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

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

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

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

IFRS 16, 'Leases', was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The standard mainly impacts lessee accounting as it requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The Group companies have entered into long-term office leases and have a number of temporary emphyteutical grants on land of hotel properties; these arrangements were classified as operating leases under IAS 17. The Group's management has carried out an assessment of the impact of the standard and the Directors concluded that these arrangements fall within the remits of this standard. As at reporting date, the Group's and the Company's non-cancellable operating leases payments as at 31 December 2018 amount to €30.4 million and €0.2 million respectively.

The Group and the Company will apply the simplified transition approach on initial application of the standard. As a result, the Group and the Company will not restate comparative amounts for the year prior to first adoption. Under this approach the lease liability is measured at the present value of the remaining lease payments as at 1 January 2019, which management has estimated to be in the region of €13.3 million for the Group and €0.2 million for the Company.

3.4 Standards, interpretations and amendments to published standards that are not yet effective – continued

The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure by amortization of the right-of-use asset, and an interest cost on the lease liability. On the basis of the lease arrangement in place at 1 January 2019, management estimates that rental costs of the Group €2.7 million for the year ending 31st December 2019 will be replaced by a notional interest charge that is expected to be in the region of €0.6 million, and an annual amortization charge in the region of €2.1 million. Management also estimates that the Company's rental costs of €0.1 million for the same period will be replaced by a notional interest charge of approximately €5,000 and an annual amortization charge of €87,000.

EBITDA used to measure segment results for the year ending 31 December 2019 is expected to improve by €2.7m for the Group and €0.1 million for the Company, as operating lease payments were included in EBITDA, while the amortization of the right-of-use assets and interest on the lease liability are excluded from this. Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the Group's statement of cash flows. The Group's policy is to present interest payments as operating cash flows. Accordingly, the parts of the lease payments that represent cash payments for the principal portion of the lease liabilities will be presented as cash flows resulting from financing activities; the part representing the interest portion of the lease liabilities will be presented within cash flows from operating activities.

There will be no impact of IFRS 16 on the Group's activities as lessor.

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 35).

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.

3. Summary of significant accounting policies - continued

3.5 Principles of consolidation and equity accounting – continued

(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 statement of financial position.

(iv) Equity method

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

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

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 3.12.

(iv) Changes in ownership interests

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

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

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

3.7 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

3. Summary of significant accounting policies - continued

3.7 Business combinations – continued

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

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquired 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 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss 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.

3. Summary of significant accounting policies - continued

3.8 Foreign currency translation – continued

(iii) Group companies – continued

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.

3.9 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	33 - 100
- Plant and equipment	3 - 20
- Motor vehicles	5 - 6

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

3. Summary of significant accounting policies - continued

3.9 Property, plant and equipment – continued

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

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

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

3.10 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. **Summary of significant accounting policies** – continued

3.11 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 13. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested 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.

(b) Brands

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

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

(c) Other intangible assets

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

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

3. Summary of significant accounting policies - continued

3.11 Intangible assets - continued

(c) Other intangible assets - continued

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

3.12 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.

3.13 Financial assets

3.13.1 Classification

From 1 January 2018, the Group and the Company classify their financial assets in the following measurement categories:

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

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

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

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

3. Summary of significant accounting policies - continued

3.13 Financial assets - continued

3.13.2 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.

3.13.3 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 fail to meet the 'solely payments of principal and interest' test.

3. **Summary of significant accounting policies** - continued

3.13 Financial assets - continued

3.13.3 Measurement - continued

Equity instruments

The Group 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) / investment income (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.

3.13.4 Impairment

From 1 January 2018, the Group and the Company assess on a forward-looking basis the expected credit losses associated with their 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 and the Company apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 37.1 for further details.

3.13.5 Accounting policies applied until 31 December 2017

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

Classification

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

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

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

3. Summary of significant accounting policies - continued

3.13.5 Accounting policies applied until 31 December 2017 - continued

Loans and receivables

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

Available-for-sale financial assets

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

Measurement

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

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

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

- for other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income.

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

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

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

3. Summary of significant accounting policies - continued

3.13 Financial assets - continued

3.13.5 Accounting policies applied until 31 December 2017 – continued

Impairment

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

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

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

Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in Note 37.

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

3. **Summary of significant accounting policies** - continued

3.13 Financial assets - continued

3.13.5 Accounting policies applied until 31 December 2017 – continued

Impairment - continued

Assets classified as available-for-sale

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

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

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

3.14 Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are amounts due from customers for good sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 37.

3.15 Inventories

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

3.16 Cash and cash equivalents

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

3. Summary of significant accounting policies - continued

3.17 Financial liabilities

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

3.18 Trade and other payables

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

3.19 Borrowings

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

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

3.20 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

3.21 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.

3.22 Provisions

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

3. Summary of significant accounting policies – continued

3.22 Provisions – continued

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

3.23 Contingent liabilities

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

3.24 Revenue recognition

(a) Revenue from hotel operations

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

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

(b) Catering services

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

(c) Project management services

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

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

3. Summary of significant accounting policies – continued

3.24 Revenue recognition – continued

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

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

3.25 Leases

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

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

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

3.26 Borrowing costs

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

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

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

3. Summary of significant accounting policies - continued

3.27 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 statement of financial position.

(b) Bonus plans

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

(c) Contributions to defined contribution pension plans

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

3.28 Contributed equity

Ordinary shares are classified as equity.

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

3.29 Dividends

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

4. Changes in accounting policies

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

4. Changes in accounting policies – continued

4.1 Impact on the financial statements

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

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

The Group

Balance sheet (extract)	31 Dec 2017 As originally presented[1] €'000	IFRS 15 €'000	31 Dec 2017 As restated €'000	IFRS 9 €'000	1 Jan 2018 As restated €'000
Assets					
Non-current assets					
Investments in associates and joint ventures	128,682	(10,446)	118,236	-	118,236
Total non-current assets	1,632,397	(10,446)	1,621,951	-	1,621,951
Current assets					
Trade and other receivables	43,131	-	43,131	(462)	42,669
Financial assets at fair value through profit or loss	-	-	-	8,604	8,604
Available-for-sale investments	8,604	-	8,604	(8,604)	-
Total current assets	132,675	-	132,675	(462)	132,213
Total assets	1,765,072	(10,446)	1,754,626	(462)	1,754,164

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

4. Changes in accounting policies – continued

4.1 Impact on the financial statements – continued

The Group

Balance sheet (extract)	31 Dec 2017 As originally presented[2] €'000	IFRS 15 €'000	31 Dec 2017 As restated €'000	IFRS 9 €'000	1 Jan 2018 As restated €'000
Equity					
Other components of equity	158,730	160	158,890	(88)	158,802
Retained earnings	233,857	(6,200)	227,657	(85)	227,572
Non-controlling interests	479,793	(4,406)	475,387	(127)	475,260
Total equity	892,380	(10,446)	881,934	(300)	881,634
Liabilities					
Non-current liabilities					
Deferred tax liabilities	103,229	-	103,229	(162)	103,067
Total non-current liabilities	745,972	-	745,972	(162)	745,810
Total liabilities	872,692	-	872,692	(162)	872,530

The Group holds investments in joint ventures involved in the timeshare business, whose revenue recognition policies were significantly revised as a result of the initial application of IFRS 15. These joint ventures receive an upfront timeshare signing fee as well as a yearly membership fee. Prior to the adoption of IFRS 15, upfront fees were recognised as revenue at inception of the timeshare agreements on the basis that these do not include an identifiable amount for subsequent services and do not relate to the provision of future services.

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

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

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

4. Changes in accounting policies – continued

4.1 Impact on the financial statements – continued

The Group

Balance sheet (extract)	**31 Dec 2016 As originally Presented[3] €'000**	**IFRS 15 €'000**	**1 Jan 2017 As restated €'000**
Assets			
Non-current assets			
Investments in associates and joint ventures	**315,831**	(7,075)	308,756
Total non-current assets	**1,282,657**	(7,075)	**1,275,582**
Total assets	**1,384,499**	(7,075)	**1,377,424**
Equity			
Retained earnings	**105,659**	(4,091)	**101,568**
Non-controlling interests	**268,266**	(2,984)	**265,282**
Total equity	**660,229**	(7,075)	**653,154**

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

4. Changes in accounting policies – continued

4.1 Impact on the financial statements – continued

The Group

Statement of profit or loss and other comprehensive income (extract) 2017	**As originally presented[4] €'000**	**IFRS 15 €'000**	**As restated €'000**
Share of net profit/(loss) of associates and joint venture accounted for using the equity method	2,232	(3,648)	(1,416)
Profit/(loss) before tax	718	(3,648)	(2,930)
Profit for the year	6,409	(3,648)	2,761
Profit for the year attributable to:			
- Owners of CPHCL	(2,174)	(2,109)	(4,283)
- Non-controlling interests	8,583	(1,539)	7,044
	6,409	(3,648)	2,761
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive income of joint ventures and associates accounted for using the equity method:			
Currency translation differences	(1,137)	277	(860)
Other comprehensive income for the year, net of tax	32,586	277	32,863
Total comprehensive income for the year	38,995	(3,371)	35,624
Total comprehensive income for the year attributable to:			
- Owners of IHI	20,624	(1,949)	18,675
- Non-controlling interests	18,371	(1,422)	16,949
	38,995	(3,371)	35,624

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

4. Changes in accounting policies – continued

4.1 Impact on the financial statements – continued

The Company

Balance sheet (extract)	31 Dec 2017 As originally presented €'000	IFRS 9 €'000	1 Jan 2018 As restated €'000
Assets			
Non-current assets			
Investments in subsidiaries	392,260	(6,800)	385,460
Total non-current assets	423,088	(6,800)	416,288
Total assets	464,850	(6,800)	458,050
Equity			
Retained earnings	215,317	(6,800)	208,517
Total equity	254,537	(6,800)	247,737

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

4.2 IFRS 9 Financial instruments

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

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the Group's and Company's financial statements for the financial assets held by the Group and Company respectively. The new accounting policies pertaining to financial assets are set out in Notes 3.13.1 to 3.13.4. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is disclosed in the table below.

4. Changes in accounting policies – continued

4.2 IFRS 9 Financial instruments – continued

The Group

	Notes	€'000
Closing retained earnings 31 December 2017 – IAS 39/IAS 18		**233,857**
Reclassification of investments from available-for-sale to FVTPL	(i)	88
Increase in provision for trade receivables and contract assets	(ii)	(267)
Reduction in deferred tax liabilities	(iii)	94
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		(85)
Opening retained earnings 1 January 2018 – IFRS 9 (before restatement for IFRS 15)		**233,772**

The total impact on the Company's retained earnings as at 1 January 2018 is disclosed in the table below.

The Company

	Notes	€'000
Closing retained earnings 31 December 2017 – IAS 39/IAS 18		**215,317**
Increase in provision for investments in subsidiaries	(ii)	(6,800)
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		(6,800)
Opening retained earnings 1 January 2018 – IFRS 9 (before restatement for IFRS 15)		**208,517**

(i) Classification and measurement

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

4. Changes in accounting policies – continued

4.2 IFRS 9 Financial instruments – continued

(i) Classification and measurement – continued

The Group	**Note**	**FVTPL** €'000	**FVOCI (2017: Available-for-sale)** €'000
Closing balance 31 December 2017 – IAS 39		-	**8,604**
Reclassification of investments from available-for-sale to FVTPL	(a)	8,604	(8,604)
Opening balance at 1 January 2018 - IFRS 9		**8,604**	-

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

The Group	**Note**	**Effect on AFS reserves** €'000	**Effect on FVOCI reserve** €'000	**Effect on retained earnings[5]** €'000
Opening balance – IAS 39		**88**	-	-
Reclassification of investments from available-for-sale to FVTPL	(a)	(88)	-	88
Opening balance – IFRS 9		-	-	**88**

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

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

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

Related fair value gains of €0.1m were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

[5] Before adjustment for impairment.

4. Changes in accounting policies – continued

4.2 IFRS 9 Financial instruments – continued

(ii) Impairment of financial assets

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

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

Trade receivables and contract assets

The Group applies the IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 1 January 2018 by €0.5m for trade receivables and contract assets. Note 37.1 provides for details about the calculation of the allowance.

Other financial assets at amortised cost and cash and cash equivalents

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

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

The Company monitors intra-group credit exposure at individual entity level on a regular basis and ensures 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 counterparty's past history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

On transition to IFRS 9, based on the Director's assessments of these factors, the equity position of the respective counterparty, and where the probability of default was high, the recovery strategies contemplated by management together with the support of shareholders in place, resulted in an increase in provision of €6.8 million adjusted to retained earnings.

(iii) Deferred tax

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

4.3 IFRS 15 Revenue from Contracts with Customers

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

4. Changes in accounting policies – continued

4.3 IFRS 15 Revenue from Contracts with Customers – continued

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

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

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

The Group

Balance sheet (extract)	**31 Dec 2017 as originally presented[6] €'000**	**Remeasurements €'000**	**1 Jan 2018 As restated €'000**
Investments accounted for using the equity method	**128,682**	**(10,446)**	**118,236**

The Group

Balance sheet (extract)	**31 Dec 2016 as originally presented[6] €'000**	**Remeasurements €'000**	**1 Jan 2017 As restated €'000**
Investments accounted for using the equity method	**315,831**	**(7,075)**	**308,756**

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

The Group

	2018 €'000	**2017 €'000**
Opening retained earnings – after IFRS 9 restatement	233,772	105,659
Adjustment to carrying amount of investment in joint ventures	(6,200)	(4,091)
Opening retained earnings 1 January – IFRS 9 and 15	**227,572**	**101,568**

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

4. **Changes in accounting policies** – continued

4.3 IFRS 15 Revenue from Contracts with Customers – continued

The impact on the Group's non-controlling interests as at 1 January 2018 and 1 January 2017 is as follows:

The Group

	2018	2017
	€'000	€'000
Non-controlling interests – after IFRS 9 restatement	479,666	268,266
Adjustment to investment in joint ventures	(4,406)	(2,984)
Opening non-controlling interests 1 January – IFRS 9 and 15	**475,260**	**265,282**

An adjustment of €160,000 was made to other components of equity relating to translation differences.

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

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

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

5.2 Restatement of comparatives

5.2.1 Correction of error in accounting for investment in joint venture

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

5 Critical accounting estimates, judgements and errors – continued

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

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

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

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

The Group	**31 December 2017 (as reported)**	**Adjust-ments**	**31 December 2017 (as restated)**	**31 December 2016 (as originally reported)**	**Adjust-ments**	**1 January 2017 (as restated)**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance sheet (extract)						
Investments accounted for using the equity method	**128,682**	-	**128,682**	**320,959**	(5,128)	**315,831**
Trade and other payables (non-current)	**(5,843)**	(9,215)	**(15,058)**	**-**	-	**-**
Net assets	**901,595**	(9,215)	**892,380**	**665,357**	(5,128)	**660,229**
Other reserves	**158,619**	111	**158,730**	**266,304**	-	**266,304**
Retained earnings	**236,632**	(2,775)	**233,857**	**108,624**	(2,965)	**105,659**
Non-controlling interest	**486,344**	(6,551)	**479,793**	**270,429**	(2,163)	**268,266**
Total equity	**901,595**	(9,215)	**892,380**	**665,357**	(5,128)	**660,229**

5 Critical accounting estimates, judgements and errors – continued

5.2 Restatement of comparatives – continued

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

The Group

	2017 (as originally reported)	Adjustments	2017 (as restated)
	€'000	€'000	€'000
Statement of comprehensive income (extract)			
Net changes in fair value of contingent consideration	-	657	657
Results from operating activities	30,218	657	30,875
Profit for the year	2,104	657	2,761
Profit is attributable to:			
- Owners of CPHCL	(4,473)	190	(4,283)
- Non-controlling interests	6,577	467	7,044
	2,104	657	2,761
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	(21,962)	385	(21,577)
Other comprehensive income for the year, net of tax	32,478	385	32,863
Total comprehensive income for the period	34,582	1,042	35,624
Total comprehensive income is attributable to:			
- Owners of CPHCL	18,374	301	18,675
- Non-controlling interests	16,208	741	16,949
	34,582	1,042	35,624

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

5 Critical accounting estimates, judgements and errors – continued

5.2 Restatement of comparatives – continued

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

The Group

	NLI Group €'000 (Restated)
Purchase consideration	
Fair value of equity interest in NLI Group held before the business combination	193,367
Fair value of receivables due from NLI	2,930
	196,297
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	9,222
Property, plant and equipment	512,091
Investment property	46,874
Inventories	3,327
Trade and other receivables	6,850
Trade and other payables*	(29,721)
Current income tax liabilities	(59)
Other financial liabilities	(2,930)
Borrowings	(155,604)
Deferred tax liabilities	(387)
Total identifiable net assets	**389,663**
Non-controlling interest	**(193,366)**
Total	**196,297**

* Restated from €19.5 million to €29.7 million

6. The Group's operations in Libya

The Group's investments in Libya principally comprise:

- The Corinthia Hotel Tripoli, a fully owned five-star hotel in Tripoli with a carrying amount of €76.4 million (2017 - €78.9 million);
- An adjoining Commercial Centre to the above-mentioned hotel, with a carrying amount of €73.7 million (2017 – €68.2 million);
- A site surrounding the Hotel, with a carrying amount of €29.5 million (2017 - €29.5 million);
- The Palm City Residences, a large-scale complex in Janzour, Libya, owned by an associate company, Mediterranean Investments Holding p.l.c. (MIH), in which the Group holds a 50% share. The book value of this property is €272.1 million (2017 - €250.5 million) and the Group's share of this asset and of another site owned by MIH in Libya is €140.4 million (2017 - €129.6 million); and
- The development of the Medina Tower Project through IHI p.l.c. and MIH p.l.c. (each company owning 25.0%), of which each of these companies has a total carrying amount of €12.8 million (2017 - €12.6 million).

The first three properties and their operations are managed through Corinthia Towers Tripoli Limited, a company registered in Malta with a branch in Libya, owned by IHI p.l.c.

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. In 2018, this political instability and economic uncertainty continued to impact the Group's financial results in Libya.

Having stated the above, it should be noted that the turnover registered during 2018 by Corinthia Towers Tripoli Limited amounted to €10.7m (2017: €7.5m) representing 4.2% (2017: 3.1%) of the Group's Revenue, with a profit before tax (including a fair value uplift of €5.5m on an investment property) of €6.5m (2017: loss before tax of €1.2m). Current year revenue includes €6.9m (2017: €5.5m) generated from rental contracts attributable to the Commercial Centre that remained in full operation, generating a steady income from the long-term leases of commercial offices. The existence of long-term leases has mitigated the impact of the political instability and state of economic uncertainty on the Commercial Centre. During the year under review 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 2018 and 2017, mainly due to the relatively fixed nature of most of its expenses, the net contribution from the Commercial Centre was positive. Management's objective for the hotel is to minimise operational losses and to ensure that payroll and other operating costs are managed in the context of the reduced operating income levels. At the same time, however, the company continues to invest significantly in maintenance and security to ensure that the hotel is kept in a pristine condition to allow it to resume full operations as soon as the situation improves.

The economic conditions in Libya gave rise to significant uncertainty on the recoverability of certain trade and other receivables. As at 31 December 2018, in addition to a current tax asset of €2.3m (2017: €2.6m), Corinthia Towers Tripoli Limited also had long outstanding amounts due from Government related entities amounting to €3.5m (2017: €3.4m) and other amounts receivable from embassies and corporate clients. In view of this, the Hotel increased its provisions for credit loss to reflect the level of expected recoveries in this respect.

6. The Group's operations in Libya – continued

At the Palm City Residences, operated through an associate company in which the Group owns a 50% share, a considerable increase in short-term leases was registered throughout 2018 as well in proposals from a number of clients including some with a long-term outlook. The signing up of new tenants contributed towards a gradual increase in occupancy rate from 24.7% as at 31 December 2017 to 45.1% as at 31 December 2018. Negotiations held with new clients and the return of more clients at the start of 2019, resulted in additional contracts being signed pushing up the occupancy level to 52% in January 2019, thus confirming the active interest for new leases.

During 2018, Palm City generated €18.9m in revenues, with a monthly average composite rental rate of €8.5k per residential unit, representing an increase in revenue of €10.5m over 2017. On the other hand, operating costs and administrative expenses remained at relatively contained levels such that increased revenues contributed directly to an operating profit (prior to property fair value gains) of €11.6m registered in 2018 compared to €3.6m. MIH (company which owns Palm City) registered a consolidated profit after tax of €21.7m (2017: €226,448) reflecting the recognition of fair value gains on investment property (Palm City Residences) of €21.6m, less deferred tax of €7.6m on the resultant fair value gains.

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

	Carrying amount 31 December 2018 €'000	**Carrying amount 31 December 2017** €'000
Corinthia Towers Tripoli Limited		
Property, plant and equipment	**78.9**	78.9
Investment property	**97.7**	97.7
Inventories	**1.7**	1.7
Trade receivables	**3.5**	3.5
Current tax receivable	**2.6**	2.6
Mediterranean Investments Holding p.l.c.		
Share of total assets	**154.4**	140.2
Medina Tower J.S.C.		
Investment in associate accounted for using the equity method of accounting	**12.8**	12.6

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

In assessing the value of the Hotel, the directors believe that the outlook has not changed significantly over the past twelve months and therefore they have retained the same expectations of a gradual recovery. However, the directors also recognise that there is interest from a number of sources for short and long-term accommodation and have recently started accepting hotel bookings again with room revenue increasing from €0.5m in 2017 to €1.6m in 2018. Catering income from the Hotel also continued to increase from €2.3m in 2017 to €3.8m during the year under review. As a result, the valuation assessment supporting the Hotel's carrying amount as at 31 December 2018 is substantially in line with the assessment carried out as at 31 December 2017, save for a reduction of €2.6m representing the depreciation charge for the year under review. In line with this assessment, no further impairment charges were deemed necessary during the current financial year over and above the impairment charges of €40.5m recognised in 2014 and the relative depreciation charges totalling €11.8m taken during the financial years ended 31 December 2015 to 2018.

In the case of the Commercial Centre, the assessment carried out by third-party valuers gave rise to an increase in fair value of €5.5m as at 31 December 2018. This increase reflects the fact that the Commercial Centre was almost fully leased out to blue chip companies by the end of the current financial year.

6. The Group's operations in Libya – continued

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

The fair value of Palm City Residences as at 31 December 2018, carried out by the directors of Palm City Ltd. was arrived at by discounting the relative projected future cash flows for the remaining term of 53 years of the Build-Operate-Transfer agreement signed between the Company and Palm City Ltd. operated through an associate of the Group. These projected cash flows reflect enhanced net cash inflows compared to the prior year's numbers, mainly driven by an increase in revenue attributable to assumed increase in the 'Rate per occupied residence per month', which on average has been increased by c. 8% in the period FY19 - FY22 compared to prior period projections. This assumption is also based on the actual revenue levels experienced during the latter part of 2018 and the expected evolution of rates taking cognisance of the late 2018 experience. This assumption remains subjective and difficult to predict also due to the current market environment. A change in this assumption would have a significant impact on the extent of the fair value gain recognised. The fair value of Palm City Residences was determined at the level of €272.0m as at 31 December 2018, reflecting the recognition of fair value gains of €21.6m, 50% of which are recognised in the consolidated financial statements through the application of the equity method of accounting.

The composite pre-tax discount rate utilised during the current year's assessment is 12.6% (2017: 12.0%), taking into account a projection risk premium of 2.9% (2017: 2.0%) and a pre-tax country risk premium of 10.1% (2017: 11.4%) equivalent to 7.7% post-tax (2017: 8.7%). Since these different parameters represent judgemental views of the circumstances and conditions attributable to the Palm City operations, they remain highly subjective.

In view of the prevailing circumstances in Libya, The Medina Tower Project owned by an associate of the Group and accounted for utilising the equity method of accounting, has slowed down considerably. The key assets within this company as at 31 December 2018 comprise the project site carried at €42.7m (2017: €40.2m), and cash balances amounting to €8.4m (2017: €10.7m).

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

The significant economic and political uncertainty prevailing in Libya renders fair valuation of property assets situated in the country on the basis of projected cash flows or on market sales prices, extremely difficult and judgemental. 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 and on the fair value of the properties could therefore vary in a significant manner.

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

7. Revenue and expenses

7.1 Revenue

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

	The Group	
	2018	2017
	€'000	€'000
Hotel operations	**237,017**	231,682
Rental income	**13,393**	14,130
Catering	**34,631**	30,022
Project management	**5,956**	3,940
Manufacturing	**4,869**	5,871
Others	**6,590**	5,538
	302,456	291,183

7.2 Expenses by nature

	The Group		The Company (Continuing operations)	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Directors' remuneration	**1,596**	1,473	**655**	581
Directors' fees	**88**	78	**-**	-
Management fees	**-**	-	**1,100**	1,271
Food, beverage and other direct costs	**27,688**	32,888	**-**	-
Professional fees (excluding audit fees)	**4,511**	4,472	**582**	641
Energy costs	**11,094**	10,693	**6**	5
Depreciation of property, plant and equipment	**37,611**	36,281	**39**	49
Amortisation of intangible assets	**1,825**	2,091	**-**	-
Personnel expenses (Note 8)	**103,254**	90,159	**1,848**	2,820
Operating lease costs	**5,079**	5,052	**104**	122

7.3 Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2018 and 31 December 2017 are shown in the table below.

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**776**	703	**66**	77
Tax compliance and advisory services	**164**	89	**-**	7
Other non-audit services	**59**	44	**9**	5
	999	836	**75**	89

8. Personnel expenses

	The Group		The Company (continuing operations)	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Wages and salaries	**86,269**	74,327	**1,167**	2,264
Social security contributions	**8,716**	7,638	**41**	38
Other staff costs	**8,269**	8,194	**640**	518
	103,254	90,159	**1,848**	2,820

The average number of employees is as follows:

	The Group		The Company (continuing operations)	
	2018	2017	**2018**	2017
	No.	No.	**No.**	No.
Management and administrative	**879**	801	**23**	23
Operating	**2,608**	2,782	**10**	11
	3,487	3,583	**33**	34

9. Finance income and finance costs

	The Group		The Company (continuing operations)	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Finance income:				
Interest income charged to associates	**286**	242	**263**	229
Interest income on bank balances	**397**	582	**-**	-
Others	**116**	259	**51**	-
Finance income	**799**	1,083	**314**	229
Finance costs:				
Interest expense for bank borrowings	**11,519**	12,232	**311**	430
Interest expense for bonds in issue	**12,388**	12,825	**-**	-
Interest expense for shareholders' loans	**886**	861	**886**	861
Interest expense for subsidiaries' loans	**-**	-	**3,675**	3,636
Bond issue and other financing costs	**845**	1,375	**-**	-
Exchange differences	**8,974**	4,406	**-**	-
Others	**184**	146	**147**	134
Finance costs	**34,796**	31,845	**5,019**	5,061

10. Tax income/(expense)

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

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Current taxation:				
- Current year tax expense	**(3,392)**	(4,471)	**-**	(540)
- Adjustment recognised in financial period for current tax of prior period	**76**	(30)	**-**	-
Deferred taxation:				
- Deferred tax income/(expense)	**12,513**	10,431	**(225)**	(431)
- Adjustment recognised in financial period for deferred tax of prior period	**706**	(239)	**-**	-
Group tax relief	**-**	-	**-**	1,069
	9,903	5,691	**(225)**	98

Refer to Note 30 for information on the deferred tax assets and liabilities.

10. Tax income/(expense) - continued

10.1 Tax income/(expense) reconciliation

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000 (restated)	**€'000**	€'000
Profit/(loss) from continuing operations before income tax expense	**9,833**	(2,930)	**(876)**	3,890
Loss from discontinued operations before income tax expense	**-**	-	**1,535**	(98)
	9,833	(2,930)	**659**	3,792
Income tax using the Company's domestic tax rate	**(3,442)**	1,026	**(231)**	(1,327)
Effect of income/(losses) subject to foreign/different tax rates	**(758)**	672	**66**	379
Non-taxable income	**84**	2	**1,993**	206
Non-tax deductible expenses	**(526)**	(1,659)	**(688)**	(1,056)
Effect of derecognising deferred tax asset upon acquisition of control over entity	**-**	(1,272)	**-**	-
Effect of reduction in foreign tax rates	**4**	3	**-**	-
Movement in unrecognised deferred tax	**1,649**	7,152	**(1,365)**	1,896
Increase in tax base of intangible asset	**12,250**	-	**-**	-
Under provision in respect of previous years	**783**	(269)	**-**	-
Other	**(141)**	36	**-**	-
Tax income/(expense)	**9,903**	5,691	**(225)**	98

10. Tax income/(expense) - continued

10.2 Tax recognised in other comprehensive income

The tax impacts which are entirely attributable to deferred taxation, relating to components of other comprehensive income and accordingly presented directly in equity, are as follows:

	2018			2017 (restated)		
	Before tax	**Tax (charge)/ credit**	**Net of tax**	**Before tax**	**Tax (charge)/ credit**	**Net of tax**
	€'000	€'000	€'000	€'000	€'000	€'000
Group						
Surplus arising on revaluation of hotel properties	**37,675**	**(7,868)**	**29,807**	25,252	(2,535)	22,717
Available-for-sale financial assets:						
- Net changes in fair value	-	-	-	472	(165)	307
Currency translation differences	**(17,841)**	**1,329**	**(16,512)**	(21,217)	(360)	(21,577)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method:						
- Surplus arising on revaluation of hotel and other property	**1,794**	-	**1,794**	6,726	-	6,726
- Currency translation differences	**860**	-	**860**	(860)	-	(860)
- Cash flow hedges	**(33)**	-	**(33)**	60	-	60
Reversal of deferred tax attributable to interest in joint venture upon acquisition of control over entity	-	-	-	-	23,658	23,658
Reclassification adjustment in respect of currency translation reserve upon acquisition of control over entity previously categorised as joint venture	-	-	-	1,809	-	1,809
Other	-	-	-	23	-	23
	22,455	**(6,539)**	**15,916**	12,265	20,598	32,863

11. Discontinued operations

Towards the end of the preceding financial year, the Company's Board of Directors had taken the decision to transfer the 150-room Corinthia Palace Hotel located in Attard, Malta, (a division of the Company) to its main subsidiary company, International Hotel Investments p.l.c., subject to securing agreement on the relative consideration.

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

11. Discontinued operations - continued

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

11.1 Financial performance and cash flow information

The financial performance and cash flow information of the discontinued operation for the years ended 31 December 2018 and 31 December 2017 are presented below:

	The Company	
	2018	2017
	€'000	€'000
Revenue	**1,301**	8,575
Expenses	**(1,640)**	(8,673)
Gain on disposal of Property, Plant & Equipment	**1,874**	-
Profit/(loss) before income tax	**1,535**	(98)
Income tax expense	**-**	-
Profit/(loss) after income tax of discontinued operation	**1,535**	(98)

	The Company	
	2018	2017
	€'000	€'000
Net cash inflow/(outflow) from operating activities	**81**	708
Net cash (outflow)/inflow from investing activities	**(1,165)**	(1,347)
Net cash inflow from financing activities	**790**	670
Net increase/(decrease) in cash generated by the division	**(294)**	31

11.2 Assets of disposal group classified as held for sale

The major class of asset of the division being disposed of is the hotel and related property and this was included in Note 22 – Assets classified as held for sale from 2017. Other net liabilities attributable to the operation being transferred had not been presented as part of the disposal group held for sale in view of their low materiality.

On 10 April 2018, the Company disposed of the Corinthia Palace Hotel business in Attard for a consideration of €26.6 million and the company realised a gain of €1.9 million. The gain is reflected within the Company's financial statements for the year ended 31 December 2018.

12. Dividends

	The Company	
	2018	2017
	€'000	€'000
Dividend paid on ordinary shares	**3,000**	-
Dividends per share	**€0.15**	-

A dividend in respect of the year ended 31 December 2017 of €4.0 million gross, €3.0 million net of tax (€0.15c per share), was proposed by the Directors on 26 April 2018.

A dividend in respect of the year ended 31 December 2018 of circa. €3m net of tax (€0.15c per share) was proposed by the directors on 26 June 2019. These financial statements do not reflect this dividend payable and it will be accounted for as an appropriation of retained earnings in the shareholders' equity in the year ending 31 December 2019.

13. Intangible assets

	The Group						
	Goodwill	**Brand**	**Brand design fee and other rights**	**Operating contracts**	**Con-cessions**	**Other**	**Total**
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2017	2,905	3,121	10,199	7,000	463	2,146	25,834
Additions	-	-	477	-	-	20	497
Exchange differences	-	-	-	-	-	(6)	(6)
At 31 December 2017	**2,905**	**3,121**	**10,676**	**7,000**	**463**	**2,160**	**26,325**
At 1 January 2018	2,905	3,121	10,676	7,000	463	2,160	26,325
Additions	-	-	66	-	-	284	350
Disposals	-	-	(1,134)	-	-	(56)	(1,190)
Exchange differences	-	-	-	-	-	(4)	(4)
At 31 December 2018	**2,905**	**3,121**	**9,608**	**7,000**	**463**	**2,384**	**25,481**
Amortisation and impairment							
At 1 January 2017	407	-	1,834	3,558	187	1,758	7,744
Amortisation charge	-	-	1,508	350	103	130	2,091
Impairment losses	-	500	2,500	-	-	-	3,000
Exchange differences	-	-	-	-	-	(6)	(6)
At 31 December 2017	**407**	**500**	**5,842**	**3,908**	**290**	**1,882**	**12,829**

13. Intangible assets - continued

	The Group						
	Goodwill €'000	Brand €'000	Brand design fee and other rights €'000	Operating contracts €'000	Con-cessions €'000	Others €'000	Total €'000
At 1 January 2018	407	500	5,842	3,908	290	1,882	12,829
Amortisation charge	-	-	1,311	350	40	124	1,825
Disposals	-	-	(97)	-	-	-	(97)
Impairment losses	359	1,000	980	-	-	-	2,339
Exchange differences	-	-	-	-	-	(4)	(4)
At 31 December 2018	**766**	**1,500**	**8,036**	**4,258**	**330**	**2,002**	**16,892**
Carrying amount							
At 1 January 2017	2,498	3,121	8,365	3,442	276	388	18,090
At 31 December 2017	2,498	2,621	4,834	3,092	173	278	13,496
At 31 December 2018	**2,139**	**1,621**	**1,572**	**2,742**	**133**	**382**	**8,589**

Goodwill

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

During the current year, the directors carried out a value in use assessment of the carrying amount of goodwill arising on the acquisition of D.X. Design Consultancy Ltd. which had taken place in prior years and determined that an impairment charge of €0.4 million was required. This has now resulted in the intangible recognised on acquisition of D.X. Design Consultancy Ltd., determined at € 0.7 million being fully impaired at 31 December 2018. The impairment charge was recognised in profit or loss. The amount is not considered to be of such significance to warrant further disclosures as required by IAS 36.

In 2015 IHI had acquired the IHGH Group. The goodwill arising on this major acquisition was of €1.4 million. The goodwill is attributable to cost synergies. Relative to the Group's total asset base, the goodwill arising on this acquisition is not material to warrant the disclosures that would have otherwise been required by IAS 36.

Brand

As part of the acquisition of the IHGH Group, IHI identified and recognised an amount of €3.1 million attributable to the 'Island Caterers' brand name. The value of the brand was determined by independent experts upon acquisition.

In 2018, following an assessment of the fair value of the brand, the directors impaired the value of the brand by €1.0 million (2017: €0.5 million). The impairment on the brand is not deemed material to warrant the disclosures that would have otherwise been required by IAS 36.

13. Intangible assets – continued

Brand design fees and other rights

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

Costa Coffee Malta

This cash-generating unit includes the operation of the Costa Coffee retail brand in Malta. At 31 December 2018 and 2017, the Group operated thirteen outlets each enjoying a strategic location in areas popular for retail operations.

Costa Coffee Spain

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

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

With respect to the Costa Coffee Spain CGU, given the negative financial results registered during the year, the impairment assessment based on determining recoverable amounts, gave rise to an impairment charge of €1.0 million (2017: €2.5 million). This has now resulted in full impairment of the amount attributable to the intangible recognised on Costa Coffee Spain.

13. Intangible assets – continued

Brand design fees and other rights

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

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 FY 19-FY23 €0.6m - €1.2m second five-year period FY24-FY28	9.4	2.00	7.4

13. Intangible assets – continued

Brand design fees and other rights - continued

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

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

	Valuation technique	**Significant unobservable inputs**			
	Income capitalisation approach (DCF)	Evolution of EBITDA	Pre-tax discount rate (WACC)	Growth rate	Capitalisation rate
			%	%	%
Costa Coffee Malta		€1.5m - €0.9m - initial five-year period FY18 - FY22	14.35	2.00	12.35
Costa Coffee Spain		€0.2m - €0.8m - initial five-year period FY 18- FY22 €1.0m - €1.8m second five-year period FY23- FY27	14.30	2.00	12.30

13. Intangible assets – continued

Brand design fees and other rights - continued

Sensitivity Parameters applied in valuation model are summarised below:

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

On the basis of this analysis, as at 31 December 2017 the carrying amount of the Costa Coffee Spain CGU exceeds the recoverable amount by €2.5 million giving rise to an impairment charge for the equivalent amount.

Operating contracts

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

The impairment test in respect of the carrying amount of this intangible asset was performed by virtue of an expert valuation of an independent party. The indicative valuation is based on the discounted cash flows derived from hotel operating projections as prepared by specialists in hotel consulting and valuations, and such projections confirm that no impairment charge is required as at 31 December 2018 and 2017.

The discounted cash flow (value-in-use) calculation was determined by discounting the forecast future cash flows generated by CHL for a ten-year explicit period 2018 – 2027. The following are the key assumptions underlying the projections:

- revenue derived from IHI properties is based on operational projections. This accounts for 72% of the total revenue in the explicit period (2017 – 85%);
- revenue from other properties is assumed to increase by 2% per annum on 2018 budget (2017 – 2% on 2018 budget) (in-perpetuity growth rate of 2% per annum applied subsequently to the ten-year period covered by the explicit projections);
- a pre-tax discount rate of 12.9% was applied to the operating projections of CHL (2017 – 11.0%).

Others

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

14. Investment property

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
At 1 January	**234,668**	196,684	**820**	5,932
Change in fair value (a)	**6,966**	213	**-**	-
Acquisition of subsidiary (Note 35.1)	**-**	46,874	**-**	-
Disposal of a subsidiary (Note 16)	**-**	(1,750)	**-**	-
Additions	**481**	545	**-**	-
Disposals	**(358)**	-	**-**	-
Net transfers to property, plant & equipment	**(4,321)**	-	**-**	-
Transfer to assets classified as held for sale (Note 22)	**-**	(1,689)	**-**	(5,112)
Exchange differences	**(8,769)**	(6,209)	**-**	-
At 31 December	**228,667**	234,668	**820**	820

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

The carrying amount of the investment properties are as follows:

	The Group	
	2018	2017
	€'000	€'000
Investment property		
Commercial Centre in St Petersburg – Russia	**55,687**	61,805
Commercial Centre in Tripoli – Libya	**73,743**	68,243
Commercial Centre in Lisbon – Portugal	**2,800**	2,300
Site in Tripoli – Libya	**29,500**	29,500
Apartment in London	**41,809**	43,390
Site in Marsa – Malta	**9,633**	9,620
Site in Konopiste – Czech Republic	**7,350**	7,392
Site in Misurata – Libya	**87**	87
Site at Corinthia Palace Hotel - Malta	**-**	5,112
Amber Hotels – Czech Republic	**1,436**	644
Garage in Pankrac – Czech Republic	**5,654**	5,568
Other	**968**	1,005
	228,667	234,668

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

b) Investment properties with a carrying amount of €218.8 million (2017: €226 million) are hypothecated in favour of bankers as collateral for general banking facilities and loans granted to the Group.

c) Rental income earned by the Group from investment property amounted to €13.4 million (2017: €14.2 million) while direct expenses amounted to €2.3 million (2017: €2.6 million).

d) The operating leases of the investment properties leased out to third parties are cancellable.

15. Property, plant and equipment

	The Group				
	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Assets in the course of construction €'000	Total €'000
Cost / valuation					
Balance at 1 January 2017	975,090	249,122	2,870	35,248	1,262,330
Revaluation	25,252	-	-	-	25,252
Additions	3,365	5,340	440	10,900	20,045
Reallocations	(2,363)	6,689	(328)	(3,998)	-
Disposals	(575)	(2,273)	(106)	(359)	(3,313)
Acquisition of subsidiaries	455,522	41,986	-	14,583	512,091
Exchange differences	(31,253)	(7,331)	(44)	(1,028)	(39,656)
Balance at 31 December 2017	**1,425,038**	**293,533**	**2,832**	**55,346**	**1,776,749**
Balance at 1 January 2018	1,425,038	293,533	2,832	55,346	1,776,749
Revaluation	37,455	-	-	-	37,455
Additions	5,479	12,272	281	14,365	32,397
Reallocations	3,860	5,036	3	(8,899)	-
Disposals	(653)	(3,157)	(201)	(212)	(4,223)
Net transfers from investment property	4,321	-	-	-	4,321
Exchange differences	(24,383)	(4,462)	(28)	(391)	(29,264)
Balance at 31 December 2018	**1,451,117**	**303,222**	**2,887**	**60,209**	**1,817,435**
Depreciation and impairment charges					
Balance at 1 January 2017	298,763	213,312	2,644	-	514,719
Depreciation for the year	17,576	18,610	95	-	36,281
Net impairment reversals	(1,335)	-	-	-	(1,335)
Disposals	(198)	(2,107)	(80)	-	(2,385)
Reallocations	717	(717)	-	-	-
Exchange differences	(4,068)	(5,255)	(32)	-	(9,355)
Balance at 31 December 2017	**311,455**	**223,843**	**2,627**	**-**	**537,925**
Balance at 1 January 2018	311,455	223,843	2,627	-	537,925
Depreciation for the year	18,262	19,240	109	-	37,611
Impairment charges	-	126	-	-	126
Disposals	(140)	(1,779)	(191)	-	(2,110)
Reallocations	(90)	74	16	-	-
Exchange differences	(4,963)	(3,827)	(20)	-	(8,810)
Balance at 31 December 2018	**324,524**	**237,677**	**2,541**	**-**	**564,742**
Carrying amounts					
At 1 January 2017	676,327	35,810	226	35,248	747,611
At 31 December 2017	1,113,583	69,690	205	55,346	1,238,824
At 31 December 2018	**1,126,593**	**65,545**	**346**	**60,209**	**1,252,693**

15. Property, plant and equipment - continued

Changes in fair value during 2018 in respect of the Group's properties, amounting to €37.7 million (2017: €25.3 million) have been recognised within other comprehensive income while an impairment of €0.2 million (2017: a gain of €4 million and an impairment of €2.6 million) has been recognised in profit or loss.

	The Company			
	Land and buildings	**Plant and equipment**	**Motor vehicles**	**Total**
	€'000	€'000	€'000	€'000
Cost/Valuation				
Balance at 1 January 2017	21,019	22,613	1,343	44,975
Additions	582	879	-	1,461
Reclassification to assets classified as held for sale (Note 21)	(20,633)	(15,310)	-	(35,943)
Balance at 31 December 2017	**968**	**8,182**	**1,343**	**10,493**
Balance at 1 January 2018	968	8,182	1,343	10,493
Additions	-	5	-	5
Balance at 31 December 2018	**968**	**8,187**	**1,343**	**10,498**
Depreciation and impairment charges				
Balance at 1 January 2017	2,110	20,954	1,269	24,333
Depreciation for the year				
– arising from continuing operations	1	13	35	49
– arising from discontinued operations	515	498	-	1,013
Reclassification to assets classified as held for sale (Note 22)	(1,785)	(13,299)	-	(15,084)
Balance at 31 December 2017	**841**	**8,166**	**1,304**	**10,311**
Balance at 1 January 2018	841	8,166	1,304	10,311
Depreciation for the year	1	5	33	39
Balance at 31 December 2018	**842**	**8,171**	**1,337**	**10,350**
Carrying amounts				
At 1 January 2017	18,909	1,659	74	20,642
At 31 December 2017	127	16	39	182
At 31 December 2018	**126**	**16**	**6**	**148**

15. Property, plant and equipment - continued

15.1 Fair valuation of property

Designated officers within the Group have reviewed the carrying amounts as at 31 December 2018 of the Group's hotel properties categorised as property, plant and equipment, also generally based on assessments by independent property valuers, to determine whether adjustments were deemed necessary as at that date taking cognisance of developments that occurred during the current financial year, comprising shift in fair value. On the basis of this assessment, the designated officers determined which hotel properties had likely experienced a material shift in fair value by 31 December 2018, and accordingly in respect of which properties an independent valuation was deemed necessary at the end of the year.

As at 31 December 2018, the designated officers concluded the fair value of the majority of hotel properties measured at fair value in accordance with the revaluation model under IAS 16 did not differ in a substantial manner from carrying amount, and an independent valuation as at 31 December 2018 was not deemed to be required for such hotel properties.

An independent valuation exercise as at 31 December 2018 was carried out by qualified property valuers in respect of the Corinthia Hotel St. Petersburg, the Corinthia Hotel Prague, the Corinthia Hotel Lisbon, the Corinthia Palace Hotel and Amber Hotels in Prague.

The revaluations in 2018 and 2017 were generally carried out by independent professionally qualified property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The book value of these properties has been adjusted as at 31 December 2018 on the basis of the valuations by the property valuers. The resultant shift in value, net of applicable deferred taxes, has been reflected within the revaluation reserve in shareholders' equity (Note 24) or in profit or loss in accordance with the Group's accounting policy. Adjustments to the carrying amounts of the property have been disclosed within this note.

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

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

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

The Group's land and buildings, within property, plant and equipment, consists principally of hotel properties that are owned and managed by companies forming part of the Group. The Group's investment property comprises property that is held for long-term rental yields or for capital appreciation or both. The main properties are the Commercial Centre in St Petersburg, the Commercial Centre in Tripoli, a site forming part of the grounds of the Corinthia Hotel in Tripoli, an apartment block in Lisbon and a high end apartment in London. All the recurring property fair value measurements at 31 December 2018 and 2017 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

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

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

Valuation processes

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

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

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

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

Valuation techniques

The external valuations of the Level 3 property as at 31 December 2018 and 2017, have been performed using a multi-criteria approach, with every property being valued utilising the valuation technique considered by the external valuer to be the most appropriate for the respective property.

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

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

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Valuation techniques – continued

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

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

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Valuation techniques - continued

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

Description by class based on highest and best use	Fair value at 31 December 2018 €'000	Valuation technique	Significant unobservable inputs			
Current use as hotel properties (classified property, plant and equipment):		Income capitalisation approach (DCF)	Evolution of EBITDA over initial projected five-year period FY19-FY23	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Corinthia Hotel, St Petersburg	**79,022**		RUB562m – RUB630m	12.25	4.00	8.25
Corinthia Hotel Prague	**83,300**		€5.5m - €6.8m	7.74	2.00	5.74
Corinthia Hotel & Spa Lisbon	**114,736**		€8.2m - €10.7m	7.66	2.00	5.66
Corinthia Palace Hotel and Spa, Malta	**26,957**		€1.2m - €3.3m	11.72	1.80	1.92

15. **Property, plant and equipment** - continued

15.1 **Fair valuation of property** - continued

Valuation techniques - continued

Description by class based on highest and best use	**Fair value at 31 December 2018 €'000**	**Valuation technique**	**Significant unobservable inputs**			
Current use as Commercial Centres (classified as investment property):		Income capitalisation approach (DCF)	Evolution of EBITDA over initial projected five-year period FY19-FY23	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Commercial Centre in St Petersburg	**55,687**		RUB352m – RUB463m	12.70	3.00	9.70
Commercial Centre in Tripoli	**73,743**		€6.8m - €7.2m	11.20	3.00	7.84

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Valuation techniques - continued

Description by class based on highest and best use	**Fair value at 31 December 2018 €'000**	**Valuation technique**	**Significant unobservable inputs**
Current property/land for commercial use (classified as investment property):		Adjusted sales comparison approach	Sales price per square metre
Site in Tripoli	**29,500**		€2,300
Site in Marsa	**9,633**		€700
Site in Czech Republic	**7,350**		€90
London apartment	**41,809**		£28,860
Apartment block in Lisbon	**2,800**		€5,572

In relation to the DCF approach, an increase in the projected level of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

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

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

Valuation techniques - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2017 in relation to the key properties.

Description by class based on highest and best use	Fair value at 31 December 2017 €'000	Valuation technique	Significant unobservable inputs			
			Evolution of EBITDA over initial projected five-year period FY18-FY22	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Current use as hotel properties as property, plant and equipment):		Income capitalisation approach (DCF)				
Corinthia Hotel, St Petersburg	**84,488**		RUB521 – RUB599m	13.25	5.00	8.25
Corinthia Hotel Tripoli	**78,881**		€2.7m - €9.7m	11.82	2.00	9.82
Corinthia Hotel London	**496,140**		£19.2m - £25.7m	7.20	2.70	4.50
Panorama Hotel Prague	**40,000**		€3.7m - €4.4m	10.00	2.00	8.00
Marina Hotel St. George's Bay, Malta*	**31,115**		€2.9m - €3.1m	9.91	1.80	5.23
Corinthia Hotel St. George's Bay, Malta*	**40,477**		€4.1m - €4.5m	10.56	1.80	5.66
Radisson Blue Resort, Malta*	**39,628**		€3.9m - €4.3m	10.41	1.80	5.57

15. **Property, plant and equipment** - continued

15.1 Fair valuation of property - continued

Valuation techniques - continued

Description by class based on highest and best use	**Fair value at 31 December 2017 €'000**	**Valuation technique**	**Significant unobservable inputs**			
Current use as hotel properties (classified as property, plant and equipment):		Adjusted sales -comparison approach				
Corinthia Hotel Budapest*	**122,458**		€1,769			
Current use as Commercial Centres (classified as investment property):		Income capitalisation approach (DCF)	Evolution of EBITDA over initial projected five-year period FY18-FY22	Pre-tax discount rate (WACC) %	Growth rate %	Capitalisation rate %
Commercial Centre in St Petersburg	**61,805**		RUB226m – RUB271m	13.25	5.00	8.25
Commercial Centre in Tripoli	**68,243**		€5.8m - €6.9m	11.08	3.00	8.08

15. Property, plant and equipment - continued

15.1 Fair valuation of property – continued

Valuation techniques - continued

Description by class based on highest and best use	Fair value at 31 December 2017 €'000	Valuation technique	Significant unobservable inputs
Current use as land for commercial use (classified as investment property):		Adjusted sales comparison approach	Sales price per square metre
Site in Tripoli	**29,500**		€2,300
Site in Marsa	**9,620**		€700
Site in Czech Republic	**7,392**		€90
London apartment	**43,390**		£29,986

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

15. Property, plant and equipment - continued

15.1 Fair valuation of property - continued

As evidenced in the tables above, the highest and best use of the Group properties is equivalent to their current use as at 31 December 2018 in the majority of cases.

As explained in Note 6 to the financial statements, the future performance of the Group's hotel and the commercial centre situated in Tripoli and the fair value of the related property assets are largely dependent on how soon the political situation in Libya will return to normality and on how quickly the international oil and gas industry recovers once political risks subside. In accordance with the fair valuations as at 31 December 2018 no further impairment charges were deemed necessary in these financial statements, after taking into account the impairment charges of €40.5 million recognised in 2014.

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

	Shift in discount rate (+/-0.5%)		**Shift in cash flows (EBITDA) (+/-5%)**	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Corinthia Hotel & Spa Lisbon	**+/- 10,050**	+/- 700	**+/- 7,772**	+/- 4,600
Corinthia Hotel Prague	**+/- 7,105**	+/- 600	**+/- 4,395**	+/- 4,100
Marina Hotel, St George's Bay, Malta	**+/- 200**	+/- 200	**+/- 1,600**	+/- 1,600
Corinthia Hotel, St George's Bay, Malta	**+/- 250**	+/- 250	**+/- 2,000**	+/- 2,000
Corinthia Hotel, St Petersburg	**+/- 4,658**	+/- 3,000	**+/- 4,506**	+/- 4,400
Corinthia Hotel Tripoli	**+/- 3,000**	+/- 3,000	**+/- 4,000**	+/- 4,000
Commercial Centre in St Petersburg	**+/- 2,921**	+/- 1,430	**+/- 2,929**	+/- 650
Commercial Centre in Tripoli	**+/- 4,236**	+/- 420	**+/- 3,722**	+/- 3,400
Radisson Blu Resort, Malta	**+/- 250**	+/- 250	**+/- 2,000**	+/- 2,000
Corinthia Hotel Budapest	**+/- 720**	+/- 720	**+/- 5,600**	+/- 5,600
Corinthia Hotel London	**+/- 20,000**	+/- 20,000	**+/- 24,000**	+/- 24,000
Corinthia Palace Hotel & Spa, Malta	**+/- 1,974**	-	**+/- 1,544**	-
Panorama Hotel Prague	**+/- 3,600**	+/- 2,000	**+/- 2,800**	+/- 2,600
Aquincum Hotel Budapest	**+/- 1,200**	+/- 2,100	**+/- 2,000**	+/- 2,000
Ramada Plaza Tunis Hotel	**+/- 650**	+/- 1,000	**+/- 1,150**	+/- 1,400

15.2 Historic cost basis of properties

If the cost model had been used, the carrying amounts of the revalued properties would be €1,043.1 million (2017: €1,043.5 million). The revalued amounts include a revaluation surplus of €117.8 million after tax (2017 restated: €119.4 million), which is not available for distribution to the shareholders of CPHCL.

15.3 Use as collateral

All tangible fixed assets owned by the Group, except for the BCM plant and underlying land in Benghasir, Libya, the land in Misurata, Libya, and the Konopiste property in the Czech Republic, are hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in Note 26.

16. Investments in subsidiaries

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

	The Company	
	2018	2017
	€'000	€'000
Equity in subsidiary companies (Note 16.2)	**373,780**	373,780
Loans to subsidiary companies (Note 16.2)	**23,590**	20,171
Credit loss allowances (Notes 16.4)	**(10,879)**	(1,691)
	386,491	392,260

16.1 Principal subsidiaries

The Group had the following subsidiaries as at 31 December:

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	%	%	%	%
Quoted								
International Hotel Investments p.l.c.	22, Europa Centre, Floriana, Malta	Investment Company	**58**	58	**58**	58	**42**	42
Unquoted								
Afina Ag	CH-4336 Kaisten Eigematt 15 Switzerland	Investment Company	**100**	100	**-**	-	**-**	-
Alfa Investimentos Turisticos Lda	Avenida Columbana Bordalo Pinheiro Lisboa 1099-031, Portugal	Hotel Owner	**58**	58	**-**	-	**42**	42
Amber Hotels s.r.o.	Milevska 7, Prague 4 Czech Republic	Hotel Owner and Operator	**100**	100	**100**	100	**-**	-
Bay Point Hotel Limited	22, Europa Centre, Floriana, Malta.	Owner and operator of hotel	**58**	58	**-**	-	**42**	42
Bay Point Collection Limited	First Name House, Victoria Residence, Dougles, Isle of Man	Vacation ownership company	**58**	58	**-**	-	**42**	42

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	%	%	%	%
Bay Point Properties Limited	22, Europa Centre, Floriana, Malta.	Non-operating	**58**	58	-	-	**42**	42
Benghasir Concrete Manufacturing Joint Stock Company	Airport Highway Tripoli, Libya	Concrete manufacturer	**100**	100	**10**	10	-	-
Benghasir for Construction Company	Souk Al Thulatha Al Gadim Tripoli, Libya	Project Management services	**90**	90	-	-	**10**	10
Catering Contractors Limited	22, Europa Centre, Floriana, Malta	Restaurant and catering services	**100**	100	**100**	100	-	-

16. **Investments in subsidiaries** - continued

16.1 **Principal subsidiaries** - continued

Subsidiary Company	**Registered Office**	**Nature of business**	**Percentage of ownership and voting rights held directly by the Group**		**Percentage of ownership and voting rights held directly by the Company**		**Percentage of ownership and voting rights held by non-controlling interests**	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	%	%	%	%
Catering Holding Limited	22, Europa Centre, Floriana, Malta.	Retail catering and holding company	**58**	58	-	-	**42**	42
Catering Operations Limited	22, Europa Centre, Floriana, Malta.	Contract catering company	**58**	58	**-**	-	**42**	42
CaterMax Limited	22, Europa Centre, Floriana, Malta.	Catering services	**100**	100	-	-	-	-
Comox Enterprises Limited	Agiou Nicolau, 41-49, Nimeli Court, Egkomi PC2408, Nicosia,Cyprus	Investment company	**100**	100	**100**	100	-	-

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	%	%	%	%
Corinthia Caterers Limited	22, Europa Centre, Floriana, Malta	Inflight services	**100**	100	**100**	100	**-**	-
Corinthia Company Limited	22, Europa Centre, Floriana, Malta	Investment company	**58**	58	**-**	-	**42**	42
Corinthia Construction (Overseas) Limited	22, Europa Centre, Floriana, Malta	Construction company	**100**	100	**100**	100	**-**	-
Corinthia Developments International Limited	22, Europa Centre, Floriana, Malta	Project management	**58**	58	**-**	-	**42**	42
Corinthia Finance p.l.c.	22, Europa Centre, Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-
Corinthia Holdings Overseas Limited	22, Europa Centre, Floriana, Malta	Investment company	**100**	100	**100**	100	**42**	42

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	%	%	%	%
Corinthia Hotels Limited	1, Europa Centre, Floriana, Malta	Hotel management	**58**	58	**-**	-		
Corinthia Investments Limited	1, Brentham House 43c High Street Hampton Wick, Kingston-Upon-Thames, Surrey, UK	Investment company	**100**	100	**100**	100	**-**	-
Corinthia (Malta) Staff Services Limited	22, Europa Centre, Floriana, Malta.	Holding and management company	**58**	58	**-**	-	**42**	42
Corinthia Palace Holdings Limited	22, Europa Centre, Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-
Corinthia Panorama s.r.o.	Milevska 7, Prague 4, Czech Republic	Hotel owner	**100**	100	**100**	100	**-**	-

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries – continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	**%**	%	**%**	%
Corinthia Services Limited	34, Place de 7 November 1987 Tunis, Tunisia	Non-trading company	**100**	100	**100**	100	**-**	-
Corinthia Towers Tripoli Limited	22, Europa Centre, Floriana, Malta	Hotel owner	**58**	58	**-**	-	**42**	42
Corinthia Tunisie sarl	Les Cotes de Carthage, Ghammarth, Tunisia	Non-trading company	**100**	100	**100**	100	**-**	-
Corinthia Turizm Yatirimlari ve Ticaret a.s.	Tayyareci Ethem Sokak No.24 Kat4 Daire 13, 80090 Gumussuyu Istanbul, Turkey	Hotel owner	**100**	100	**-**	-	**-**	-
CPHCL Investments Limited	22, Europa Centre Floriana, Malta	Investment company	**100**	100	**100**	100	**-**	-
Danish Bakery Limited	22, Europa Centre, Floriana, Malta	Bakery	**65**	65	**65**	65	**35**	35

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries – continued

Subsidiary Company	**Registered Office**	**Nature of business**	**Percentage of ownership and voting rights held directly by the Group**		**Percentage of ownership and voting rights held directly by the Company**		**Percentage of ownership and voting rights held by non-controlling interests**	
			2018 %	2017 %	**2018** %	2017 %	**2018** %	2017 %
D.X. Design Consultancy Ltd	22, Europa Centre, Floriana, Malta	Project management services	**58**	58	-	-	**42**	42
Five Star Hotels Limited	22, Europa Centre, Floriana, Malta	Hotel owner	**58**	58	-	-	**42**	42
HNS Consultancy Services Limited	22, Europa Centre, Floriana, Malta	Consultancy services	**100**	100	**100**	100	-	-
Hotel Astoria SA	Rue Royal 103 1000 Brussels Belgium	Owner of site being developed into the Corinthia Brussels	**29**	29	-	-	**71**	71
House of Catering for Catering Services Co. Limited	Souk Al Thulatha Al Gadim Tripoli, Libya	Catering services	**100**	100	**10**	10	-	-
IHI Benelux Bv	Beechavenue 54, 1.25ResCowork08 1119PW Schiphol-Rijk	Hotel owner	**58**	58	-	-	**42**	42
IHI Benghazi Limited	22, Europa Centre, Floriana, Malta	Investment company	**-***	44	-	-	**-***	56

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	%	%	%	%
IHI Brussels Limited	22, Europa Centre Floriana Malta	Holding company of Hotel Astoria SA	**29**	29	**-**	-	**71**	71
IHI Cyprus Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**58**	58	**-**	-	**42**	42
IHI Hungary Zrt	Erzsebet Krt, 43-49, H -1073 Budapest, Hungary	Hotel owner	**58**	58	**-**	-	**42**	42
IHI Lisbon Limited	22, Europa Centre, Floriana, Malta	Investment company	**58**	58	**-**	-	**42**	42
IHI Malta Hotel Limited	22, Europa Centre, Floriana, Malta	Hotel owner	**58**	58	**-**	-	**42**	42
IHI St Petersburg LLC	57, Nevskij Prospect, St Petersburg 191025, Russian Federation	Investment company	**58**	58	**-**	-	**42**	42
IHI Towers s.r.o	Kongresova 1655/1 1406/69 Praha 5 Czech Republic	Hotel owner	**58**	58	**-**	-	**42**	42

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries - continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	**2017**
			%	%	%	%	%	%
IHI Zagreb d.d.	Centar Kaptol, Nova Kes 11, 10000 Zagreb, Croatia	Investment company	**58**	58	**-**	-	**42**	**42**
Internasyonal Turizm ve Otelcilik a.s.	Osmanli Sokok No.24 Kat 4 Daire 13 80090 Gumussuyu Istanbul, Turkey	Hotel owner	**100**	100	**-**	-	**-**	**-**
International Operating and Managing Facilities Establishments Limited	Souk Al Thulatha Al Gadim Tripoli, Libya	Building and facilities management services	**100**	100	**10**	10	**-**	**-**
Island Caterers Limited	22, Europa Centre, Floriana, Malta.	Event catering company	**58**	58	**-**	-	**42**	**42**

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries - continued

Subsidiary Company	**Registered Office**	**Nature of business**	**Percentage of ownership and voting rights held directly by the Group**		**Percentage of ownership and voting rights held directly by the Company**		**Percentage of ownership and voting rights held by non-controlling interests**	
			2018 %	2017 %	**2018** %	2017 %	**2018** %	2017 %
Island Resorts International Limited	First name house, Victoria Residence, Douglas, Ise of Man	Investment company	**58**	58	**-**	-	**42**	42
Konopiste Property Holding s.r.o.	Milevska 1695/7 Prague 4 Czech Republic	Hotel owner	**100**	100	**100**	100	**-**	-
Libya Holding Development Investments J.S.C.	Benghazi, Libya	Hotel owner	**32**	32	**-**	-	**68**	68
Malta Fairs and Conventions Centre Limited (MFCC Limited)	Millenium Stand, Level 1, National Stadium, Ta' Qali, Attard ATD 4000	Trade conference and leisure conventions	**100**	100	**-**	-	**-**	-
Marina San Gorg Limited	22, Europa Centre, Floriana, Malta	Hotel owner	**58**	58	**-**	-	**42**	42
Marsa Investments Limited	22, Europa Centre, Floriana, Malta	Investment property and hotel operator	**100**	100	**100**	100	**-**	-
Misurata Holdings Limited	22, Europa Centre, Floriana, Malta	Non-trading company	**100**	100	**100**	100	**-**	-

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries - continued

Subsidiary Company	**Registered Office**	**Nature of business**	**Percentage of ownership and voting rights held directly by the Group**		**Percentage of ownership and voting rights held directly by the Company**		**Percentage of ownership and voting rights held by non-controlling interests**	
			2018 %	2017 %	**2018** %	2017 %	**2018** %	2017 %
NLI Finance Limited	CTV House La Pouquelaye St Helier Jersey	Provision of finance to companies within the NLI Holdings Limited group structure.	**29**	29	**-**	-	**71**	71
NLI Holding Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a group that owns and operates the Corinthia Hotel London and 10 Whitehall Place in London, UK	**29**	29	**-**	-	**71**	71
NLI Hotels Limited	CTV House La Pouquelaye St Helier Jersey	Owns the Corinthia Hotel London, UK	**29**	29	**-**	-	**71**	71
NLI Operator Limited	Corinthia Hotel London, Whitehall Place, London, SW1A 28D	Operates Corinthia Hotel London, a five-star luxury hotel	**29**	29	**-**	-	**71**	71
NLI Penthouse Limited	CTV House La Pouquelaye St Helier Jersey	Owns apartment 12, 10 Whitehall Place	**29**	29	**-**	-	**71**	71

16. **Investments in subsidiaries** - continued

16.1 **Principal subsidiaries** - continued

Subsidiary Company	**Registered Office**	**Nature of business**	**Percentage of ownership and voting rights held directly by the Group**		**Percentage of ownership and voting rights held directly by the Company**		**Percentage of ownership and voting rights held by non-controlling interests**	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	%	%	%	%
Palm Waterfront Development Ltd	22, Europa Centre, Floriana, Malta	Non-trading company	**100**	100	**100**	100	**-**	-
Pankrac Property Holdings s.r.o.	Milevska 1695/7, Prague 4, Czech Republic	Investment property owner	**100**	100	**100**	100	**-**	-
QP (UK) Limited	The Corinthia Hotel London Whitehall Place London, England	Project management services	**58**	58	**-**	-	**42**	42
QPM Africa Limited	22, Europa Centre, Floriana, Malta	Non-trading company	**58**	58	**-**	-	**42**	42
QPM Limited	22, Europa Centre Floriana, Malta	Project management services	**58**	58	**-**	-	**42**	42
Societe De Promotion Hoteliere Khamsa	Les Cotes de Carthage Gammarth, Tunisia	Hotel owner	**100**	100	**63**	63	**-**	-

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries – continued

Subsidiary Company	Registered Office	Nature of business	Percentage of ownership and voting rights held directly by the Group		Percentage of ownership and voting rights held directly by the Company		Percentage of ownership and voting rights held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	%	%	%	%
Swan Laundry and Dry Cleaning Company Limited	22, Europa Centre, Floriana, Malta	Laundry company	**100**	100	**100**	100	-	-
The Coffee Company Malta Limited	22, Europa Centre, Floriana, Malta	Franchise retail catering company	**58**	58	-	-	**42**	42
The Coffee Company Spain S.L.	COSTA Diagonal, Avinguda Diagonal, 566, Barcelona 08021	Franchise retail catering company	**58**	58	-	-	**42**	42
The Heavenly Collection Limited	22, Europa Centre, Floriana, Malta.	Owner of tract land in Golden Bay	**58**	58	-	-	**42**	42
Thermal Hotel Aquincum Rt	Arpad Fejedelem Utja 94, H-1036 Budapest Hungary	Hotel owner	**100**	100	-	-	-	-
Top Spirit a.s.	Milevska 7, 14063 Prague P.O. Box 41 Czech Republic	Investment company	**100**	100	**100**	100	-	-

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

16. Investments in subsidiaries - continued

16.1 Principal subsidiaries - continued

During the year ended 31 December 2017 the Group acquired control over NLI Holdings Limited and its subsidiaries (collectively, "the NLI Group") (refer to Note 34). The NLI Group was previously recognised as a joint venture.

During the year ended 31 December 2017, Corinthia Investments Limited, a subsidiary of the Company disposed of its investment in Corinthia Restaurants Kft for a consideration of €2 million which resulted in a gain of €0.18 million in the Group.

All subsidiary undertakings are included in the consolidation.

16.2 Exposure to subsidiary companies

	The Company €000
At 1 January 2017	373,773
Additions	7
At 31 December 2017	**373,780**
At 1 January 2018	373,780
Additions	-
At 31 December 2018	**373,780**

The Company effected additional advances to its subsidiaries which are considered to be a component of the long-term investment. The net advances amounted to €1.8 million (2017: €3.6 million) and principally relate to, €1.6 million to Corinthia Palace Holdings Limited, the previous owning company of CaterMax Limited and MFCC Limited (2017: €1.9 million to this company and €1.7 million to Corinthia Construction (Overseas) Limited). There were also capitalisation of loans to the amount of €1.6 million (2017: nil) and relate to €1.3m to Catering Contractors Limited and €0.3m HNS Consultancy Services Limited. A set off of €5.5m was also effected and this impacted the balances due from Corinthia Construction (Overseas) Limited and Corinthia Holdings Overseas Limited.

All investments were purchased by the Company at the nominal value of shares received i.e. at par, except for Corinthia Construction (Overseas) Limited which was acquired for €3.4 million.

16. Investments in subsidiaries - continued

16.3 Subsidiaries with material non-controlling interests

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

Name of subsidiary	Proportion of ownership Interest and voting rights held by NCI		Profit/(Loss) allocated to NCI		Accumulated NCI	
	2018	2017	**2018**	2017	**2018**	2017
	%	%	**€'000**	€'000 (restated)	**€'000**	€'000 (restated)
Danish Bakery Limited	**35**	35	**228**	184	**1,181**	1,177
IHI Group (incl. NLI Group)	**42**	42	**4,789**	6,861	**481,440**	474,095

Dividends paid to NCI of Danish Bakery Limited amounted to €0.2 million (2017: €0.2 million) whilst dividends paid to NCI of International Hotel Investments p.l.c. amounted to €5.2 million (2017: nil).

The total non-controlling interests as at 31 December 2018 is €482.6 million (2017: €486.3 million), of which €481.4 million (2017: €485.1 million) is attributable to the IHI Group and €1.2 million (2017: €1.2 million) is attributable to Danish Bakery Limited.

During 2017, the IHI Group acquired control over the NLI Group.

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

	Danish Bakery Limited		IHI Group (including NLI Group)		NLI Group	
	2018	2017	**2018**	2017	**2018**	2017
	€000	€000	**€000**	€000 (restated)	**€000**	€000 (restated)
Non-current assets	**2,118**	2,446	**1,490,327**	1,454,011	**548,767**	539,529
Current assets	**2,611**	2,645	**127,526**	137,860	**40,865**	41,651
Total assets	**4,729**	5,091	**1,617,853**	1,591,871	**589,632**	581,180
Non-current liabilities	**(157)**	(599)	**(622,677)**	(637,179)	**(156,254)**	(171,493)
Current liabilities	**(1,158)**	(1,130)	**(117,556)**	(89,720)	**(46,082)**	(18,931)
Total liabilities	**(1,315)**	(1,729)	**(740,233)**	(726,899)	**(202,336)**	(190,424)
Equity attributable to owners of CPHCL	**2,219**	2,185	**507,440**	500,127	**112,316**	113,319
Non-controlling interests	**1,195**	1,177	**370,180**	364,845	**274,980**	277,437

16. Investments in subsidiaries - continued

16.3 Subsidiaries with material non-controlling interests - continued

	Danish Bakery Limited		IHI Group (including NLI Group)		NLI Group	
	2018	2017	**2018**	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000 (restated)	**€'000**	€'000 (restated)
Revenue	**5,965**	5,453	**256,314**	242,413	**69,159**	68,664
Profit/(loss) for the year attributable to owners of the parent	**423**	342	**3,670**	5,046	**(1,677)**	1,843
Profit/(loss) for the year attributable to NCI	**228**	184	**4,789**	6,860	**(4,105)**	4,515
Profit/(loss) for the year	**651**	526	**8,459**	11,906	**(5,782)**	6,358
Other comprehensive come attributable to owners of the parent	**-**	-	**9,052**	15,175	**673**	(790)
Other comprehensive income attributable to NCI	**-**	-	**7,751**	9,905	**1,647**	(1,930)
Other comprehensive income for the year	**-**	-	**16,803**	25,080	**2,320**	(2,720)
Total comprehensive income for the year attributable to owners of the parent	**423**	342	**12,722**	20,221	**(1,004)**	1,053
Total comprehensive income for the year attributable to NCI	**228**	184	**12,540**	16,765	**(2,458)**	2,585
Total comprehensive income for the year	**651**	526	**25,262**	36,986	**(3,462)**	3,638

	Danish Bakery Limited		IHI Group (including NLI Group)		NLI Group	
	2018	2017	**2018**	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000 (restated)	**€'000**	€'000 (restated)
Net cash generated from operating activities	**927**	897	**58,980**	60,013	**12,373**	17,022
Net cash used in investing activities	**(263)**	(505)	**(35,152)**	(15,579)	**(12,875)**	(12,413)
Net cash (used in)/generated from financing activities	**(600)**	(600)	**(20,839)**	(21,956)	**(4,032)**	11,128
Net cash inflow/(outflow)	**64**	(208)	**2,989**	22,478	**(4,534)**	15,737

16. Investments in subsidiaries - continued

16.4 Credit loss allowances

The carrying amount of the investment and loan in/to Corinthia Tunisie Sarl had been impaired in prior years. Further credit loss allowances on the investment and loans in/to the Company's subsidiary companies Corinthia Construction Overseas Limited, Catering Contractors Limited, Corinthia Holdings Overseas Limited, Corinthia Palace Holdings Limited and Societe de Promotion Hoteliere Khamsa, were accounted for following an assessment carried out in line with the requirements of IFRS 9 – Financial Instruments, and an allowance of €6.8 million was recognised in retained earnings at the beginning of 2018 upon adoption of IFRS 9 and a further €2.4 million (2017: nil) was recognised in the Income Statement by the Company in 2018.

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

17. Other investments

17.1. Investments accounted for using the equity method - Group

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

	The Group	
	2018	2017
	€'000	€'000
		(restated)
Associates (Note 17.3)	**93,520**	81,414
Joint ventures (Note 17.4)	**35,430**	36,822
At 31 December	**128,950**	118,236

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

	The Group	
	2018	2017
	€'000	€'000
		(restated)
Associates	**10,764**	151
Joint ventures	**(1,185)**	(1,567)
At 31 December	**9,579**	(1,416)

On 1 January 2017, the Group, through IHI p.l.c., obtained control over NLI and accordingly, the NLI Group is consolidated within the Group's financial statements as from that date.

17.2 Investments in associates - Company

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

	The Company	
	2018	2017
	€'000	€'000
Associates - at 31 December (Note 17.3)	**28,604**	29,342

17. Other investments – continued

17.3 Investments in associates

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

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Equity in associate companies (Note17.3.1)	**85,863**	73,008	**23,942**	24,181
Loans to associate companies	**7,657**	8,406	**4,662**	5,161
	93,520	81,414	**28,604**	29,342

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

The Company's movement for the year mainly comprises repayments of long-term advances by Mediterranean Investments Holding p.l.c. In 2017, repayments were also received from Café Jubilee.

17.3.1 Equity in associate companies

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
At 1 January	**73,008**	72,062	**24,181**	24,181
Impairment losses	**(239)**	-	**(239)**	-
Share of results	**10,764**	151	-	-
Share of other comprehensive income	**2,318**	(1,604)	-	-
Exchange differences	**(6)**	(25)	-	-
Other movements	**18**	2,424	-	-
At 31 December	**85,863**	73,008	**23,942**	24,181

Impairment losses

The carrying amount of the investment and loan to Café Jubilee were deemed to be impaired and an impairment of €0.2 million has been recognised in profit or loss in 2018.

17. Other investments – continued

17.3 Investments in associates – continued

17.3.1 Equity in associate companies - continued

Set out below are the associates of the Group as at 31 December 2018 and 31 December 2017. The associates listed below have share capital consisting solely of ordinary shares.

Company name	Registered Office	Nature of business	% of ownership interest held by			
			The Group		The Company	
			2018	2017	2018	2017
			%	%	%	%
Atkins Travel Limited	Towngate House, 2, Parkstone Road, Poole, Dorset BH15 2PJ United Kingdom	Tour operator	**43**	43	**-**	-
B.C.W. Limited	3, Princess Elizabeth Terrace, Ta' Xbiex, Malta	Non-trading	**33**	33	**33**	33
Café Jubilee Zrt	1055 Budapest, Szent Istvan krt. 13, Hungary	Non-trading	**50**	50	**50**	50
Crust Foods Limited	22, Europa Centre, Floriana Malta	Restaurant and café	**26**	26	**-**	-
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**29**	29	**-**	-
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**29**	29	**-**	-
Medina Tower J.S.C.	Suite 107, Tower 2, Level 10 Burj Al Fateh, Tripoli, Libya	Owns the Medina Tower Project	**27**	27	**-**	-
Mediterranean Investments Holding p.l.c.	22, Europa Centre, Floriana, Malta	Investment company	**50**	50	**50**	50

17. Other investments – continued

17.3 Investments in associates – continued

17.3.1 Equity in associate companies - continued

Company name	Registered Office	Nature of business	% of ownership interest held by			
			The Group		The Company	
			2018	2017	**2018**	2017
			%	%	%	%
Palm City Limited	22, Europa Centre, Floriana, Malta	Property development and operator	**50**	50	**-**	-
Palm Waterfront Limited	22, Europa Centre, Floriana, Malta	Property development and operator	**50**	50	**-**	-
Scalotel-Sociedade Escalabitana Hoteleira s.a.	Avenida Madre Andaluz Freguesia de Marvila, Cancelho de Santarem, Portugal	Hotel owner	**41**	41	**-**	-

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

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

17. Other investments – continued

17.3 Investments in associates - continued

17.3.2 Summarised financial information for material associates

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

	Medina Tower J.S.C	
	2018	2017
	€'000	€'000
Non-current assets	**42,736**	40,160
Current assets	**8,417**	10,726
Total assets	**51,153**	50,886
Current liabilities	**113**	472
Total liabilities	**113**	472
(Loss)/profit for the year	**(692)**	153
Other comprehensive income	**1,318**	(4,005)
Total comprehensive income	**626**	(3,852)

Reconciliation of summarised financial information

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

	Medina Tower J.S.C	
	2018	2017
	€'000	€'000
Opening net assets	**50,412**	54,264
(Loss)/profit for the period	**(692)**	153
Other comprehensive income	**1,318**	(4,005)
Closing net assets	**51,038**	50,412
Interest in associate (37.5%)*	**19,139**	18,905
Carrying value	**19,139**	18,905

*The Group's interest in Medina Tower J.S.C. as reflected in the Group's consolidated financial statements, is made up of a 25.0% shareholding held by IHI plc and another 25.0% shareholding held by Mediterranean Investment Holdings (MIH). Whereas the Group's interest in IHI plc amounts to 57.8%, its interest in MIH is 50.0% (accounted for using the equity method).

The Group's ultimate percentage ownership in Medina Tower J.S.C. is 27.0%.

17. Other investments - continued

17.3 Investments in associates - continued

17.3.2 Summarised financial information for material associates - continued

	Mediterranean Investments Holdings p.l.c. Group	
	2018	2017
	€'000	€'000
Non-current assets	**293,996**	272,062
Current assets	**14,934**	8,420
Total assets	**308,930**	280,482
Non-current liabilities	**(140,037)**	(135,478)
Current liabilities	**(16,183)**	(14,478)
Total liabilities	**(156,220)**	(149,956)
Revenue	**18,860**	8,359
Profit for the year	**21,727**	226
Other comprehensive income	**456**	(1,378)
Total comprehensive income	**22,183**	(1,152)

Reconciliation of summarised financial information

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

	Mediterranean Investments Holdings p.l.c. Group	
	2018	2017
	€'000	€'000
Opening net assets	**130,526**	131,678
Profit for the period	**21,727**	226
Other comprehensive income	**456**	(1,378)
Closing net assets	**152,709**	130,526
Interest in associate (50%)	**76,355**	65,263
Carrying value	**76,355**	65,263

Included in the above financial information is 25% share of the financial information attributable to Medina Tower J.S.C.

17. Other investments - continued

17.3 Investments in associates - continued

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

	2018 €'000	2017 €'000
Profit for the year	74	95
Other comprehensive income	1,648	(128)
Total comprehensive income	**1,722**	(33)

17.4 Investments in joint ventures

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

	The Group	
	2018 €000	2017 €000 (restated)
Equity in joint ventures (Note 17.4.1)	35,430	36,822
At 31 December	**35,430**	36,822

17.4.1 Equity in joint ventures

	The Group	
	2018 €'000	2017 €'000 (restated)
At 1 January	**36,822**	225,143
Derecognition of investment in joint venture following acquisition of control (Note 35)	-	(193,367)
Share of results	(1,185)	(1,567)
Share of other comprehensive income	303	7,554
Dividends	(504)	(979)
Other movements	(6)	38
At 31 December	**35,430**	36,822

The opening balances of a number of joint ventures involved in the timeshare business were restated. Following the initial application of IFRS 15, revenue recognition policies for these entities were changed significantly as explained further in Note 4.1. The overall effect of this restatement on the equity in joint ventures as at 31 December 2017 was a reduction of €10.4 million.

17. Other investments - continued

17.4 Investments in joint ventures - continued

17.4.1 Equity in joint ventures - continued

Set out below are the significant joint ventures of the Group as at 31 December 2018 and 31 December 2017. The joint ventures listed below have share capital consisting solely of ordinary shares, which are held by the Group through IHI p.l.c.

Company name	Registered office	Nature of business	% of ownership interest held by the Group %ownership 2018	2017
Azure Resorts Limited	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Vacation ownership selling agent	**29**	29
Azure Services Limited	Level 1, LM Complex Brewery Street Mriehel, Malta	Marketing and promotional services	**29**	29
Azure Ultra Limited	Level 1, LM Complex Brewery Street Mriehel, Malta	Luxury yacht leasing	**29**	29
Azure XP Limited	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Financing of vacation ownership	**29**	29
Brooksfield Overseas Limited	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Marketing and promotional services	**29**	29

17. Other investments - continued

17.4 Investments in joint ventures - continued

17.4.1 Equity in joint ventures - continued

Company name	**Registered office**	**Nature of business**	**% of ownership interest held by the Group %ownership 2018**	**2017**
Golden Sands Resort Limited	The Radisson SAS Golden Sands Resort & Spa Golden Bay I/o Mellieha, Malta	A five-star luxury hotel	**29**	29
Heathfield Overseas Limited	Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Payment solutions	**29**	29
Medi International Limited	3 Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands	Internal financing	**29**	29
MKIC Limited	22, Europa Centre Floriana Malta	Non-trading	**29**	29

17. Other investments - continued

17.4 Investments in joint ventures - continued

17.4.1 Equity in joint ventures – continued

Company name	Registered office	Nature of business	% of ownership interest held by the Group %ownership 2018	2017
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 their shares.

The Board of Directors of joint venture companies have authorised capital commitments for property, plant and equipment amounting to €0.5 million (2017: €2.3 million). The Group's share of these commitments is equivalent to 50%.

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

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

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

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

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

17. **Other investments** - continued

17.4 Investments in joint ventures - continued

17.4.2 **Summarised financial information for material joint ventures**

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

	Golden Sands Resort Group	
	2018	2017
	€'000	€'000
		(restated)
Non-current assets	**94,600**	92,649
Cash and cash equivalents	**1,629**	4,322
Other current assets	**6,552**	6,997
Total assets	**102,781**	103,968
Current financial liabilities (excluding trade and other payables and provisions)	**6,028**	4,643
Current liabilities	**12,554**	9,833
Non-current financial liabilities (excluding trade and other payables and provisions)	**19,807**	20,350
Non-current liabilities	**59,379**	60,985
Total liabilities	**71,933**	70,818

17. Other investments – continued

17.4 Investments in joint ventures - continued

17.4.2 Summarised financial information for material joint ventures - continued

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

	Golden Sands Resort Group	
	2018	2017
	€'000	€'000
		(restated)
Revenue	**20,292**	19,000
EBITDA	**2,787**	2,590
Depreciation and amortisation	**(3,716)**	(3,329)
Interest income	**48**	13
Interest expense	**(1,020)**	(1,725)
Income tax expense	**(469)**	(687)
Loss for the year	**(2,370)**	(3,138)
Other comprehensive income	**829**	12,898
Total comprehensive income	**(1,541)**	9,760
Dividends received from joint ventures	**504**	979

18. Inventories

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Food and beverages	**2,747**	2,436	-	123
Consumables and other	**10,194**	9,619	-	467
Goods held for resale	**298**	309	-	-
Loose tools	**883**	736	-	-
	14,122	13,100	-	590

19. Trade and other receivables

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Non-current				
Other receivables	**1,406**	484	**1,030**	484
Total receivables – non-current	**1,406**	484	**1,030**	484
Current				
Trade receivables	**28,278**	24,235	**-**	591
Credit loss allowances	**(6,564)**	(4,936)	**-**	-
	21,714	19,299	**-**	591
Amounts owed by:				
- Subsidiary companies	**-**	-	**6,626**	9,016
- Associate companies	**4,448**	3,208	**870**	686
Other receivables	**10,840**	7,296	**614**	3,542
Contract assets/accrued income	**2,822**	4,551	**-**	-
Financial assets	**39,824**	34,354	**8,110**	13,835
Prepayments	**8,490**	8,777	**163**	1,305
Total receivables – current	**48,314**	43,131	**8,273**	15,140
Total receivables	**49,720**	43,615	**9,303**	15,624

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

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

Information about the credit losses attributable to trade receivables and the Group's and the Company's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 37.

20. Financial assets at fair value

20.1 Financial assets at fair value through other comprehensive income

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

	The Group	
	2018	2017
	€'000	€'000
Current assets		
Listed securities:		
Equity securities	**-**	943
Funds	**-**	3,116
Mutual funds	**-**	4,545
Total	**-**	8,604

20. Financial assets at fair value – continued

20.1 Financial assets at fair value through other comprehensive income – continued

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

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

20.2 Financial assets at fair value through profit or loss

(i) Classification of financial assets at fair value through profit or loss

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

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

	The Group	
	2018	2017
	€'000	€'000
Current assets		
Listed securities:		
Equity securities	**1,821**	-*
Mutual funds	**6,664**	-*
Total	**8,485**	-*

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

See Note 4 for explanations regarding the change in accounting policy and the reclassification of certain investments from available-for-sale to financial assets at FVTPL following the adoption of IFRS 9. During the year, the Group recognised €0.1m fair value gains in profit or loss (2017: gains of €0.3m within other comprehensive income).

21. Cash and cash equivalents

Cash and cash equivalents include the following components:

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Cash and bank balances:				
Current	**61,179**	62,694	**2,809**	61
Cash and cash equivalents in the statement of financial position	**61,179**	62,694	**2,809**	61
Bank overdrafts	**(6,289)**	(17,873)	**(43)**	(9,286)
Cash and cash equivalents	**54,890**	44,821	**2,766**	(9,225)

The Group bank balances include amounts of €10.3 million (2017: €6.3 million) set aside by seven subsidiary companies for debt servicing requirements and €3.8 million (2016: €3.2 million) set aside for capital expenditure purposes.

22. Assets classified as held for sale

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Property, plant and equipment	**-**	-	**-**	20,859
Investment property	**1,267**	1,689	**-**	5,112
Total assets held for sale	**1,267**	1,689	**-**	25,971

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

The Company's assets classified as held for sale in 2017 related to the disposal of the division of Corinthia Palace Hotel business in Attard, Malta refer to Note 11.2.

23. Share capital

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Authorised, issued and fully paid				
20,000,000 ordinary shares at €1 each	**20,000**	20,000	**20,000**	20,000

23.1 Shareholder rights

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

24. Other reserves

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

The Group	Translation reserves €'000 (restated)	Revaluation reserve €'000 (restated)	Other equity components €'000 (restated)	Total €'000 (restated)
At 1 January 2017	50,504	202,982	12,818	266,304
Recognised in other comprehensive income:				
Fair value gains on available for sale assets - net	-	-	89	89
Net revaluation of properties	-	12,816	-	12,816
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	(7,893)	-	-	(7,893)
Share of other comprehensive income of associates and joint ventures:				
- Exchange difference arising from translating foreign operations	(949)	-	-	(949)
- Revaluation of properties	-	3,889	-	3,889
Reversal of deferred tax attributable to interest in joint venture upon acquisition of control over entity	-	13,875	-	13,875
Reclassification adjustment in respect of currency translation reserve upon acquisition of control over entity previously categorised as joint venture	1,047	-	-	1,047
Other	-	40	58	98
Recognised directly in equity:				
Reclassifications to retained earnings	-	(2,404)	-	(2,404)
Reclassification of Group's share of revaluation reserve upon acquisition of control over entity previously categorised as joint venture	-	(127,982)	-	(127,982)
At 31 December 2017 (restated)	**42,709**	**103,216**	**12,965**	**158,890**

24. Other reserves - continued

The Group	Translation reserves €'000	Revaluation reserve €'000	Other equity components €'000	Total €'000
Restated at 31 December 2017	42,709	103,216	12,965	158,890
Change in accounting policy	-	-	(88)	(88)
Restated at 1 January 2018	42,709	103,216	12,877	158,802
Recognised in other comprehensive income:				
Net revaluation of properties	-	15,493	-	15,493
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	(9,150)	-	-	(9,150)
Share of other comprehensive income of associates and joint ventures:				
- Exchange difference arising from translating foreign operations	593	-	-	593
- Revaluation of properties	-	1,795	-	1,795
Other	-	(497)	(33)	(530)
Recognised directly in equity:				
Reclassifications to retained earnings	-	(2,236)	-	(2,236)
At 31 December 2018	**34,152**	**117,771**	**12,844**	**164,767**

24. Other reserves - continued

The Company

	Translation reserves €'000	Revaluation reserve €'000	Total €'000
At 1 January 2017	2,950	16,208	19,158
Other movements	-	62	62
At 31 December 2017	2,950	16,270	19,220
At 1 January 2018	2,950	16,270	19,220
Other movements	-	2,397	2,397
At 31 December 2018	**2,950**	**18,667**	**21,617**

25. Retained earnings

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

26. Bank borrowings

	The Group		The Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Bank overdrafts	**6,289**	17,873	**43**	9,286
Bank loans	**394,517**	380,430	**5,787**	3,375
	400,806	398,303	**5,830**	12,661
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 - 5 years	**138,812**	190,965	**4,032**	1,579
Bank loans due later than 5 years	**216,074**	164,637	**-**	112
	354,886	355,602	**4,032**	1,691
Current bank borrowings				
Bank overdrafts	**6,289**	17,873	**43**	9,286
Bank loans due within 1 year	**39,631**	24,828	**1,755**	1,684
	45,920	42,701	**1,798**	10,970

Bank borrowings are subject to variable interest rates based on Euribor or other such bank base rates plus margins with a total weighted average interest rate of 3.03% per annum at 31 December 2018 (2017: 3.03% per annum).

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

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

27. Bonds

27.1 Bonds in issue

	The Group	
	2018	2017
	€'000	€'000
Redeemable bonds		
Bond 10	**19,824**	19,770
Bond 11	**7,460**	7,500
Bond 12	**9,924**	9,912
Bond 13	**44,308**	44,220
Bond 15	**34,603**	34,530
Bond 16	**39,416**	40,000
Bond 17	**54,367**	54,297
Bond 18	**39,481**	39,427
	249,383	249,656
Non-current	**249,383**	249,656
Current	**-**	-
	249,383	249,656

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

	Issuing company	Year of issue	Nominal amounts €'000	Rate of interest %	Maturity date	Redemption option period
Redeemable bonds						
Bond 10	IHI p.l.c	2012	20,000	5.80	21 December 2021	-
Bond 11	Corinthia Finance p.l.c	2012	7,500	6.00	29 March 2022	2019-2022
Bond 12	IHI p.l.c	2013	10,000	5.80	14 November 2023	-
Bond 13	IHI p.l.c	2015	45,000	5.75	13 May 2025	-
Bond 15	IHI p.l.c	2014	35,000	6.00	15 May 2024	-
Bond 16	Corinthia Finance p.l.c	2016	40,000	4.25	12 April 2026	-
Bond 17	IHI p.l.c	2016	55,000	4.00	29 July 2026	-
Bond 18	IHI p.l.c	2016	40,000	4.00	20 December 2026	-

27. **Bonds** – continued

27.1 Bonds in issue – continued

In the case of Bonds 9 and 14, the Group exercised its early redemption rights in 2017. During the year ended 31 December 2017, the Group settled the amount due in respect of Bond 9 and 14.

(ii) Interest

Interest is payable annually in arrears on the due date.

(iii) Security

The bonds constitute the general, direct, unconditional, unsecured and unsubordinated obligations of the issuing companies and will rank *pari passu*, without any priority or preference, with all other present and future unsecured and unsubordinated obligations of the issuing companies. The only exception is Bond 17 for €55 million which is secured by the Hotel property owned by IHI Hungary.

(iv) Sinking funds

The prospectuses for Bonds 10 and 11 provided for the setting up of a sinking fund administered by a trustee or a custodian to cover 50% of the repayment of the bonds on maturity. By 31 December 2018 the amounts set aside for this purpose totalled €5.4 million (2017 - €3.4 million).

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

	€'000
At 1 January 2017	259,102
Redemptions	(9,706)
Issue costs	(75)
Amortisation of issue costs	335
At 31 December 2017	249,656
Issue costs	(717)
Amortisation of issue costs	444
At 31 December 2018	249,383

27. Bonds - continued

27.1 Bonds in issue - continued

The market price of bonds in issue is as follows:

	2018	2017
	€	€
Bond 10	**107.00**	105.00
Bond 11	**103.50**	103.50
Bond 12	**107.00**	107.50
Bond 13	**109.50**	107.50
Bond 15	**109.20**	107.50
Bond 16	**103.99**	104.00
Bond 17	**103.00**	103.00
Bond 18	**102.00**	102.00

27.2 Investments held by trustees

Investments held by trustees comprise the following:

The Group	**2018**	2017
	€'000	€'000
Cash at bank:		
- Interest-bearing bank accounts	**5,351**	3,380
	5,351	3,380

28. Other borrowings

	The Group		**The Company**	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Shareholders' loans	**20,558**	22,095	**20,558**	22,095
Loans from subsidiaries	**-**	-	**114,584**	126,297
Related companies	**4,612**	4,664	**-**	-
	25,170	26,759	**135,142**	148,392
Non-current	**20,617**	22,207	**134,195**	125,705
Current	**4,553**	4,552	**947**	22,687
	25,170	26,759	**135,142**	148,392

28. Other borrowings – continued

As at 31 December 2018

€'000	Interest Rate	Repayable
The Group		
20,558	4%	After more than 1 year
4,500	3.7%	By 15 February 2019
112	-	Lease obligation
25,170		
The Company		
275	5%	Within 1 year
672	5%	September 2019
5,960	7.2%	14 March 2022
40,000	4.45%	12 April 2026
30,190	0.05% over 3 month Euribor	After more than 1 year
10,101	1.25% over 3 month Euribor	After more than 1 year
8,720	1.25% over 3 month Euribor	After more than 1 year
248	4.6%	After more than 1 year
18,418	2.75% over 3 month Euribor	After more than 1 year
20,558	4%	After more than 1 year
135,142		

28. Other borrowings - continued

As at 31 December 2017

€'000	Interest Rate	Repayable
The Group		
22,095	4%	€4.5 million due within one year and €17.6 million due after more than 1 year
4,500	3.7%	By 15 February 2019
164	-	Lease obligation
26,759		
The Company		
250	5%	Within 1 year
17,937	3.65%/5%	Within 1 year
1,368	5%	September 2019
6,460	6.4%	14 March 2022
40,000	4.45%	12 April 2026
29,722	0.05% over 3 month Euribor	After more than 1 year
11,970	1.25% over 3 month Euribor	After more than 1 year
291	2.3%	After more than 1 year
18,299	2.75% over 3 month Euribor	After more than 1 year
22,095	4%	After more than 1 year
148,392		

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

29. Indemnification liabilities

	The Company	
	2018	2017
	€'000	€'000
At 1 January	**23,816**	24,026
Change in fair value	**(210)**	(210)
At 31 December	**23,606**	23,816

29. Indemnification liabilities - continued

In view of group tax relief provisions applicable in Malta any tax due by CPHCL on the transfer of the shares in IHI Towers s.r.o (IHIT) and Corinthia Towers Tripoli Limited (CTTL) to International Hotel Investments p.l.c. (IHI) 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 prepared at the time of the acquisition, CPHCL has indemnified IHI for future tax the latter may incur should IHI 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 million.

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

On the sale of its shares in Marina San Gorg Limited (MSG) to IHI in 2013, CPHCL provided a tax indemnity to IHI. The sales contract was exempt from taxation on the basis that share capital of MSG was transferred rather than the hotel property. Should IHI dispose of the hotel property, it may become liable to tax that it would not have become liable to pay had CPHCL transferred the hotel property as opposed to the transfer of the issued share capital. The indemnity agreement provides that in this event, CPHCL will indemnify against any tax which IHI may incur or sustain up to a maximum of €4.8 million. The indemnity shall automatically expire on 13 February 2019.

On the sale of its shares in QPM Limited effected during the year ended 31 December 2016, CPHCL provided a tax indemnity to IHI. 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 outside of the Group, it may become liable to tax that it would not have become liable to pay had CPHCL not been a related party. The indemnity was estimated to amount to €2.0 million and has been recognised as an indemnification liability representing the tax that will be due by IHI on the gain that was untaxed in the hands of CHPCL.

30. 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.

30. Deferred tax assets and liabilities - continued

The balance at 31 December represents temporary differences attributable to:

The Group	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Difference between tax base and carrying amount of tangible and intangible fixed assets	**6,918**	10	**(28,918)**	(39,456)	**(22,000)**	(39,446)
Revaluation of land & buildings and investment property	**-**	-	**(99,260)**	(88,878)	**(99,824)**	(88,878)
Investments in associates	**101**	101	**-**	-	**101**	101
Unrelieved tax losses and unabsorbed capital allowances	**35,626**	36,291	**-**	-	**35,626**	36,291
Credit loss allowances	**1,841**	1,265	**-**	-	**1,841**	1,265
Others	**290**	428	**-**	(5)	**854**	423
Tax assets/(liabilities) – before offsetting	**44,776**	38,095	**(128,178)**	(128,339)	**(83,402)**	(90,244)
Offset in the statement of financial position	**(23,074)**	(25,110)	**23,074**	25,110	**-**	-
Tax assets/(liabilities) – as presented in statement of financial position	**21,702**	12,985	**(105,104)**	(103,229)	**(83,402)**	(90,244)

30. Deferred tax assets and liabilities – continued

The Company	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Revaluation of land & buildings and investment property	**-**	-	**-**	(3,009)	**-**	(3,009)
Unrelieved tax losses and unabsorbed capital allowances	**2,751**	2,976	**-**	-	**2,751**	2,976
Tax assets/(liabilities) - before offsetting	**2,751**	2,976	**-**	**(3,009)**	**2,751**	(33)
Offset in the statement of financial position	**-**	(2,976)	**-**	2,976	**-**	-
Tax assets/(liabilities) - as presented in statement of financial position	**2,751**	-	**-**	(33)	**2,751**	(33)

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

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

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

30. Deferred tax assets and liabilities – continued

The Group

	Balance 1.1.2017 €'000	**Recognised in profit or loss €'000**	**Recognised in other comprehensive income €'000**	**Acquisition/ derecognition of subsidiaries €'000**	**Balance 31.12.2017 €'000**
Difference between tax base and carrying amount of tangible and intangible fixed assets	(39,231)	(223)	8	-	(39,446)
Revaluation of land & buildings and investment property	(87,924)	747	(1,749)	48	(88,878)
Investments in associates	101	-	-	-	101
Investments in joint ventures	(24,441)	783	23,658	-	-
Unrelieved tax losses and unabsorbed capital allowances	29,244	7,135	-	(88)	36,291
Credit loss allowances	1,013	252	-	-	1,265
Others	276	1,498	(1,052)	(299)	423
	(120,962)	**10,192**	**20,865**	**(339)**	**(90,244)**

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

The Company

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

30. Deferred tax assets and liabilities – continued

The Company	**Balance 1.1.2017 €'000**	**Recognised in profit or loss €'000**	**Other movements €'000**	**Balance 31.12.2017 €'000**
Unrelieved tax losses and unabsorbed capital allowances	3,346	(432)	62	2,976
Revaluation of land & buildings and investment property	(3,072)	-	63	(3,009)
	274	(432)	125	(33)

Unrecognised deferred tax assets

Deferred income taxes are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of €17.2 million (2017: €17.2 million), in respect of losses and capital allowances amounting to €68.8 million (2017: €68.7 million) that can be carried forward against future taxable income.

The Group did not recognise deferred income tax assets of €26.0 million (2017: €25.6 million), in respect of losses and capital allowances amounting to €97.9 million (2017: €97.2 million) that can be carried forward against future taxable income.

31. Trade and other payables

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000 (restated)	**€'000**	€'000
Non-current				
Other payables	**3,553**	2,311	-	-
Other liabilities – contingent consideration	-	9,215	-	-
Financial liabilities	**3,553**	11,526	-	-
Advance payments	**354**	78	-	-
Contract liabilities	**2,854**	2,910	-	-
Statutory liabilities	**1,046**	544	-	-
Total payables – non-current	**7,807**	15,058	-	-
Current				
Trade payables	**22,682**	19,134	**270**	1,092
Amounts owed to:				
Subsidiary companies	-	-	**17,848**	19,312
Associate companies	**10**	9	-	5
Joint ventures	**401**	155	-	-
Other payables	**9,086**	9,867	**395**	578
Other liabilities – contingent consideration	**8,688**	-	-	-
Accrued expenses	**28,008**	28,411	**1,355**	2,907
Financial liabilities	**68,875**	57,576	**19,868**	23,894
Advance deposits	**9,695**	10,257	-	367
Statutory liabilities	**7,147**	6,374	**7**	155
Total payables – current	**85,717**	74,207	**19,875**	24,416

Amounts owed to related parties are unsecured, interest free and repayable on demand.
The carrying amount of trade and other payables is considered a reasonable approximation of fair value.

32. Cash flow information

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000 (restated)	**€'000**	€'000
Adjustments:				
Amortisation of intangible assets	**1,825**	2,091	**-**	-
Depreciation of property, plant and equipment	**37,611**	36,281	**39**	1,062
Loss on disposal of property, plant and equipment	**1,244**	1,011	**-**	-
Net impairment losses/(reversals) on property, plant and equipment	**126**	(1,471)	**-**	-
Impairment losses on intangible assets	**2,339**	3,000	**-**	-
Impairment losses/(reversals) on investments	**-**	-	**2,388**	(131)
Fair value movements on investment properties	**(6,966)**	(213)	**-**	-
Share of results of associates and joint ventures	**(9,579)**	1,416	**-**	-
Movement in indemnification liabilities	**-**	-	**(210)**	(210)
Gain on sale of investment in subsidiary	**-**	(182)	**-**	-
Change in credit loss allowances on receivables	**1,628**	1,073	**-**	(759)
Amortisation of transaction costs	**938**	1,375	**93**	93
Loss on impairment of investment in associate	**239**	-	**239**	-
Interest income	**(799)**	(1,083)	**(314)**	(229)
Interest expense	**24,936**	25,918	**5,019**	5,061
Dividend income	**-**	-	**(11,269)**	(11,770)
Net exchange differences	**8,974**	4,406	**-**	-
Reclassification adjustment in respect of currency translation reserve upon acquisition of control previously categorised as joint venture	**-**	1,809	**-**	-
Other		(2,423)	**-**	-
	62,516	73,008	**(4,015)**	(6,883)

Significant non-cash transactions

The Company's significant non-cash transactions for 2018 relate to an amount of €17.9m representing part of the consideration for the sale of the Corinthia Palace Hotel Attard settled through a set-off against amounts payable to the same party and other loans payable to subsidiary companies being offset against dividends receivable amounting to €0.9 million.

32. Cash flow information

32.2 Reconciliation of financing assets and liabilities

The Group	Assets	Liabilities from financing activities			
	Assets placed under trust arrangement	Bonds	Bank loans	Other borrowings	Total
	€'000	€'000	€'000	€'000	€'000
As at 1 Jan 2017					
- Principal	6,713	(259,102)	(224,603)	(26,863)	(503,855)
- Accrued interest	-	(6,750)	(2,249)	-	(8,999)
	6,713	(265,852)	(226,852)	(26,863)	(512,854)
Net Cash flow movements	(3,333)	25,064	9,534	3,925	35,190
Acquisition of subsidiaries	-	-	(156,751)	(2,853)	(159,604)
Foreign exchange differences	-	-	(4,406)	-	(4,406)
Currency translation differences	-	-	8,242	35	8,277
Other movements including interest	-	(14,495)	(11,287)	(1,003)	(26,786)
As at 31 December 2017	**3,380**	**(255,283)**	**(381,520)**	**(26,759)**	**(660,182)**
Comprising:					
- Principal	3,380	(249,656)	(380,430)	(26,759)	(653,465)
- Accrued interest	-	(5,627)	(1,090)	-	(6,717)
As at 31 December 2017	**3,380**	**(255,283)**	**(381,520)**	**(26,759)**	**(660,182)**
As at 1 Jan 2018					
- Principal	3,380	(249,656)	(380,430)	(26,759)	(653,465)
- Accrued interest	-	(5,627)	(1,090)	-	(6,717)
	3,380	(255,283)	(381,520)	(26,759)	(660,182)
Net Cash flow movements	1,971	12,388	(3,327)	2,386	13,418
Foreign exchange differences	-	-	(6,791)	-	(6,791)
Currency translation differences	-	-	11,331	-	11,331
Other movements including interest	-	(12,127)	(14,466)	(797)	(27,390)
As at 31 December 2018	**5,351**	**(255,022)**	**(394,773)**	**(25,170)**	**(669,614)**
Comprising:					
- Principal	5,351	(249,383)	(394,517)	(25,170)	(663,719)
- Accrued interest	-	(5,639)	(256)	-	(5,895)
As at 31 December 2018	**5,351**	**(255,022)**	**(394,773)**	**(25,170)**	**(669,614)**

The Company	Liabilities from financing activities		
	Bank loans €'000	Other borrowings €'000	Total €'000
As at 1 Jan 2017			
- Principal	(3,574)	(150,641)	(154,215)
- Accrued interest	(38)	(1,789)	(1,827)
	(3,612)	(152,430)	(156,042)
Net cash flow movements	474	(3,151)	(2,677)
Other movements including interest	(255)	5,515	5,260
As At 31 December 2017	**(3,393)**	**(150,067)**	**(153,460)**
Comprising:			
- Principal	(3,375)	(148,392)	(151,767)
- Accrued interest	(18)	(1,675)	(1,693)
As At 31 December 2017	**(3,393)**	**(150,067)**	**(153,460)**
As at 1 Jan 2018			
- Principal	(3,375)	(148,392)	(151,767)
- Accrued interest	(18)	(1,675)	(1,693)
	(3,393)	(150,067)	(153,460)
Net cash flow movements	(2,189)	(2,975)	(5,164)
Set-offs	-	18,800	18,800
Other movements including interest	(254)	(2,588)	15,958
As at 31 December 2018	**(5,836)**	**(136,830)**	**(142,666)**
Comprising:			
- Principal	(5,787)	(135,142)	(140,929)
- Accrued interest	(49)	(1,688)	(1,737)
As at 31 December 2018	**(5,836)**	**(136,830)**	**(142,666)**

33. Commitments

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

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Contracted for:				
Property, plant and equipment	**3,500**	10,300	-	2,100
Authorised but not yet contracted for:				
Property, plant and equipment	**82,400**	59,600	3,200	3,200
	85,900	69,900	3,200	5,300

33.1 Operating leases

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

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Less than one year	**2,643**	3,617	**92**	88
Between one and five years	**6,928**	7,373	**92**	176
More than five years	**20,866**	21,335	**-**	-
	30,437	32,325	**184**	264

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

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

During the year ended 31 December 2018, €5.1 million (2017: €5.0 million) and €0.1 million (2017: €0.1 million) for the Group and Company respectively were recognised as an expense in the income statement in respect of operating leases.

34. Contingencies

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

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

The Group	2018 €'000	2017 €'000
Guarantees given to secure bank facilities of associate companies	**6,655**	3,876
Guarantees given to secure bonds of associate company (MIH plc)	**60,000**	60,000
	66,655	63,876

The Company	2018 €'000	2017 €'000
Guarantees given to secure bonds	**105,920**	106,438
Guarantees given to secure bank facilities for related companies	**42,793**	21,985
	148,713	128,423

35. Business combinations and other changes to the composition of the Group

35.1 Business combinations

Acquisition during 2017

In early 2017, the Group through International Hotel Investments p.l.c obtained control of the NLI Group, because IHI had secured the right to nominate and appoint the majority of the board of directors, which are in turn responsible for decisions in relation to NLI's relevant activities. IHI's economic interest in NLI as a result of obtaining control remained 50%.

The NLI Group was previously recognised as a joint venture and accounted for using the equity method in the Group's consolidated financial statements, however, as from 1 January 2017, being the date on which control was obtained, NLI Group's results and financial position have been consolidated.

The following table summarises the consideration given up, representing the fair value of the previously-held interest in the joint venture, the fair value of assets and liabilities acquired and the non-controlling interest at the acquisition date.

35. Business combinations and other changes to the composition of the Group - continued

35.1 Business combinations - continued

Acquisitions during 2017 – continued

The Group

	NLI Group €'000 (restated)
Purchase consideration	
Fair value of equity interest in NLI Group held before the business combination	193,367
Fair value of receivables due from NLI	2,930
	196,297
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	9,222
Property, plant and equipment	512,091
Investment property	46,874
Inventories	3,327
Trade and other receivables	6,850
Trade and other payables	(29,721)
Current income tax liabilities	(59)
Other financial liabilities	(2,930)
Borrowings	(155,604)
Deferred tax liabilities	(387)
Total identifiable net assets	**389,663**
Non-controlling interest	**(193,366)**
Total	**196,297**

The fair value of the NLI Group on the date of acquisition was equivalent to the carrying amount of the Group's joint venture in respect of this investment. Accordingly, no gain or loss arose on acquisition, other than for the reclassification of the Group's share of NLI's currency translation reserve, amounting to a negative €1.8 million, being recognised as a loss for the year. The Group also reclassified its share of revaluation reserves, having a carrying amount of €128.0 million to retained earnings, through a transfer in the statement of changes in equity.

Non-controlling interests were recognised as a proportionate share of the fair value of net assets acquired. No goodwill was recognised on acquisition.

No cash consideration was payable on acquisition, and the Group acquired cash and cash equivalents amounting to €9.2 million. This amount is presented in the statement of cash flows as an inflow within investing activities.

The fair value of trade and other receivables is €6.8 million and includes trade receivables with a fair value of €3.9 million. The gross contractual amount for traded receivables due is €4.0 million, of which €0.1 million is expected to be uncollectible.

The revenue included in the consolidated statement of comprehensive income since 1 January 2017 contributed by the NLI Group was €68.7 million. The NLI Group also contributed profit after tax of €5.7 million for the same period.

36. Related parties

All companies controlled, jointly controlled or significantly influenced by CPHCL are considered to be related parties; a list of these companies is included in Notes 16 and 17. Related parties also comprise the shareholders of CPHCL together with the Group companies' key management personnel.

Key management personnel includes directors (executive and non-executive) and senior management members of both the Company and of all the group entities located in Malta and in various other countries. The compensation paid or payable to key management personnel for employee services is disclosed in Note 36.1.

None of the transactions with related parties incorporate special terms and conditions and, no guarantees were given or received. Transactions with related companies are generally effected on a cost-plus basis or on the basis of pre-agreed arrangements. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in Notes 19, 28 and 31.

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Revenue				
Services rendered to:				
Associates	**613**	355	**619**	347
Related companies	**781**	768	**361**	-
	1,394	1,123	**980**	347
Financing				
Interest income				
Subsidiaries	-	-	-	-
Associates	**286**	242	**263**	229
Interest expense				
Subsidiaries	-	-	**3,675**	3,636
Shareholders' loan	**886**	861	**886**	861
	1,172	1,103	**4,824**	4,726
Dividend income from subsidiaries	-	-	**11,269**	11,770
Management fee	-	-	**(1,100)**	(1,100)

36. Related parties - continued

36.1 Transactions with key management personnel

In addition to the remuneration paid to the Directors included in Note 7.2, in the course of its operations the Group has a number of arrangements in place with its officers, executives and other related parties whereby concessions are made available for hospitality services rendered to them according to accepted industry norms.

In 2018, the total remuneration of the executive directors and the senior management members of both the Company and of all the group entities located in Malta and in various other countries amounted to €10.5 million (2017: €11.2 million).

37. 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 37.5 for a summary of the Group's financial assets and liabilities by category.

37. Risk management objectives and policies - continued

37.1 Credit risk

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

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
Financial assets at amortised cost (2017: Loans and receivables):				
Trade and other receivables	**47,794**	39,774	**9,140**	14,319
Long term receivables from related parties	**7,657**	8,406	**28,252**	25,332
Cash at bank	**61,179**	62,694	**2,809**	61
Assets held by trustee placed under trust Arrangement	**5,351**	3,380	**-**	-
Gross exposure	**121,981**	114,254	**40,201**	39,712
Credit loss allowances	**(6,564)**	(4,936)	**(10,879)**	(1,691)
Net exposure	**115,417**	109,318	**29,322**	38,021

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

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

37. Risk management objectives and policies - continued

37.1 Credit risk – continued

(i) Risk management and security – continued

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

(i) Impairment of financial assets

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

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

Trade receivables and contract assets

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

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

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

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

Other than the amount disclosed above, as at 1 January 2018, the identified expected credit loss allowance in addition to the amount that had already been provided for under IAS 39 in prior periods, on trade receivables and contract assets, was deemed immaterial. The movement in loss allowances as at 31 December 2018 is also deemed immaterial by management. On this basis, the information pertaining to loss rates and loss allowances in the Group's provisioning matrix, which would have otherwise been required by IFRS 7, is not presented as at 31 December 2018 and 1 January 2018.

37. Risk management objectives and policies - continued

37.1 Credit risk – continued

Trade receivables and contract assets - continued

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

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
At 31 December – calculated under IAS 39	**4,936**	4,902	-	760
Amount restated through opening retained earnings (Note 4.1)	**462**	-	-	-
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**5,398**	4,902	-	760
Acquisition of subsidiary	**-**	70	-	-
Written-off balances	**(196)**	(995)	-	(744)
Credit losses recognised	**1,338**	1,165	-	-
Credit losses reversed	**(39)**	(92)	-	(16)
Exchange differences	**63**	(114)	-	-
At 31 December	**6,564**	4,936	-	-

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

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

Previous accounting policy for impairment of trade receivables

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

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

37. Risk management objectives and policies - continued

37.1 Credit risk – continued

Trade receivables and contract assets - continued

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

All impaired balances were unsecured.

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

	The Group 2017 €'000
Not past due	14,318
Past due 0-30 days	2,680
Past due 31-120 days	3,302
Past due 121-360 days	1,258
More than one year	2,677
Gross amount	24,235
Provision for impairment	(4,936)
Net amount	19,299

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

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

37. Risk management objectives and policies - continued

37.1 Credit risk – continued

Other financial assets at amortised cost

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

The closing loss allowance for amounts due from subsidiaries as at 31 December 2018 reconcile to the opening loss allowances as follows:

	The Company	
	2018	2017
	€'000	€'000
At 31 December – calculated under IAS 39	**1,691**	1,822
Amount restated through opening retained earnings (Note 4.1)	**6,800**	-
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**8,491**	1,822
Impairment losses recognised	**2,388**	-
Exchange differences	**-**	(131)
At 31 December	**10,879**	1,691

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

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

As at year-end, based on the Directors' assessments of these factors, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management together with the support of shareholders in place, resulted in a further increase in provision of €2.4 million.

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.

37. Risk management objectives and policies - continued

37.1 Credit risk – continued

Financial assets at fair value through profit or loss

The Group is also directly and indirectly exposed to credit risk in relation to certain bond funds (2017: bonds and bond funds) that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments which was nil at year end (2017 – €3.1m). Exposure to credit risk is deemed to be insignificant in this respect.

37.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions. Liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

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

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

37. Risk management objectives and policies - continued

37.2 Liquidity risk – continued

At 31 December 2018 and 2017 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 2018	€'000	€'000	€'000
Bank borrowings	53,029	157,786	222,350
Bonds	12,253	83,855	236,596
Other borrowings	4,686	3,348	20,558
Trade and other payables	68,883	1,728	10,302
	138,851	**246,717**	**489,806**

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 2017 (restated)	€'000	€'000	€'000
Bank borrowings	48,661	321,572	55,139
Bonds	11,928	75,552	258,411
Other borrowings	5,229	12,094	17,595
Trade and other payables	57,580	9,255	10,789
	123,398	**418,473**	**341,934**

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

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

37. Risk management objectives and policies - continued

37.2 Liquidity risk – continued

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

The Company

	Current	Non-current	
	Within 1 year	1-5 years	More than 5 years
31 December 2017	€'000	€'000	€'000
Bank borrowings	11,080	1,667	114
Other borrowings	26,713	40,550	107,294
Trade and other payables	23,894	-	-
	61,687	**42,217**	**107,408**

37.3 Market risk

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

(i) Foreign currency risk

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

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

37. Risk management objectives and policies - continued

37.3 Market risk - continued

(i) Foreign currency risk – continued

	2018 Functional Currency													
	EUR					RUB	STG	LYD	CZK	HUF	TND	SDG		TL
	GBP	HUF	LYD	CZK	SDG	EUR	EUR	EUR	EUR	EUR	EUR	USD	EUR	EUR
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Group														
Financial assets:														
Loans	-	-	-	-	-	-	1,505	-	-	-	-	-	-	-
Trade receivables	-	2,304	2,101	909	-	-	-	-	-	300	100	352	1,255	-
Other receivables	-	932	9,258	1,247	-	-	-	-	-	18,418	-	-	-	-
Cash and cash Equivalents	-	-	-	788	-	-	-	-	-	969	-	-	-	50
Financial liabilities:														
Bank borrowings	-	-	-	-	-	(48,775)	-	-	-	(10,763)	-	-	-	-
Other borrowings	-	-	-	(30,190)	-	-	-	-	-	-	-	-	-	-
Trade payables	-	(805)	(746)	(1,667)	-	-	-	-	(136)	-	(100)	-	-	-
Other payables	(1,973)	(3,065)	(2,847)	(2,120)	-	-	(766)	(165)	(2,596)	(668)	(6,108)	-	(1,789)	-
Net exposure	(1,973)	(634)	7,766	(31,033)	-	(48,775)	739	(165)	(2,732)	8,256	(6,108)	352	(534)	50

37. **Risk management objectives and policies** – continued

37.3 Market risk - continued

(i) Foreign currency risk - continued

	2017 Functional Currency													
	EUR					RUB	STG	LYD	CZK	HUF	TND	SDG		TL
	GBP	HUF	LYD	CZK	SDG	EUR	EUR	EUR	EUR	EUR	EUR	USD	EUR	EUR
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Group														
Financial assets:														
Loans	-	-	-	-	-	-	982	-	-	-	-	-	-	-
Trade receivables	-	1,835	2,353	934	-	-	-	-	-	300	100	222	1,120	-
Other receivables	-	377	10,408	1,001	-	-	-	-	-	18,298	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	750	-	-	-	50
Financial liabilities:														
Bank borrowings	-	-	-	-	-	(50,953)	-	-	-	(11,809)	-	-	-	-
Other borrowings	-	-	-	(29,772)	-	-	-	-	-	-	-	-	-	-
Trade payables	-	(884)	(1,175)	(1,596)	-	-	-	-	(135)	-	(100)	-	-	-
Other payables	(1,750)	(2,888)	(3,099)	(1,953)	(20)	-	(766)	(165)	(2,360)	(1,169)	(6,222)	-	(2,730)	-
Net exposure	(1,750)	(1,560)	8,487	(31,386)	(20)	(50,953)	216	(165)	(2,495)	6,370	(6,222)	222	(1,610)	50

37. Risk management objectives and policies - continued

37.3 Market risk - continued

(i) Foreign currency risk - continued

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

The subsidiary that is most exposed to foreign currency risk is IHI Benelux which has the Russian Rouble as its functional currency. This risk results from the fact that its bank borrowings are denominated in euro while a portion of its revenues and costs are also denominated in euro. As at 31 December 2018, if the EUR had weakened/strengthened by 10% (2017: 10%) against the Rouble with all other variables remaining constant, the Group's post tax profit for the year would have been €5.4 million lower/€5.4 million higher (2017: €5.8 million lower/5.8 million higher) as a result of foreign exchange losses/gains on translation of the euro denominated borrowings.

Additionally, IHI Benelux is also exposed to other financial liabilities and other payables due to Group companies which are eliminated on consolidation. These balances amounting to €54.1 million (€2017: €54.1 million) and €16.8 million (2017: €22.7 million) respectively, are considered to be part of the Group's net investment in the foreign operation. Accordingly, any foreign exchange differences with respect to these balances, which at IHI Benelux standalone level are recognised in profit or loss, were reclassified to other comprehensive income on consolidation.

At 31 December 2018, if the euro had weakened/strengthened by 10% (2017: 10%) against the Rouble with all other variables held constant, the Group's equity would have been €8.4 million lower/€8.1 million higher (2017: €8.0 million lower/€8.0 million higher) as a result of foreign exchange losses/gains recognised in other comprehensive income on the translation of the euro denominated payables.

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

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

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

37. Risk management objectives and policies - continued

37.3 Market risk - continued

(i) Foreign currency risk - continued

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

(ii) Interest rate risk

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

	The Group		The Company	
	2018	2017	**2018**	2017
Fixed rate instruments	**€'000**	€'000	**€'000**	€'000
Financial assets:				
Assets placed under trust arrangement	**5,351**	3,380	-	-
Financial liabilities:				
Bonds	**(249,383)**	(249,656)	-	-
Other borrowings	**(25,058)**	(26,595)	**(67,713)**	(88,401)
	(269,090)	(272,871)	**(67,713)**	(88,401)
Variable rate instruments				
Financial liabilities:				
Bank borrowings	**(400,806)**	(398,303)	**(5,830)**	(12,661)
Other borrowings	**-**	-	**(67,429)**	(59,991)
	(400,806)	(398,303)	**(73,259)**	(72,652)

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

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

At 31 December 2018, 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 €2.6 million (2017: €2.7 million) lower/higher as a result of higher/lower net interest expense.

37. Risk management objectives and policies - continued

37.3 Market risk – continued

(iii) Price risk

The Group's exposure to equity securities price risk arises from its investments in equities, funds and mutual funds, which are classified in the statement of financial position as 'Financial assets at fair value through profit or loss'. The carrying amount of these investments as at 31 December 2018, amounted to €8.5 million (2017: €8.6 million classified as 'Available-for-sale financial assets'). All of these investments are publicly traded.

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

37.4 Capital management policies and procedures

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

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

37. Risk management objectives and policies - continued

37.4 Capital management policies and procedures - continued

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

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000 (restated)	**€'000**	€'000
Bank loans (Note 26)	**394,517**	380,430	**5,787**	3,375
Bonds (Note 27)	**249,383**	249,656	**-**	-
Assets held under trust (Note 27.2)	**(5,351)**	(3,380)	**-**	-
Other borrowings (Note 28)	**25,170**	26,759	**135,142**	148,392
Less: cash and cash equivalents (Note 21)	**(54,890)**	(44,821)	**(2,766)**	9,225
Net debt	**608,829**	608,644	**138,163**	160,992
Total equity	**908,883**	881,934	**247,568**	254,537
Total capital	**1,517,712**	1,490,578	**385,731**	415,529
Net debt ratio	**40.1%**	40.8%	**35.8%**	38.7%

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.

37. Risk management objectives and policies – continued

37.5 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at balance sheet date of the reporting periods under review may also be categorised as follows. See Note 3.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000 (restated)	**€'000**	€'000
Non-current assets				
Financial assets at amortised cost (2017: Loans and receivables)				
- Amounts due from related companies	**7,657**	8,406	**17,373**	23,641
- Trade receivables and other receivables	**1,406**	484	**1,030**	484
- Cash and cash equivalents - presented within assets placed under trust arrangement	**5,229**	3,258	**-**	-
Current assets				
Financial assets at FVTPL				
- Equity securities	**1,821**	-	**-**	-
- Mutual funds	**6,664**	-	**-**	-
Available-for-sale financial assets				
- Equity securities	**-**	943	**-**	-
- Funds	**-**	3,116	**-**	-
- Mutual funds	**-**	4,545	**-**	-
Financial assets at amortised costs (2017: Loans and receivables)				
- Trade receivables and other receivables	**39,824**	34,354	**8,110**	13,835
Cash and cash equivalents	**61,179**	62,694	**2,809**	61
Total assets	**123,780**	117,800	**35,369**	38,021

37. Risk management objectives and policies – continued

37.5 Summary of financial assets and liabilities by category – continued

	The Group		The Company	
	2018	2017	**2018**	2017
	€'000	€'000 (restated)	**€'000**	€'000
Non-current liabilities				
Other financial liabilities measured at amortised cost				
Bank borrowings	**354,886**	355,602	**4,032**	1,691
Bonds	**249,383**	249,656	**-**	-
Other borrowings	**20,617**	22,207	**134,195**	125,705
Trade payables and other Payables	**3,553**	2,311	**-**	-
Other financial liabilities at FVTPL				
Contingent consideration	**-**	9,215	**-**	-
Current liabilities				
Other financial liabilities measured at amortised cost				
Bank borrowings	**45,920**	42,701	**1,798**	10,970
Bonds	**-**	-		-
Other borrowings	**4,553**	4,552	**947**	22,687
Trade payables and other Payables	**60,187**	57,576	**19,868**	23,894
Other financial liabilities at FVTPL				
Contingent consideration	**8,688**	-	**-**	-
Total liabilities	**747,787**	743,820	**160,840**	184,947

37.6 Financial instruments measured at fair value

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

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

37. Risk management objectives and policies – continued

37.6 Financial instruments measured at fair value – continued

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

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

	The Group			
	2018	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000
	Level 1		Level 3	
Assets				
Financial assets at fair value through profit or loss				
Equity securities	**1,821**	-	-	-
Mutual funds	**6,664**	-	-	-
Available-for-sale financial assets				
Equity securities	-	943	-	-
Funds	-	3,116	-	-
Mutual funds	-	4,545	-	-
Total	8,485	8,604	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Contingent consideration	-	-	8,688	9,215
Total	-	-	8,688	9,215

Measurement of fair value

The fair value of the financial assets at fair value through profit and loss (2017: available-for-sale financial assets) was based on quoted market prices.

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

Further details on the contingent consideration can be found in Note 5.2.1. The opening amount as at 1 January 2018 and the closing amount as at 31 December 2018 are disclosed in Note 31. The movement is presented in net changes in fair value of contingent consideration in the income statement.

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

37. Risk management objectives and policies – continued

37.7 Financial instruments not measured at fair value

Disclosures in respect of the fair value of financial instruments not carried at fair value are presented within Notes 19, 27, 28 and 31. The Directors generally consider the carrying amounts to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods.

38. Ultimate controlling party

The Company is the ultimate parent of the Corinthia Group.

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

39. Events after the reporting period

In January 2019, the Group finalised the acquisition of its 10% share in a prime property, earmarked for development on Moscow's main boulevard. The project once completed, will include a 53-bedroom luxury Corinthia hotel, 4,700m2 of retail and public amenity areas for rent, as well as 16,000m2 in high-end branded residential apartments for sale.

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