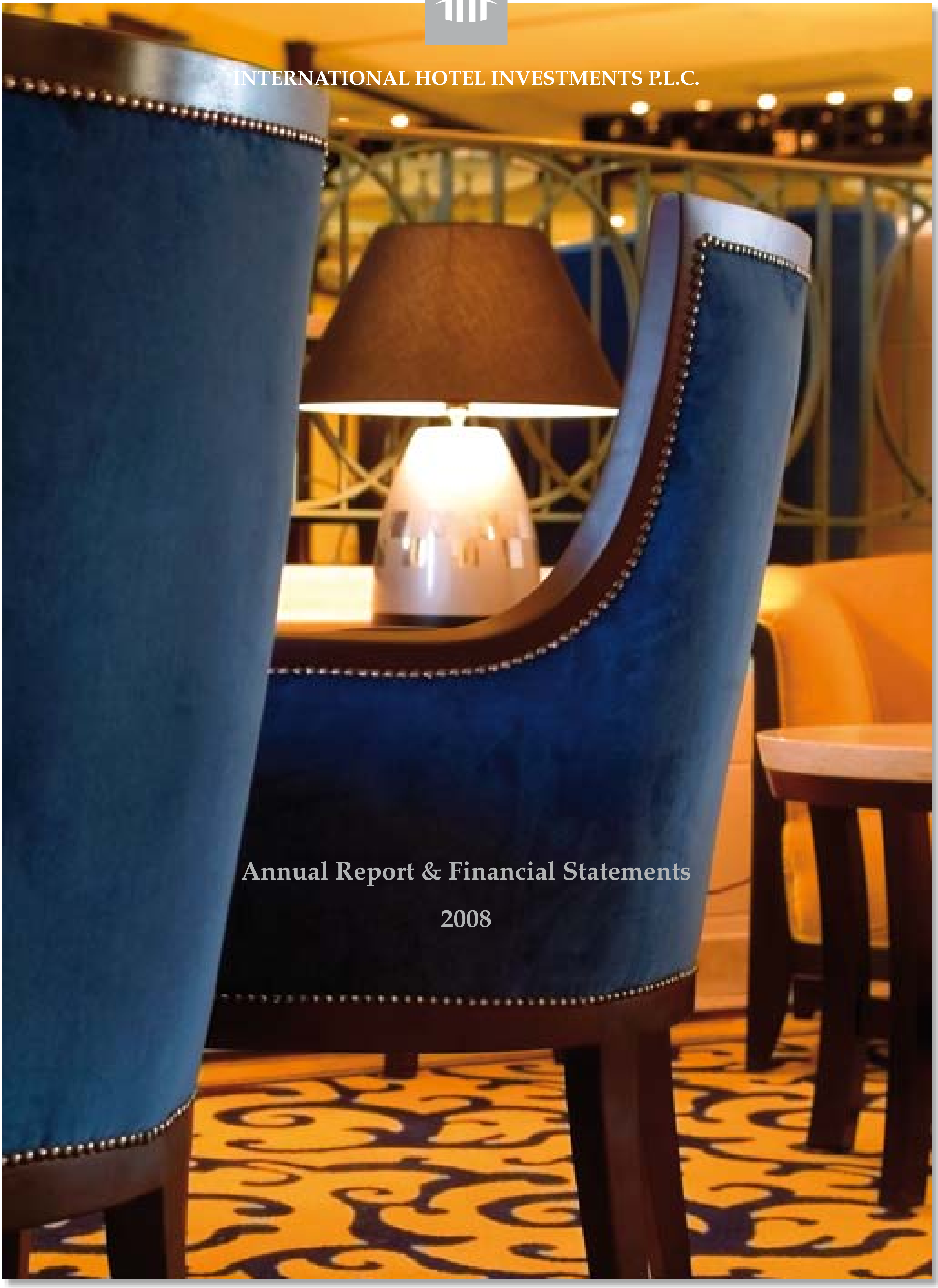
INTERNATIONAL HOTEL INVESTMENTS P.L.C.



Annual Report & Financial Statements

2008

Bedroom detail Corinthia Hotel, London

INTERNATIONAL HOTEL INVESTMENTS P.L.C.

CONTENTS

INTRODUCTION TO IHI

International Hotel Investments p.l.c. (IHI) was launched as a publicly-traded company in 2000 by Corinthia Palace Hotel Company Limited (CPHCL) of Malta, with the intention to acquire, develop and operate upscale hotels, and ancillary real estate, in Europe and beyond, principally in fast-evolving destinations.

CPHCL (Corinthia) is a joint venture between the Pisani family of Malta, and the Libyan Foreign Investment Company (LFICO), which joined the company in 1974. Corinthia has since grown to be the leading private company in Malta with ownership and management interests in hotels in Europe, Africa and the Mediterranean. LFICO is the investment arm of the Government of Libya, with investments and shareholding interests across the globe, and across several sectors.

IHI's investments to date have featured a combination of new-construction landmark developments, as also the acquisition of existing hotels, where IHI has maximised the earnings potential of each of the acquired hotels by way of major refurbishment and expansion projects. Typically, IHI has targeted investment opportunities in evolving, flourishing destinations, working with local authorities to unlock hidden value in landmark real estate. Overall, IHI's policy is to strike a balance between capital appreciation on acquisitions and redevelopments, and healthy operating cashflows.

To date, IHI has acquired and developed landmark hotel projects in London (United Kingdom), Prague (Czech Republic), Tripoli (Libya), Lisbon (Portugal), Budapest (Hungary), St Petersburg (Russia) and St George's Bay (Malta).

In 2006, IHI entered into a Subscription Agreement welcoming Nakheel Hotels of Dubai as another major, strategic shareholder in the company. IHI is proud to bring together such an esteemed group of committed and strong shareholders.

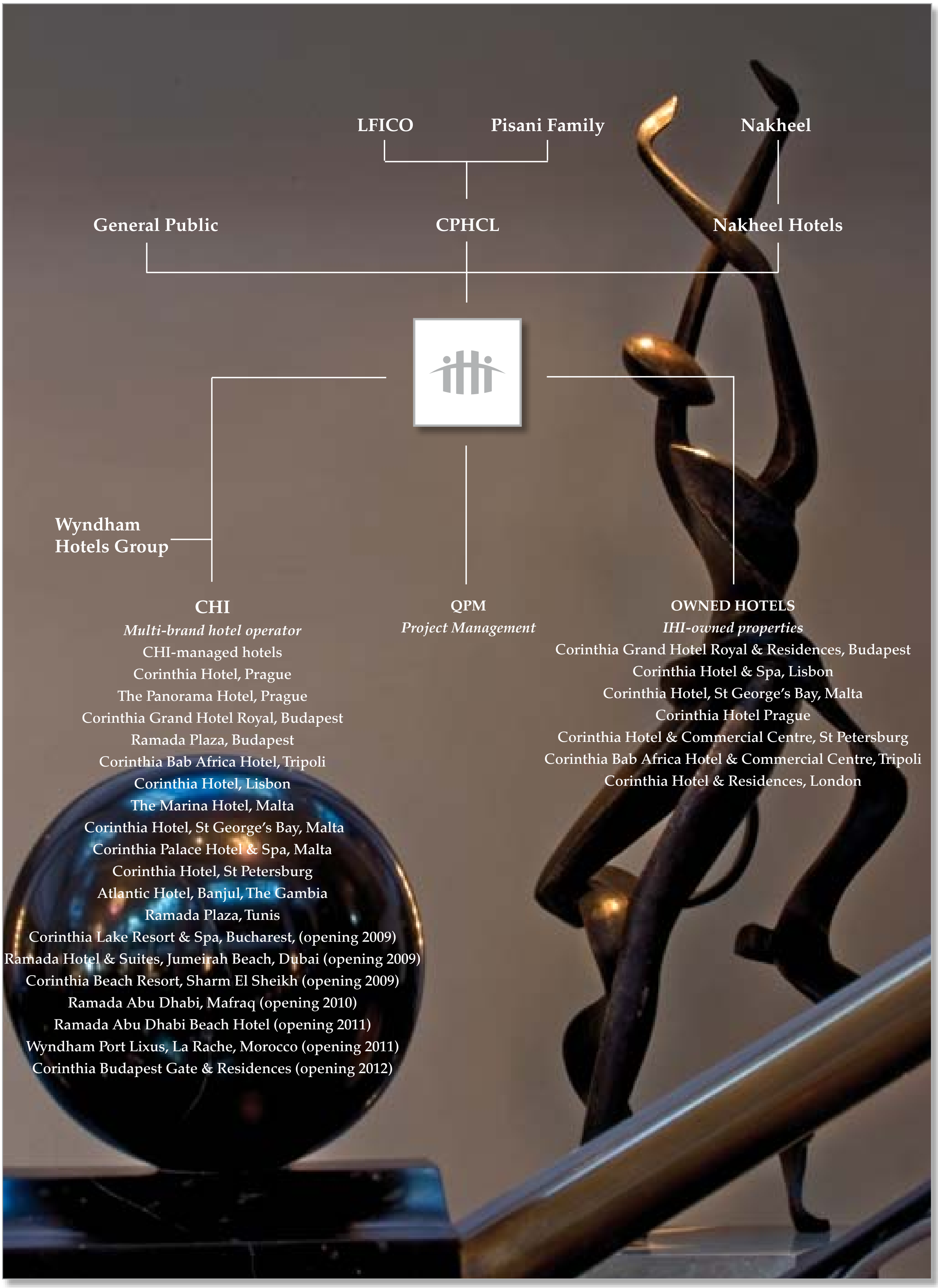
Nakheel Hotels is an integrated hotel development, investment and asset management business with investments under management currently in excess of $4 billion. Nakheel Hotels' goal is to deliver exceptional returns through the acquisition and active management of luxury hotels in key gateway cities and resorts around the world, together with strategic equity investments and investment in branded budget hotels in key growth markets. Building and leveraging relationships with key strategic partners is central to the company's investment strategy.

Investments include the Mandarin Oriental and W Union Square hotels in New York, W Hotel Washington in Washington DC, the One & Only Resort in Los Cabos, Mexico, the Fontainebleau Resort in Miami, the Atlantis The Palm in Dubai and significant equity stakes in Kerzner, operator of the Atlantis and One & Only brands and IHI, owner of a portfolio of hotels in Europe and North Africa operated under the Corinthia brand. Nakheel Hotels also has significant investments in the budget hotel sector, holding the master franchise rights for easyHotels.com in the MENA region with the first hotels under development in Dubai, and an investment in Tune Hotels in the ASEAN region.

Since 2006, IHI is also the principal shareholder in a hotel management company – CHI Limited (CHI) trading as Corinthia Hotels – in partnership with Wyndham Hotels Group of the United States. CHI is the nominated licensed operator of the Corinthia, Wyndham and Ramada Plaza brands across Europe, Africa and the Middle East.

Wyndham Hotels Group is one of three principal divisions of the NYSE-listed Wyndham Worldwide, the others being RCI Global Vacation Network and Wyndham Vacation Ownership. Wyndham Hotels Group encompasses more than 6,300 franchised and managed hotels and 535,000 hotel rooms worldwide, operating under one or the other of WHG's several renowned brands, including Wyndham, Ramada, Days Inn, Howard Johnson and Super 8. In Europe, Africa and the Middle East, WHG operates hotels under the Wyndham and Ramada Plaza brands by way of CHI Limited, the joint venture with IHI.

In support of its investments and developments in the hotel sector, IHI is also a strategic shareholder in QPM Limited, a construction project management company having a specialist track record in the management of major hotel construction and refurbishment projects in a wide range of countries. Through this association, IHI is reassured of its interests in all its hotel projects, adopting an intimate, direct involvement in the planning and execution of investment projects.


LFICO
Pisani Family
Nakheel
General Public
CPHCL
Nakheel Hotels
Wyndham Hotels Group
CHI
Multi-brand hotel operator
CHI-managed hotels
Corinthia Hotel, Prague
The Panorama Hotel, Prague
Corinthia Grand Hotel Royal, Budapest
Ramada Plaza, Budapest
Corinthia Bab Africa Hotel, Tripoli
Corinthia Hotel, Lisbon
The Marina Hotel, Malta
Corinthia Hotel, St George's Bay, Malta
Corinthia Palace Hotel & Spa, Malta
Corinthia Hotel, St Petersburg
Atlantic Hotel, Banjul, The Gambia
Ramada Plaza, Tunis
Corinthia Lake Resort & Spa, Bucharest, (opening 2009)
Ramada Hotel & Suites, Jumeirah Beach, Dubai (opening 2009)
Corinthia Beach Resort, Sharm El Sheikh (opening 2009)
Ramada Abu Dhabi, Mafraq (opening 2010)
Ramada Abu Dhabi Beach Hotel (opening 2011)
Wyndham Port Lixus, La Rache, Morocco (opening 2011)
Corinthia Budapest Gate & Residences (opening 2012)
QPM
Project Management
OWNED HOTELS
IHI-owned properties
Corinthia Grand Hotel Royal & Residences, Budapest
Corinthia Hotel & Spa, Lisbon
Corinthia Hotel, St George's Bay, Malta
Corinthia Hotel Prague
Corinthia Hotel & Commercial Centre, St Petersburg
Corinthia Bab Africa Hotel & Commercial Centre, Tripoli
Corinthia Hotel & Residences, London

HISTORICAL TIMELINE

2000

1 IHI is incorporated on 29 March 2000 and immediately acquires the 250-bedroom Corinthia Hotel St George's Bay, Malta, and the derelict shell of the Grand Hotel Royal in Budapest.

2001

2 Acquisition of the 430-bedroom Alfa Hotel in Lisbon on 16 August 2001.

2002

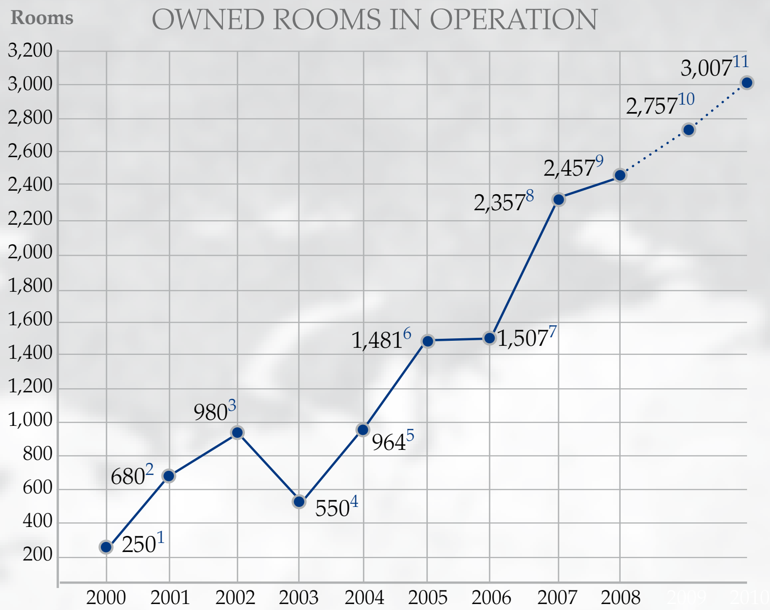
3. Acquisition of the 300-bedroom Corinthia Hotel, St Petersburg on 16 January 2002 together with adjoining buildings for development.

2003

4 Shut-down of the Alfa Hotel, Lisbon on 24 February 2003 for refurbishment and extension.

2004

5 IHI inaugurates the 414-bedroom Corinthia Grand Hotel Royal, Budapest on 30 April 2003.



2005

6 Corinthia Hotel, Lisbon re-opened on 1 May 2004 with 517 bedrooms.

2006

7 IHI inaugurates 26 penthouse apartments at the Corinthia Grand Hotel Royal in Budapest.

2007

8 IHI acquires the 550-bedroom Corinthia Hotel, Prague, and the 300-bedroom Corinthia Bab Africa Hotel & Commercial Centre, Tripoli.

2008 / 2009

9 IHI completes the extension of the Corinthia Hotel, St Petersburg by a further 100 bedrooms, together with a retail mall and office complex.

10 In April 2008, IHI and its consortium partners acquire the landmark Metropole Building and 10 Whitehall Place in London from the Crown Estate and initiate plans to develop a 300-bedroom luxury hotel and 12 residential apartments.

11 In April 2008, IHI & LFICO enter into a preliminary agreement to jointly develop a mixed-use project including a 250-room luxury hotel in Benghazi, Libya.

Members of the Board of Directors

left to right

Joseph J Vella is a partner in a leading law practice, and a director on the boards of several major companies.

Joseph Fenech, Managing Director, enjoys an acknowledged reputation in the hotel business, having been intimately involved in the Corinthia Group's expansion and financial development over the past 29 years.

Giuseppe (Joe) Sita is the Chief Executive of Nakheel Hotels, the new name for Istithmar Hotels after being consolidated by Dubai World to create a fully integrated hotel investment company. He has extensive experience in financial, operational and development positions within the hospitality industry gained with major international organisations. Mr Sita is also Chairman of CHI Limited.

Alfred Pisani is Chairman and CEO of IHI. He founded and heads the Corinthia Group, IHI's principal shareholder. The Corinthia Group is a leading international hotel developer, investor and operator, with interests in several countries.

Yousef Abdelmaula is the Libyan Foreign Investment Company Executive Director and Vice-Chairman of Corinthia Group. He has a background of several executive roles in the Libyan Foreign Investment Company and the Libyan Foreign Investment Bank.

Frank Xerri de Caro joined the board of IHI in 2005, having previously been the CEO of Bank of Valletta p.l.c., besides serving on the boards of directors of several major financial, banking and insurance institutions. He is also Chairman of the IHI Audit Committee.

Simon Naudi joined the Corinthia Group in a senior executive role in 1997. He has been responsible for business development, particularly acquisitions and project developments.

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

Board members who joined in 2009

Ibrahim Zletni, Chairman and CEO of Libyan Foreign Investment Company (LFICO), has considerable experience in the banking field, having worked with British Arab Commercial Bank (BACB) in London, and more recently as Senior Manager of the International Finance Department of the Libyan Foreign Bank.

Hamza Mustafa is Managing Director of Nakheel Leisure, a subsidiary of Nakheel PJSC of Dubai. He was formerly Managing Director of The World LLC responsible for design, development and marketing of The World Islands Project in Dubai.

Andrew Watson is Chief Investment Officer of Nakheel PJSC International having joined the Group in September 2007. Mr Watson has over 20 years' experience in the financial services sector in the United Kingdom and Europe and more recently in the Middle East. He began his career in consultancy and risk management and prior to joining Nakheel was a director of Barclays Capital Real Estate Group undertaking structured finance for major commercial property and hotel transactions in Europe and the Middle East.

INTERNATIONAL HOTEL INVESTMENTS P.L.C.

CHAIRMAN'S STATEMENT

for the year ended 31 December 2008

Dear Shareholders,

It is my great pleasure and privilege to share with you this report on the activities and performance of International Hotel Investments, IHI, for 2008 as well as the company's vision for the future.

The year under review has been particularly eventful and memorable. On the one hand, 2008 witnessed significant achievements in IHI's development portfolio. This report will review key milestones and deliverables during the year. On the other hand, it would only be appropriate to position such performance against a backdrop of major challenges being faced by companies around the world in the context of the current economic downturn.

During 2008, IHI experienced growth complemented by an increase in profitability. The conservative approach adopted by your board over the years as far as investment policies are concerned, enabled the company to weather the storms that have befallen the global economy.

Two policies in particular have acted as buffers in these circumstances.

Firstly, we have, since the company's inception, distributed our investments across diverse geographic locations. This means we have been able to maintain profitability as a consequence of the excellent performance of our hotels in some countries, notwithstanding the challenges that some of our other properties have had to face in the light of present economic challenges.

Secondly, we have implemented prudent capitalisation and loan policies over the years resulting in a balance sheet that is sufficiently geared with relatively low and sustainable levels of debt. Loan repayments are well within our cash flow possibilities. The same cannot be said of a number of companies which, in recent years, have succumbed to temptations of cheap and readily available debt which is now proving impossible to service or refinance.

These policies, in particular, have been the hallmark of our strategies ever since the formation of IHI more than eight years ago. It is therefore most appropriate to retrace some of the milestones of our journey when evaluating IHI's performance.

In 2000, we started with a capital of €99 million which was primarily invested in two luxury properties: the 250-bedroom Corinthia Hotel St George's Bay in Malta and a historic building in Budapest which, in time, we demolished and redeveloped into the Corinthia Grand Hotel Royal. The latter became Hungary's finest property. Subsequently, we increased our share capital almost six-fold to over €550 million thereby permitting the acquisition of a portfolio of luxury hotels totalling 2,500 bedrooms in Lisbon, St. Petersburg, Prague, Tripoli, Budapest and Malta. We are also in the throes of developing 300 bedrooms at the Corinthia Hotel in London and a further 250 bedrooms at the Corinthia Hotel in Benghazi. During the next year or so, we intend ploughing the remaining free capital into new developments in major cities, the likes of Rome, Paris and New York, that would incorporate *circa* 500 bedrooms.

As shareholders, this growth not only generates pride and satisfaction but in essence it is the realisation of the value we have succeeded in creating through new property development and hotel operations. IHI, as is demonstrated by the financial statements presented in this report, crossed the €1 billion threshold in balance sheet value. This is a remarkable feat when one considers the humble Maltese origins of our company. I am very confident this value will augment significantly in the better years ahead when market valuations regain a buoyant perspective.

There is no doubt that IHI's achievements have only been possible as a result of the hard work of your board of directors and the executive team. These individuals are totally committed to the values of passion, creativity and perseverance. I sincerely believe we have a world-class team at IHI whose dedication, loyalty and enterprising spirit have rendered the possibility of this growth. In this regard, I wish to publicly thank each contributor to IHI's success story.

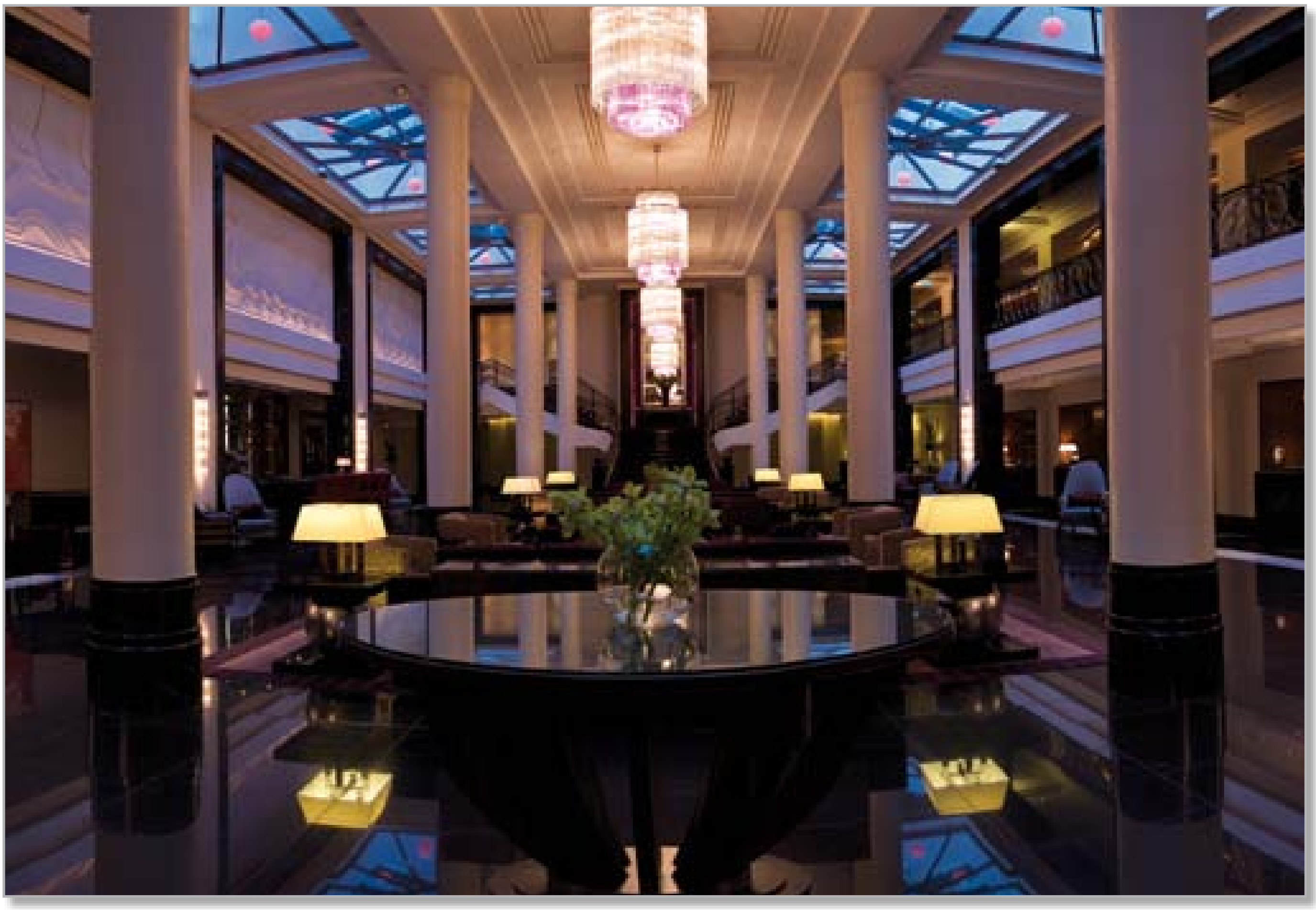
Corinthia Hotel, Budapest

Our company's growth brings with it several responsibilities. IHI is now the second largest company trading on the Malta Stock Exchange. Indeed it is the largest non-banking sector company on the Maltese Islands. In this light, I believe it is in the interest of the shareholders to remain committed to the principle of a second listing on a major global exchange, as had been announced and agreed some time back. In fact, as you are of course aware, we had originally planned for a listing last year and we even went as far as engaging advisors and investment bankers to support us in achieving this objective on the London Stock Exchange. Whilst we very much wished to proceed down this route, the world economic slowdown led to the postponement of the implementation of this policy until such time we see a reliable turnaround in the world's markets. I am confident, however, that our decision to postpone IHI's listing will have important economic benefits. Our objective will be to time our entry into the London Stock Exchange to coincide with an upswing in values, thereby riding on the back of an upturn in business. With time we shall realise that this postponement is a blessing in disguise. I assure you that the second listing of our shares will take place at the opportune moment. We shall do so at a time when we believe we would be able to maximise on future growth in share value.

Dear Shareholders, IHI is a heavily capitalised company engaged in hotel development. Consequently, we have, of late, decided to broaden and diversify our asset portfolio by moving into other areas of commercial real estate that include retail malls and offices as well as residential projects. In the years to come, the sale or rental of these properties will contribute towards consolidating and strengthening our cash flow, thereby increasing the probability of a dividend distribution. For example, in Libya, we are at the planning stage with regard to the development of a residential tower. The proceeds from the sale of residential units in this tower will complement our hotel business in Libya. This comes over and above the value we have succeeded in creating over the years in the form of attractive returns from revaluation reserves which have been distributed as bonus shares, and one-off instances, as in the case of the conversion of our capital from Maltese lira to euro in 2003. The latter took place well in advance of the official national currency change-over and at a higher euro to lira exchange rate than was prevailing when the lira was officially replaced by the euro four years later.

Notwithstanding the good results being reported in our financial statements for 2008, I endorse my board of directors' decision to adopt a cautious position by not recommending a dividend primarily due to the uncertainty that surrounds us as a consequence of the current world economic climate. It is, however, certain that the reserves are in excellent shape waiting to be distributed at a later date and in better times. The adoption of this conservative policy is, in my opinion, a prudent attitude and approach given the several challenges companies are facing at this particular moment in world history.

Corinthia Hotel, Lisbon



Corinthia Hotel, St Petersburg

Dear Shareholders, at this stage I wish to update you on two significant developments.

Firstly, in St. Petersburg, we have completed the development programme that was planned for our properties on Nevskij Prospekt. As you are aware, IHI owns three significant buildings in the main boulevard of this important and historic cultural Russian city. The central property is the original 300-bedroom hotel acquired in 2002. This property has since been entirely refurbished through the construction of a new foyer, lobby, destination bar, restaurants and business centre. We have also completed an extension to the hotel in one of the buildings adjoining the property featuring an additional 100 executive bedrooms. This new property also includes a grand ballroom which is the city's largest five-star hotel space dedicated to functions and meetings. It also incorporates a suite of syndicate rooms for executive meetings, an executive lounge, a presidential suite and terraces overlooking Nevskij Prospekt.

The existing hotel refurbishment and the re-development of the adjoining building has produced the magnificent Corinthia Hotel St. Petersburg. This landmark development will establish itself as the largest and most elegant five-star hotel with more facilities under one roof than any other leading hotel in the city. The Corinthia Hotel St. Petersburg is yet another flagship which will be positioned as the city's premier destination on its inauguration in May 2009.

In the same period, IHI also demolished and rebuilt its main property on the other side of the hotel. The development comprises a shopping mall and an office block scheduled for completion in June 2009. This comprises some 3,500 sq.m. allocated to commercial areas for rent as offices and 7,500 sq.m. as high street retail shops. These premises form an integral part of the overall development as it was deemed appropriate to concurrently complete the hotel and the commercial buildings. However, in the light of the present economic environment, the Board decided to defer the leasing of the shops and the offices towards the end of 2009. It would be wise in our opinion to gain a clearer picture as to what the future holds in store and to lease out the spaces at improved rates rather than risking getting saddled for several years with lower rents prevailing at the moment.

Corinthia Hotel, London at Northumberland Avenue

1883 lithograph of Hotel Metropole, London

A major achievement for IHI, together with our partners the Libyan Foreign Investment Company and Nakheel Hotels, in 2008 has been its selection from among 29 global companies by The Crown Estate of the United Kingdom as the preferred bidder to develop and acquire two major buildings in central London, just off Trafalgar Square. In fact, in April 2008, IHI, together with our partners, signed an agreement with The Crown Estate to undertake a major re-development of these buildings and to acquire the freehold ownership. Over the past months, and in a relatively very short period of time, we succeeded in appointing a full team of design consultants, submitting and obtaining full planning permits including the approval of our neighbours, commencing demolition works, and appointing a main contractor to develop the site for completion in October 2010.

Construction is progressing according to schedule and full bank finance was secured on 23 April 2009 by way of a €150 million loan raised from a syndication of banks led by Barclays Bank plc of the UK. The other members of the syndicate include the Libyan Foreign Bank, the Arab Banking Corporation and the Bank of Valletta of Malta. Given these challenging times, the bank loan in itself represents a major sign of confidence in IHI and our partners, a strong belief in the project as well as in the London luxury hotel market. By any standard, raising such a bank loan in this economic scenario is an admirable feat when one compares such achievement to the failure of other companies which either have had to temporarily stall their projects or had to abandon their development plans altogether. The bank loan mirrors the €150 million investment as equity by the developers, totalling a project cost of €300 million, and resulting in a 50:50 loan to equity gearing for the project. Ironically, the current downturn in the UK's construction industry has played in our favour by enabling us to obtain keener prices from our contractors with the resulting saving creating a larger contingency.

IHI, and its partners, are now set to transform what was originally the Metropole Hotel, opened in 1883, and, subsequently, the headquarters of the Ministry of Defence, into one of London's most lucrative luxury hotels. The Corinthia London Hotel will have 300 bedrooms with room sizes averaging 45 sq.m. and will include duplex penthouse suites and terraces affording spectacular views of the River Thames. The property will be characterised by a large central courtyard foyer and will also comprise two clusters of restaurants, a destination bar, a ballroom restored to its original splendour and a number of syndicate rooms. The adjoining 10 Whitehall Place building will be re-developed to include a 2,500 sq.m. luxury spa operated by ESPA, one of the world's leading spa operators, as well as a suite of 12 exclusive residences ranging from 250 sq.m. up to over 1,000 sq.m. per residence. The target date for completion of the project is end 2010. I assure you our achievements and success in Tripoli, Budapest and now in St. Petersburg will be replicated in the development of this premier property in London.

Looking ahead, we foresee several opportunities for IHI to acquire landmark properties at good values in major cities as we have done in London. Flying the Corinthia flag in prominent capitals will continue to add value to our Company not solely on the merits of each investment but also in the recognition of Corinthia as a brand of excellence.

View across the Thames, London

Artist's impression of the Lounge at Corinthia Hotel, London

Guest room at Corinthia Hotel, London

In conclusion, I would like to re-iterate that the mentioned achievements, as well as IHI's successes since its inception, could only materialise as a result of a philosophy towards life and doing business characterised by the values of passion, prudence, creativity, perseverance and excellence. These values are the stars by which the board of directors and the executive team have navigated during the past 8 years. Were it not for our determination and desire to align ourselves consistently with these values, we would not have succeeded in weathering 2008 in a responsible, effective and focused fashion. Were it not for IHI's insight into the present world economic scenario and our decision to respect the signs of the current times, we would not have made the substantial strides we have accomplished in 2008.

It is as a consequence of our desire to be prudent and conservative that we have taken the tough decision not to distribute a dividend. I am sure, however, you will understand the rationale behind our thinking and I have no doubt that under the present circumstances you would endorse the board's decision. It is as a consequence of our creativity and perseverance that we sought to diversify our portfolio by broadening our horizon to incorporate new facets of commercial real estate, including office and retail spaces, as well as residential developments. It is as a consequence of our passion and the constant search for excellence that we have, and will continue to source landmark properties and to transform into unique destinations.

IHI will continue to reap the benefits of the seeds it has sown over the years. IHI's investments will continue to experience significant capital appreciation in the years to come. It is only a matter of time that IHI's policy of diversification within the real estate sector will lead to the additional yields from the sale of residential properties and the leasing of office and retail spaces that would facilitate the distribution of dividends. It is only a matter of the opportune time that IHI will go for second listing on the London Stock Exchange aiming to enter the UK market as this embarks on its journey to recovery.

I take the opportunity to thank once again the board of directors and the executive team. More importantly, I sincerely wish to express my appreciation, on behalf of the Board, for the trust and confidence you, as shareholders, have always extended towards us.

Alfred Pisani
Chairman and Chief Executive Officer

INTERNATIONAL HOTEL INVESTMENTS P.L.C.

MANAGING DIRECTOR'S REPORT

for the year ended 31 December 2008

We are pleased to report that, despite the international economic downturn manifested in the second half of the year under review, our Group has still managed to improve its results over the previous year.

Whereas the hospitality industry had a strong performance in the first semester, extraordinary events, such as a record spike in the price of oil and commodities, rising inflation, instability in the foreign currency markets and the financial turmoil brought about by the demise of global players in the financial world, had a negative effect on the industry in the second semester.

Unfortunately, this trend has spilled onto 2009 as the global recession continues to escalate, and, although there are some indications that we may have reached the bottom of this downward spiral, it is yet too early to determine when a full economic recovery will occur.

Notwithstanding all of the above, the Group's continuous efforts at strengthening its balance sheet and in achieving a wider diversity in its investment portfolio, both from a geographic as well as from a business segment point of view, have all been instrumental in producing positive results in these challenging times.

Revenue and Profitability Improvements

Group revenues increased by 22.8% to €127.97 million in 2008, from €104.18 million in 2007. Gross operating profit also increased significantly by 27.8% to €49.18 million in 2008 compared to €38.47 million in 2007.

The chart below depicts the increases in revenues, profits and profitability ratios that have been registered by the Group in the five-year period to 2008. Revenues have increased from €46.6 million in 2004 to €127.97 million in 2008 representing a 175% increase. Gross operating profits increased from €12.9 million in 2004 to €49.18 million in 2008 representing a 281% increase. Profits expressed as a percentage of revenues have increased from 28% in 2004 to 38% in 2008 and is, in itself, a clear sign of greater efficiencies achieved during the intervening time period.

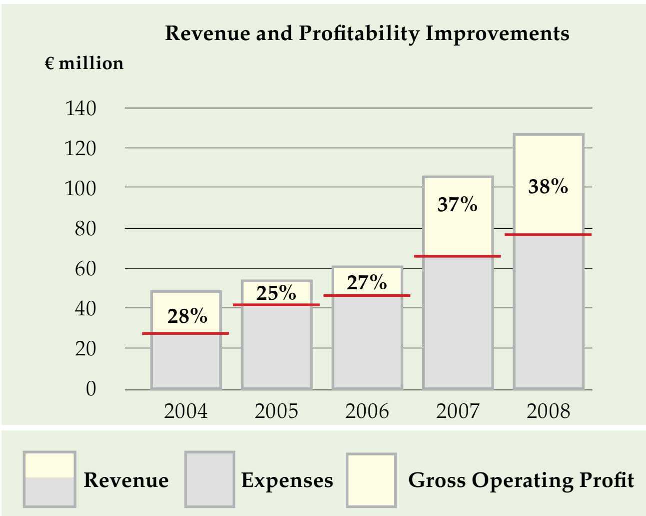


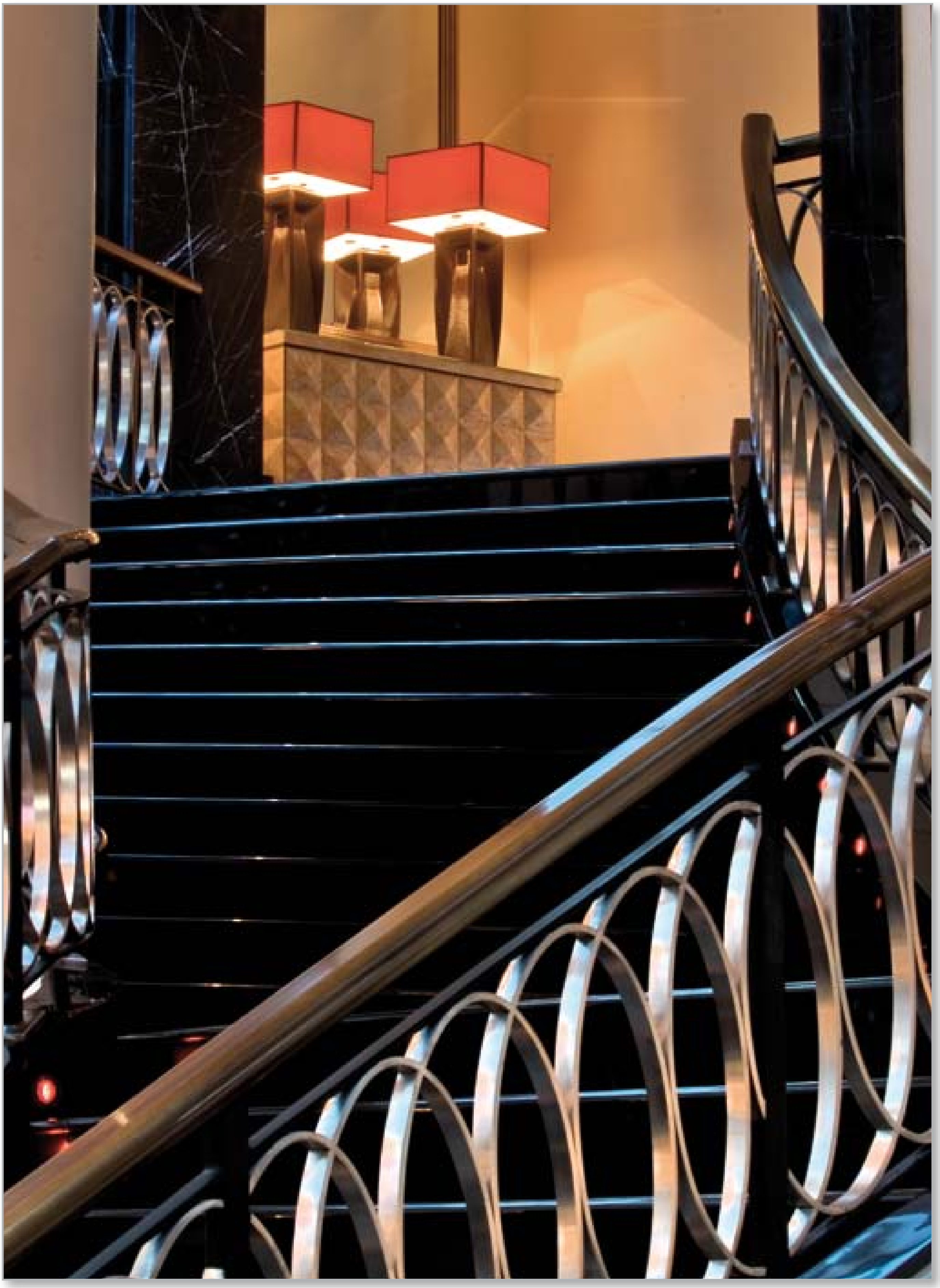
***Chart 1** – Revenue and Profitability Improvements from 2004 to 2008*

The improved results for the year under review were driven by a combination of events. Firstly, the Group benefited from the impact of a full year's performance of the Corinthia Bab Africa Hotel and Commercial Centre in Tripoli and the Corinthia Hotel Prague. In 2007 the performance of these two properties was only reflected for the seven-month period covering June to December, subsequent to their acquisition at the end of May.

Secondly, a number of hotel properties, and in particular those in Tripoli, Lisbon, Budapest and Malta, all registered improved performances over 2007 as they benefited either from an increased level of operational maturity, or, as is the case of the Malta propertty, from the positive effect of the recent refurbishment it has undergone.

Conversely, two of the Group's hotel properties in St Petersburg and Prague, performed at a lower level than the previous year. In the case of the Corinthia Hotel in St Petersburg, the cause was largely due to the major construction and refurbishment works which were carried out to the property itself, and to the two adjoining buildings. The performance of the hotel in Prague, on the other hand, suffered in consequence of a significant increase in the supply of room stock in the five-star hotel sector in the Czech capital without a corresponding increase in demand. This had a negative impact both on the room occupancy and on the average room rate achieved.

Detail of the renovated façade of the Corinthia Hotel, St Petersburg



Corinthia Hotel, St Petersburg

Operating Performance

These positive results were mainly achieved through a steady performance in hotel room sales. 2008 marks the fifth consecutive year during which the Group recorded an improvement in revenue generated per available room in its portfolio as it increased from €56.85 in 2004 to €86.42 in 2008. In consequence, we have witnessed an increase in room revenues from €26.9 million in 2004 to €73.7 million in 2008.

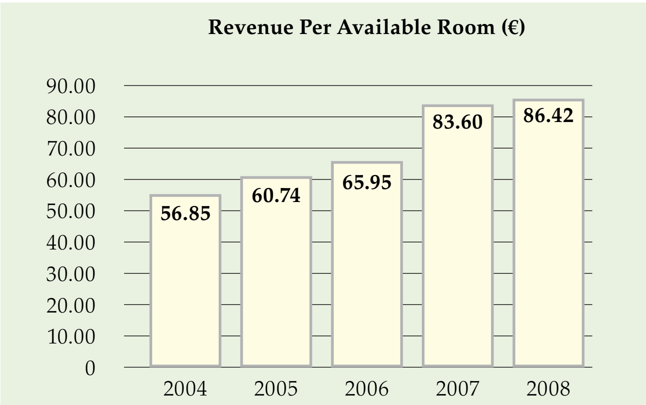


***Chart 2** - Improvement in Revenue Per Available Room 2004 - 2008*

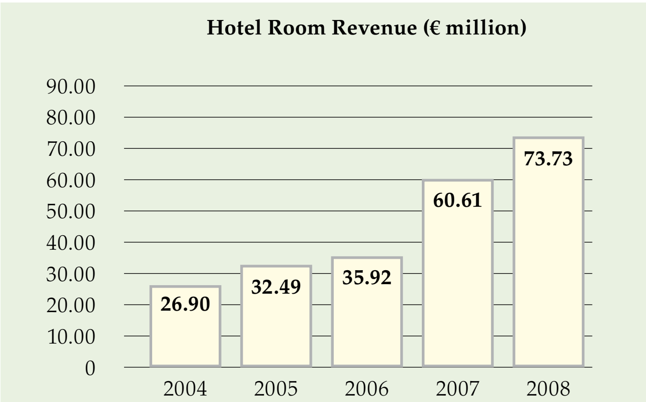


***Chart 3** - Improvement in Hotel Room Revenue 2004 -2008*

The diversity of the Group's investment portfolio mitigates its exposure to any one specific country or source of business. Throughout our eight year trading history, we have experienced many different external factors coming into play, both positive and negative, but the size and spread of our portfolio has enabled us to achieve year-on-year improvements in the overall performance of the business.

Whereas IHI remains primarily a hotel owning company, it has, over the years, managed to put its competences in hotel management and real estate development to profitable use. By the end of 2008, close to €9.85 million or the equivalent of 20.0% of our operating profits was generated from these ancillary business lines.

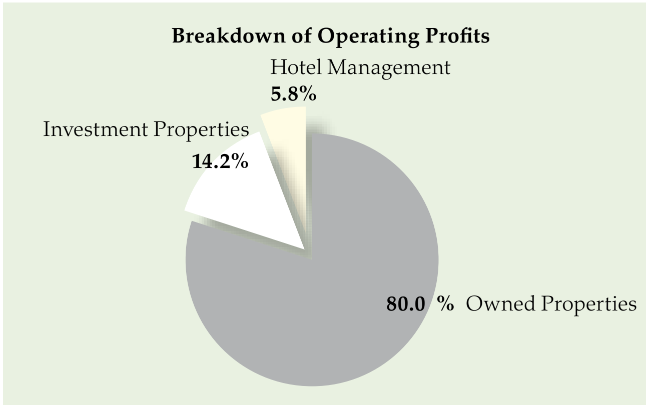


***Chart 4** – Breakdown of Operating Profits*

Whilst all the real estate developments that are currently under way are principally hotel assets, they all contain a significant element of retail, office and/or residential component. This diversity ensures that the Group's earnings from non-hotel owning activities provide a healthy mix between active (hotel business) and passive income (long-term rental income) thereby ensuring a more balanced profit and cash generation.

CHI, the Group's hotel operating arm, continued with its efforts at growing its business during the year under review. We expect this company to continue on its growth path in the years to come.

CHI continued to increase its management agreement signings in 2008. On top of the five agreements concluded in 2007, another seven agreements were concluded in 2008 reflecting a significant increase in rooms under CHI's management. In 2008, the company managed to sign agreements with third party hotel owners in Budapest, Sharm El Sheikh and Abu Dhabi.

The hotels signed up in 2007 and 2008 are all expected to become operational before the end of 2011. Whilst this is expected to improve CHI's profitability in the next couple of years, it should have an even more significant effect over its performance in the medium to long term, when these hotels start achieving operational maturity.

Fair Value Adjustments

The Group's financial statements also feature other key components, notably those resulting from valuations. The resultant adjustments affected both the Group's Income Statement and the Balance Sheet and their recognition was made in accordance with the requirements of International Financial Reporting Standards (IFRS).

The valuations of the Group's hotel properties resulted in a net uplift of €28.06 million. These uplifts were recognised as follows:

- €24.53 million directly to reserves in the Group's Balance sheet. This relates to uplifts in value of the Tripoli, Budapest and St Petersburg properties;

- €3.54 million in the Group's Income Statement.

The latter adjustment in the Income Statement represents a reversal of an impairment recognised in previous years on the Corinthia Hotel, Lisbon net of impairment losses of €8.07 million and €1.23 million respectively suffered on our hotel properties in Prague and Malta. As was the case with the impairments recognised on the Lisbon property in previous years, we expect to see a reversal of these two impairments in future, once there is a recovery from the economic downturn.

A revaluation to fair value exercise was also carried out on the Group's investment properties in St Petersburg and Tripoli. This resulted in a total uplift of €26.25 million which was recognised directly in the Group's Income Statement.

Against these two uplifts, however, we had to recognise an impairment of €15.11 million in goodwill previously recognised on the acquisition of Corinthia Hotel, Prague and which, in view of the current year's impairment in the value of this hotel property, had to be written-off.

Additionally, we are also recognising a loss of €3.29 million on the net fair value of Interest Rate Swaps. Pursuant to the conditions of two specific bank loan agreements entered into in Lisbon and Prague, the hotel owning subsidiary companies were bound to enter into interest rate hedging agreements for terms ending in 2013 and 2014 respectively to minimise their exposure to interest rate fluctuations. As a result of the unprecedented cuts in the euro interest rates that were announced in quick succession in the latter part of 2008, we had to recognise a loss of €1.03 million and €2.26 million respectively to reflect the fair value of these hedging instruments. Since it is our intention to hold these instruments until maturity, any fair value adjustments reported this year will be reversed in future years.

The income statement of the Group is summarised in the following table:

	2008 Group € million	2007 Group € million
Gross operating profit	**49.18**	38.47
Non-operational administrative costs	**(5.28)**	(4.71)
Depreciation and amortisation	**(22.66)**	(17.62)
Profit before revaluation adjustments	**21.24**	16.14
Net revaluation uplifts and write-off of goodwill	**14.68**	7.72
	35.92	23.86
Net interest expense including loss on interest rate swaps and share of associates' profits(losses)	**(13.64)**	(9.83)
Profit before taxation	**22.28**	14.03
Taxation	**(8.28)**	(4.02)
Profit after taxation	**14.00**	10.01

Balance Sheet

For the first time total asset value exceeds €1 billion and out of this amount more than 60% is represented by equity and shareholders' funds. This is indeed a very healthy position to be in, particularly in these difficult times. The Group is following a very prudent debt-to-equity policy and is, therefore, well poised to face the current challenges brought about by the financial crisis. We are also pleased to report that shareholders' funds have increased by €38.10 million for the year under review. This increase represents the profit after tax registered for the year of €14.00 million and a net revaluation uplift on the Group's properties of €24.53 million. Net asset value per share increased from €1.08 as at 31 December 2007 to €1.12 as at 31 December 2008.

Liquidity and Cash Flow

The positive trend in cash flow generation gathered further momentum during the course of 2008. In total, cash generated from operations increased from €29.32 million in 2007 to €44.21 million in 2008, which is equivalent to a year-on-year increase of 50.78%. This strong cash flow generation coupled with the cash available through the equity increase of 2007, enabled the Group to reduce its loan balances by €16.52 million and to internally fund capital expenditure and investments to the tune of €103.16 million. Investments made during the year under review relate to the acquisition, along with two of its principal shareholders, LFICO of Libya and Nakheel Hotels of Dubai, of the former Metropole Hotel in Northumberland Avenue and adjoining building in 10 Whitehall Place, London. At Balance Sheet date, the Group's share of this investment amounted to €43.16 million. Capital expenditure incurred during 2008 related, in the main, to works carried out on the hotel and commercial centre in St Petersburg which were funded, in their entirety, from the Group's cash flow.

Corinthia Hotel, St Petersburg

Interest Cover and Debt Levels

Interest expense, excluding interest income received and fair value adjustments to hedging instruments, expressed as a percentage of operating profits dropped further to 32% in 2008 from 36% in 2007. This is the combined result of year-on-year increases in profitability on the Group's assets and a more conservative gearing ratio. The chart below illustrates the ratio of interest expense as a percentage of operating profit for the five-year period 2004 to 2008. It is heartening to note that, despite a substantial increase in the cost of interest in real terms over this five-year term, the ratio of interest to profit has fallen dramatically from 68% in 2004 to 32% in 2008. In effect, over this five-year term, the ratio of interest expense to operating profit has reversed in that whilst in 2004, interest cost accounted for 68%, or more than two-thirds of operating profit with free cash flow being 32%, by 2008, interest expense reduced to 32% or one-third of operating profit and free cash flow increased to 68%.

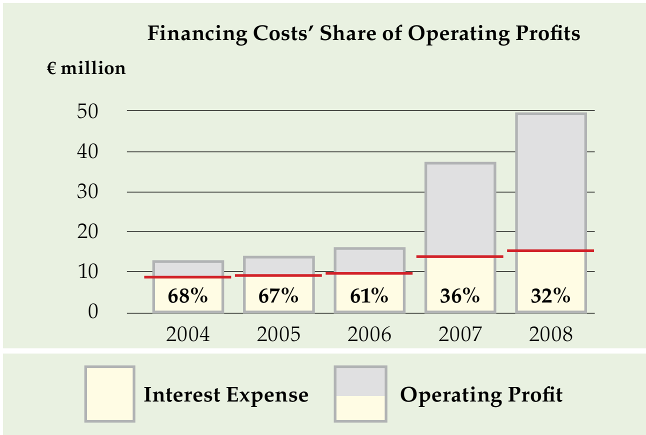
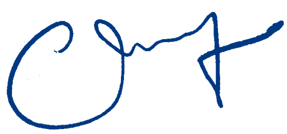


***Chart 5** – Financing costs' share of operating profits in the period 2004 - 2008*

Looking Ahead

In challenging times similar to the ones that we are experiencing now, the qualities of perseverance and hard work that have characterised our development until today, take centre stage in ensuring that we become an even stronger organisation. With the inspiring vision of our Chairman, strategy of our board of directors, and unending support of our executives, we look towards the future with optimism.



Joseph Fenech
Managing Director

Corinthia Hotel, St Petersburg

OUR PRINCIPAL CAPITAL PROJECTS

2008 – 2009

Artist's impression, suite - Corinthia Hotel, London

Corinthia Hotel, London at Northumberland Avenue

CORINTHIA
HOTEL
LONDON

Corinthia Hotel, London - Aerial view

Corinthia Residences, London - Whitehall Place

Corinthia Hotel, London - Whitehall Place

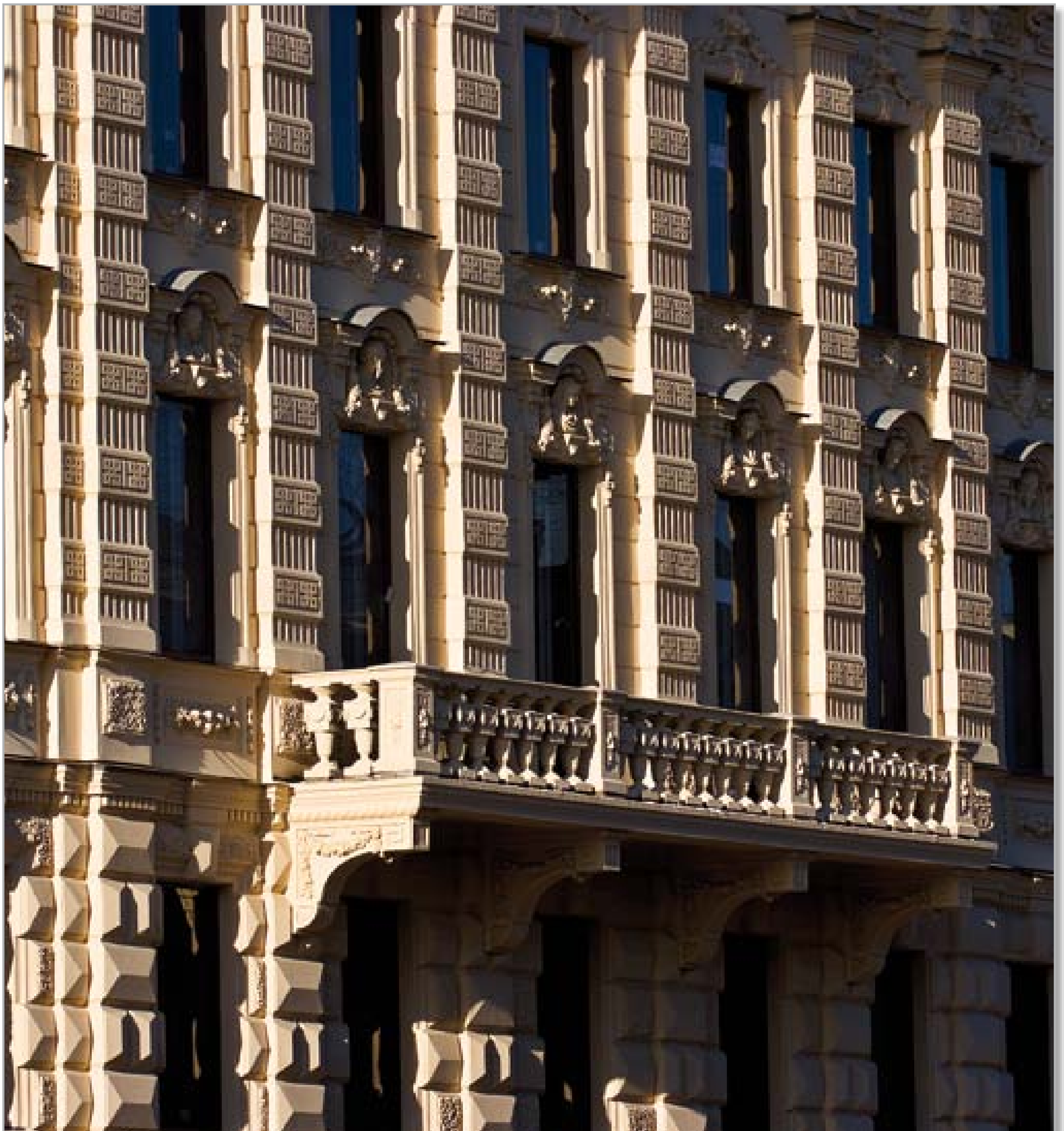
The Metropole Building on Northumberland Avenue and the adjoining 10 Whitehall Place, were acquired from The Crown Estate last year by a consortium owned equally by IHI and two of its principal shareholders, the Libyan Foreign Investment Company and Nakheel Hotels of Dubai.

IHI is now set to transform what was the original Metropole Hotel from the 1880s and subsequently part of the Ministry of Defence, into one of the Capital's most exceptional luxury hotels, having 300 bedrooms with room sizes averaging 45m^2, including multi-level penthouse suites and terraces affording spectacular views of the River Thames, Trafalgar Square and Whitehall. The property will also include a large central courtyard foyer, two clusters of restaurants, a destination bar, a ballroom restored to its original splendour and meeting facilities. The adjoining 10 Whitehall Place property will be redeveloped to include a 2,500m^2 luxury spa operated by ESPA, as well as a suite of 12 exclusive residences ranging from 250m^2 up to over 1,000m^2. The project is targeted for completion by the end of 2010.

Guest bedroom

Artist's impression of the Ballroom

Artist's impression of the Lobby



Façade detail - Corinthia Hotel, St Petersburg

CORINTHIA
HOTEL
ST PETERSBURG

New hotel lobby

IHI acquired full ownership of the Corinthia Hotel, St Petersberg in 2002, together with two large 18th century properties on either side of the Hotel fronting the main boulevard of city of St Petersburg. The location is truly outstanding, right in the historic and commercial centre of this grand imperial city, Europe's fifth largest.

The five-star Hotel, which was operating as the Sheraton Nevskij Palace Hotel on acquisition, was renamed the Corinthia Hotel St Petersburg and has continued trading profitably and uninterruptedly since then, competing right at the upper end of the St Petersburg hotel market.

Simultaneously, IHI commenced the protracted process of relocating residential and commercial tenants from the adjoining properties and submitting plans for the redevelopment of these large sites. In due course, full planning permits were obtained to demolish the two properties, on account of their dilapidated state, conditional to the rebuilding of the façades back to their original styles and grandeur. The permit, however, allowed for unrestricted space planning behind the façades, as well as for an additional four floors, above the original four storeys, retracted from the front façade line so as not to be visible from the main boulevard, and yet providing substantial development gains to IHI.

In one property, IHI has since developed an extension to the Hotel featuring an additional 107executive bedrooms, bringing the total number of bedrooms in the Hotel to 400. This new property hosts a large convention centre that includes a grand ballroom, which is the city's largest five-star hotel space dedicated to functions and meetings, as well as a suite of syndicate rooms for executive meetings and events, an executive lounge, a presidential suite and terraces overlooking Nevskij Boulevard.

While this extension was proceeding, IHI extensively refurbished the existing Hotel through the construction of a new foyer, lobby, destination bar, restaurants and business centre.

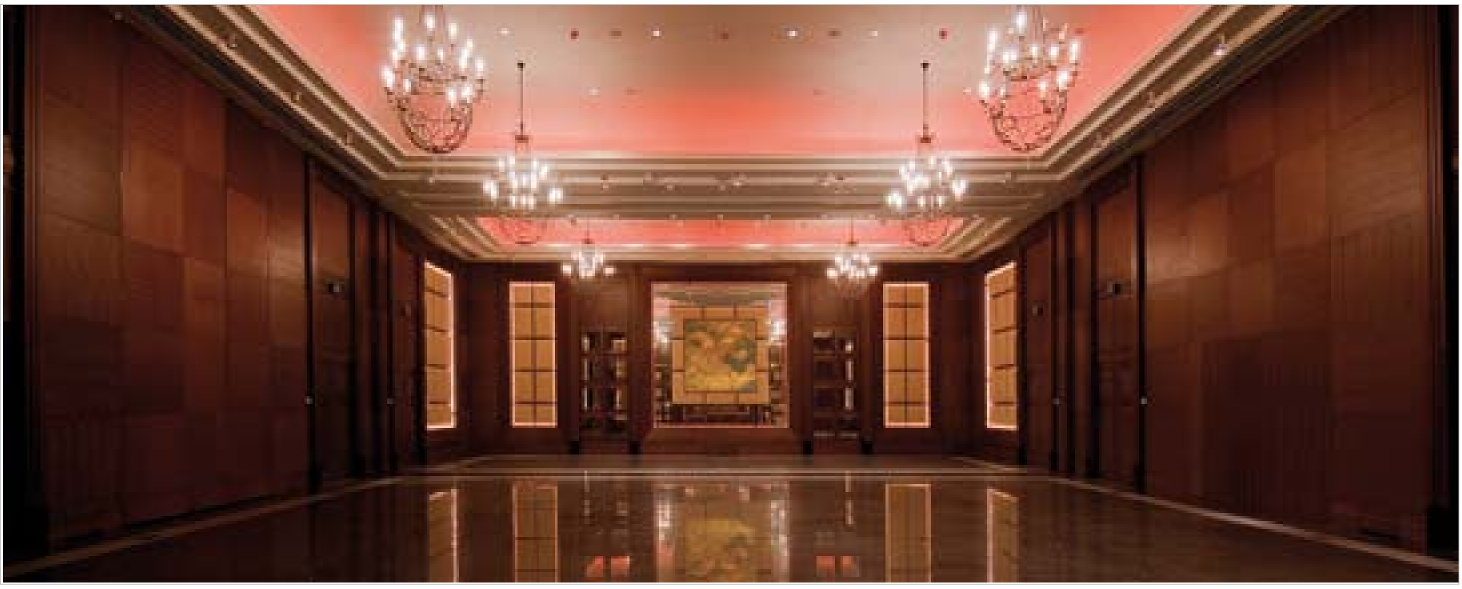
All together, the existing Hotel refurbishment and the adjoining redevelopment of one of IHI's properties has resulted in the Corinthia Hotel St Petersburg establishing itself as the largest and most elegant five-star hotel in the city, with more facilities under one roof than any other of the leading hotels in the City.

In the same period, IHI has also demolished and rebuilt its main property on the other side of the Hotel. Here, IHI has developed a shopping mall and an office block, scheduled for completion in June 2009. All together, IHI has some 7,700m^2 allocated to commercial areas for rent as offices, and 3,800m^2 dedicated to premium retail.

- Project Completion in May 2009
- Project Capital Investment of €90 million over and above property acquisition costs
- The largest five-star Hotel & Commercial Centre in St Petersburg, with better and more facilities under one roof than any other hotel in the City

Pre-function area to Ballroom

Corinthia Hotel, St Petersburg


Ballroom


Guest bedroom


Commercial Centre

CORINTHIA
GRAND HOTEL ROYAL
BUDAPEST

The Corinthia Grand Hotel Royal in Budapest is a landmark, deluxe property, originating in the grand architectural epoch of the late 19th century. The hotel was acquired by IHI as a vacant building in April 2000, and subsequently demolished to make way for a 60,000m^2 reconstruction that retained the historic façade and the 19th century classical ballroom. The new hotel consists of 414 executive bedrooms, as well as extensive support facilities. These include conference facilities covering 3,600m^2 of meeting and exhibition areas; the fully-restored 19th century ballroom; a multi-storey 260-vehicle carpark and coach park; a nightclub; and various restaurants and dining outlets. The hotel was officially opened in April 2003.

In 2006, IHI completed the refurbishment of a unique 1,000m^2 spa adjoining the hotel. The spa was originally built in 1866 and has now been extensively renovated, comprising a 15-metre pool set in a spectacular atrium, state-of-the-art steam baths and saunas, 13 treatment rooms and a wide range of the latest spa facilities.

Also in 2006, IHI completed the fit-out of 26 luxury apartments for long-term staying guests. The penthouse apartments range in size from 80m^2 to 120m^2 and are now fully operational.

CORINTHIA
HOTEL
LISBON

The high-rise Corinthia Hotel & Congress Centre in Lisbon, was acquired by IHI in August 2001 and subsequently shut down in February 2003 to make way for a thorough refurbishment and upgrade to five-star status. The renovated hotel was re-opened in May 2004, and comprises 517 bedrooms, a 280-cover main restaurant, a 120-cover Portuguese restaurant and a lobby bar. Above all, the hotel is fully equipped for the meetings, conference and incentive markets. Its 3,000m^2 allocated to state-of-the-art meeting facilities make it the largest conference hotel in Lisbon, able to handle 1,400 delegates at any given time, supported by a 24th floor executive check-in, dining and business facilities.

In 2007, work was completed on the final phase of the refurbishment project which saw the total upgrade of all rooms up to the standard of the other rooms which were refurbished in the first phase.

Furthermore, works are ongoing and nearing completion on the construction of a luxury 1,000m^2 spa and health centre in the hotel. The new spa is expected to welcome guests in May 2008.

CORINTHIA
HOTEL
ST GEORGE'S BAY, MALTA

The Corinthia Hotel, Malta is a modern development sitting on 28,000m^2 of prime site land, right at the water's edge in St. George's Bay, by far Malta's premier location for hotel and commercial real estate. The hotel was the first IHI acquisition, having been taken over soon after the Company's inception in April 2000. The 250-room hotel is particularly geared for the leisure and conference markets, with extensive meeting facilities and a private beach lido serviced by several restaurants and dining venues.

In 2006, the hotel completed a major refurbishment project. The refurbishment comprised a total upgrade of the hotel foyer, all bedrooms and corridors, as well as the introduction of the latest technological systems in the hotel sector. This upgrading places the Corinthia Hotel at the forefront of the leading five-star hotels in Malta.

CORINTHIA
BAB AFRICA HOTEL
TRIPOLI

The Corinthia Bab Africa Hotel & Commercial Centre is the landmark development in downtown Tripoli, located right at the heart of the city's commercial and historic districts, overlooking both the Medina and the Mediterranean Sea. The property was inaugurated in 2003 by Corinthia Group and acquired by IHI in June 2007.

The hotel is housed in two, spectacular high-rise towers, and is the only deluxe accommodation facility available in the City, having 300 executive rooms and suites, as also an array of conference, banqueting and food outlets.

The property also features a luxury spa, outdoor swimming pools and luxurious public areas.

The commercial offices in a purpose-built building adjoining the hotel towers are an integral component of the project, and house 10,000m^2 of top quality offices, fully occupied by a select number of blue chip companies operating in the oil and gas sector.

CORINTHIA
HOTEL
PRAGUE

The Corinthia Hotel Prague, Czech Republic was acquired by IHI in June 2007.

The hotel is a landmark five-star high-rise 550-room property overlooking the City's historic centre, and adjoining the national congress centre of the Czech Republic. The property is one of the leading, major hotel properties in the country, and has been fully refurbished over the past years.

This property is a leading conference hotel in its own right, having over 3,000m^2 of meeting space, besides extensive food and beverage operations, a spa and roof top swimming pool and an executive business lounge floor, all affording dramatic views of the City of Prague.

The 550 rooms include 15 Executive Suites, 16 Junior Suites, six Standard Suites and one Presidential Suite. Executive Club rooms enjoy separate check-in plus private breakfast in the Club Lounge.

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

DIRECTORS' AND OTHER STATUTORY REPORTS & FINANCIAL STATEMENTS

Year ended 31 December 2008

CONTENTS

The directors present their report of International Hotel Investments p.l.c. (the "company") and the group of which it is the parent for the year ended 31 December 2008.

Principal activities

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

Review of business development and financial position

The results of the operations for the year are as set out in the income statements. The Managing Director's report reviews the business of the group for the year and the financial position at 31 December 2008.

Bonus shares

The Annual General Meeting held on 15 May 2008 approved a resolution to issue three fully paid-up bonus shares for every hundred ordinary shares in issue as at 18 April 2008. 16,112,854 bonus shares were issued and allotted.

Future developments

The Chairman's report details the developments in the business of the group including those expected to materialise after the date of this report.

Going concern

The directors have reviewed the company's and the group's operational and cash flow forecasts. On the basis of this review, after making enquiries, and in the light of the current financial position, the existing banking facilities and other funding arrangements, the directors confirm, in accordance with Listing Rule 9.44e.13, that they have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

Board of Directors

Mr Alfred Pisani	(Chairman and Chief Executive Officer)
Mr Joseph Fenech	(Managing Director)
Mr Ibrahim Zletni	(appointed on 25 August 2008)
Mr Giuseppe (Joe) Sita	
Mr Andrew Watson	(appointed on 15 May 2008)
Mr Hamza Mustafa	(appointed on 5 February 2009)
Mr Simon Naudi	
Dr Joseph J Vella	
Mr Frank Xerri de Caro	
Mr Richard Johnson	(resigned on 15 May 2008)
Mr Khaled Al Kamda	(resigned on 15 May 2008)
Mr Mustafa Khattabi	(resigned on 25 August 2008)
Mr David Nicholson	(appointed on 15 May 2008 and resigned on 5 February 2009)

Principal risks and uncertainties faced by the group

The group started trading in 2000, undertaking a strategy of rapid expansion. The group's business is reliant on hotel properties and operations which are seasonal in nature. The hotel industry globally is characterised by strong and increasing competition. 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's major operations are located in stable economies. The group also owns certain subsidiaries that have operations situated in emerging markets. Emerging markets present different economic and political conditions from those of the more developed markets and could possibly present less social, political and economic stability. Businesses in emerging markets may not be operating in a market-oriented economy as known in other developed markets.

The current economic recession is having an impact on the demand for the group's services with a consequential negative effect on occupancies and average room rates. To counteract this difficult period the group is taking all necessary measures to tap new markets, streamline operations and reduce costs without impinging on the quality of service provided by its hotels.

Reserves

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

Statement of directors' responsibilities

The Companies Act, 1995 requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the company and group for that period in accordance with International Financial Reporting Standards in respect of the company and International Financial Reporting Standards as adopted by the European Union in respect of the group. In preparing those financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company and group will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, 1995.

They are also responsible for safeguarding the assets of the company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors, through oversight of management, are responsible for ensuring that the group designs, implements and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the directors, for establishing a control environment and maintaining policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the group's business. This responsibility includes maintaining controls pertaining to the group's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud.

Approved by the board of directors on 9 April 2009 and signed on its behalf by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

Registered Office
22 Europa Centre,
Floriana FRN 1400,
Malta

STATEMENT BY THE DIRECTORS

on the financial statements and other information included in the annual report

Pursuant to Listing Rule 9.44c, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the annual report and prepared in accordance with the requirements of International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company and its subsidiaries included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and position of the company and its subsidiaries together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the board of directors on 9 April 2009 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

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

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

Compliance

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

The board

The board of directors is entrusted with the overall direction and management of the company, including the establishment of strategies for future development, and the approval of any proposed acquisitions by the company in pursuing its investment strategies. Its responsibilities also involve the oversight of the company's internal control procedures and financial performance, and the review of business risks facing the company, thus ensuring that these are adequately identified, evaluated, managed and minimised. All the directors have access to independent professional advice at the expense of the company, should they so require.

The board of directors consists of three executive directors and six non-executive directors. The present mix of executive and non-executive directors is considered to create a healthy balance and serves to unite all shareholders' interests, whilst providing direction to the company's management to help maintain a sustainable organisation. The board is made up as follows:

Executive directors		*Date of first appointment*
Mr Alfred Pisani	Chairman and Chief Executive Officer	29 March 2000
Mr Joseph Fenech	Managing Director	29 March 2000
Mr Simon Naudi	Executive Director	8 June 2005

Non-executive directors	*Date of first appointment*
Mr Ibrahim Zletni	25 August 2008
Mr Giuseppe (Joe) Sita	5 December 2006
Mr Andrew Watson	15 May 2008
Mr Hamza Mustafa	5 February 2009
Dr Joseph J Vella	29 March 2000
Mr Frank Xerri de Caro	2 July 2004
Mr Richard Johnson	5 July 2007 (resigned 15 May 2008)
Mr Khaled Al Kamda	5 July 2007 (resigned 15 May 2008)
Mr Mustafa Khattabi	21 November 2006 (resigned 25 August 2008)
Mr David Nicholson	15 May 2008 (resigned 5 February 2009)

Mr Alfred Fabri acts as secretary to the board of directors.

On 15 May 2008, Mr Khaled Al Kamda and Mr Richard Johnson resigned and Mr Andrew Watson and Mr David Nicholson were appointed directors. At the Annual General Meeting held on 15 May 2008, Mr Alfred Pisani, Mr Joseph Fenech, Mr Mustafa Khattabi, Dr Joseph J. Vella, Mr Simon Naudi, Mr Giuseppe (Joe) Sita, Mr Andrew Watson, Mr David Nicholson and Mr Frank Xerri de Caro were re-appointed directors for a further term. On 25 August 2008 Mr Mustafa Khattabi resigned and Mr Ibrahim Zletni was appointed director. On 5 February 2009 Mr David Nicholson resigned and Mr Hamza Mustafa was appointed director.

The roles of Chairman and Chief Executive Officer are both carried out by Mr Alfred Pisani. Although the Code recommends that the role of Chairman and Chief Executive Officer are kept separate, the directors believe that, in view of the particular circumstances of the company, Mr Pisani should occupy both positions.

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

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

Meetings attended by the directors for the year under review in terms of Principle 5.4 are as follows:

Mr Alfred Pisani	5	
Mr Joseph Fenech	5	
Mr Ibrahim Zletni	2	(appointed 25 August 2008)
Mr Giuseppe (Joe) Sita	5	
Mr Andrew Watson	2	(appointed 15 May 2008)
Mr Simon Naudi	5	
Dr Joseph J Vella	5	
Mr Frank Xerri de Caro	5	
Mr Richard Johnson	2	(resigned 15 May 2008)
Mr Khaled Al Kamda	-	(resigned 15 May 2008)
Mr Mustafa Khattabi	2	(resigned 25 August 2008)
Mr David Nicholson	-	(appointed 15 May 2008 and resigned on 5 February 2009)

Terms of appointment

The appointment of directors to the board is reserved to shareholders or a number of members who individually or between them have a "qualifying holding", defined in the Articles of Association as 11% of the total issued share capital of the company having voting rights.

A shareholder or a number of members who individually or between them hold the qualifying holding (11%) plus one share of the issued share capital of the company are entitled to appoint one director for every such 11% shareholding held. Any shareholder who does not appoint a director or directors in terms of the qualifying holding will participate in the annual election of directors at the Annual General Meeting of the company. Shareholders who are entitled to appoint directors in terms of the qualifying holding shall be entitled to participate in the annual election of directors, provided that in such an election they only use such shares not otherwise used as part of the qualifying holding.

CPHCL currently owns 58.89% of the share capital of IHI. In terms of the Memorandum and Articles of Association of the company, CPHCL is therefore entitled to appoint the majority of the directors of the company. Nakheel (formerly Istithmar) owns 33.14% of the share capital and is entitled to appoint three directors.

All directors may be removed from their post by the shareholder appointing them, or by an ordinary resolution of the shareholders in general meeting. Unless appointed for a longer or shorter period or unless they resign or are removed, the directors shall, unless otherwise specified in the letter of their appointment, hold office for a period of one year. Directors are eligible for re-appointment upon the lapse of the period stated in their letter of appointment.

Save for the service contracts of the executive directors, none of the other directors of the company has a service contract with the company. These contracts cover a three-year period.

Remuneration

There are no loans outstanding by the company to any of its directors, nor any guarantees issued for their benefit by the company. For the financial year ended 31 December 2008 the group paid an aggregate of €598,000 (€367,000 in 2007) to its directors.

The Articles of Association set out that the maximum limit of aggregate emoluments of the directors is to be established by the shareholders in the Annual General Meeting. The Annual General Meeting held on 15 May 2008 increased the aggregate amount of emoluments to directors to a maximum of €600,000 per annum. Within this limit, the directors have the power to fix their remuneration levels. The company has adopted a practice whereby the executive directors vote at meetings deciding the remuneration packages of the non-executive directors, from which the latter abstain.

The directors are fully aware of their obligations regarding dealings in securities of the company as required by the Listing Rules in force during the year. Moreover, they are notified, by means of a letter, of block-out periods, prior to the issue of the company's interim and annual financial information, during which they may not trade in the company's shares.

Board-appointed committees

The board of directors has established the following committees:

Audit committee

The audit committee's primary objective is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee oversees the conduct of the internal and external audit and acts to facilitate communication between the board, management and, upon the direct request of the audit committee, the internal audit team and the external auditors.

During the year under review, the audit committee met ten times. The audit committee, which was set up in 2002, is made up of a majority of non-executive directors and reports directly to the board of directors.

Mr Frank Xerri de Caro, a non-executive director, acts as Chairman, whilst Mr Joseph Fenech, Dr Joseph J.Vella and Mr Lawrence Zammit act as members. The company secretary, Mr Alfred Fabri acts as secretary to the committee.

The board of directors, in terms of Listing Rule 8.56a, has indicated Mr Frank Xerri de Caro as the independent non-executive member of the audit committee who is considered to be competent in accounting and/or auditing in view of his considerable experience at a senior level in the banking field.

The audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the company (as well as of the subsidiaries and associates of the group) for the purpose of advising management and the board, through the audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation. During 2008, the internal audit function continued to advise the audit committee on aspects of the regulatory framework which affect the day-to-day operations of the hotels.

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

Nomination and remuneration committee

The function of this committee is to propose the appointment of senior executives of IHI and its subsidiaries, and their remuneration package, together with those of the executive directors. The members of the committee are Mr Lawrence Zammit acting as Chairman, and non-executive directors Mr Frank Xerri de Caro and Dr Joseph J. Vella as members. Mr Alfred Fabri acts as secretary to the committee.

Monitoring committee

The committee monitors closely the performance of the hotels throughout the year to ensure that budgets are achieved and that corrective action is taken as necessary in the light of changing circumstances.

Mr Joseph M. Pisani acts as Chairman, with Mr Joseph C. Caruana and Mr Lino Soler as members. Mr Lino Soler also acts as secretary to the committee. The committee reports directly to the board of directors.

Management and employees

Following the termination, on 1 June 2007, of the management agreement previously in force with CPHCL, certain executives and employees previously employed with CPHCL were engaged by IHI.

Commitment to shareholders and an informed market

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

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

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

Approved by the board of directors on 9 April 2009 and signed on its behalf by:

Frank Xerri de Caro
Director and Chairman of Audit Committee

Joseph J Vella
Director

Pursuant to Listing Rule 9.44e5.

Mr Alfred Pisani has a beneficial interest in the company of 542,962 ordinary shares through the shareholding of A & A Pisani & Company Limited in CPHCL.

Other directors' interests in the shareholding of the company:

	Number of shares held	
	31 December 2008	21 April 2009
Mr Joseph Fenech	88,307	88,307
Mr Ibrahim Zletni	-	-
Mr Giuseppe (Joe) Sita	-	-
Mr Andrew Watson	-	-
Mr Hamza Mustafa	-	-
Mr Simon Naudi	1,491	1,491
Dr Joseph J. Vella	59,609	59,609
Mr Frank Xerri de Caro	-	-
Mr David Nicholson	-	-

Pursuant to Listing Rule 9.44e.6

Shareholders holding 5% or more of the equity share capital as at 31 December 2008

	Number of shares	Percentage holding (%)
Corinthia Palace Hotel Company Limited	325,777,026	58.89
Nakheel Hotels FZE (formerly Istithmar Hotels FZE)	183,340,000	33.14

There were no changes in shareholders holding 5% or more of the equity share capital as at 21 April 2009.

Number of shareholders and shareholding details

	Number of shares held	
Range	**31 December 2008**	**21 April 2009**
1 to 1,000	341	340
1,001 to 5,000	1,691	1,685
5,001 and over	1,055	1,058
	3,087	3,083

All shares in issue by the company constitute one class of shares, each share being entitled to one vote at shareholders' meetings.

Pursuant to Listing Rule 9.43

Share capital structure

The company's issued share capital is five hundred and fifty three million, two hundred and thirteen thousand, nine hundred and ninety six (553,213,996) ordinary shares of €1 each. All of the issued shares of the company form part of one class of ordinary shares in the company, which shares are listed on the Malta Stock Exchange. All shares in the company have the same rights and entitlements and rank pari passu between themselves. The following are highlights of the rights attaching to the shares:

Dividends: The shares carry the right to participate in any distribution of dividend declared by the company;

Voting rights: Each share shall be entitled to one vote at meetings of shareholders;

Pre-emption rights: Subject to the limitations contained in the Memorandum and Articles of Association, shareholders in the company shall be entitled, in accordance with the provisions of the company's Memorandum and Articles of Association, to be offered any new shares to be issued by the company a right to subscribe for such shares in proportion to their then current shareholding, before such shares are offered to the public or to any person not being a shareholder;

Capital distributions: The shares carry the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise;

Transferability: The shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange, applicable from time to time;

Other: The shares are not redeemable.

Holdings in excess of 5% of the share capital

On the basis of the information available to the company as at 31 December 2008, Corinthia Palace Hotel Company Limited and Nakheel Hotels FZE hold 325,777,026 and 183,340,000 shares respectively, equivalent to 58.89% and 33.14% of the company's total issued share capital. As far as the company is aware, no persons hold an indirect shareholding in excess of 5% of its total issued share capital.

Appointment and replacement of directors

In terms of the Memorandum and Articles of Association of the company, the directors of the company shall be appointed as follows:

(a) The appointment of directors to the board is reserved to shareholders or a number of members who individually or between them have a "qualifying holding", defined in the Articles of Association as 11% of the total issued share capital of the company having voting rights;

(b) A shareholder or a number of members who individually or between them hold the qualifying holding (11%) plus one share of the issued share capital of the company are entitled to appoint one director for every such 11% shareholding held. Any shareholder who does not appoint a director or directors in terms of the qualifying holding, will participate in the annual election of directors at the Annual General Meeting of the company. Shareholders who are entitled to appoint directors in terms of the qualifying holding shall be entitled to participate in the annual election of directors, provided that in such an election they only use such shares not otherwise used as part of the qualifying holding;

(c) All directors may be removed from their post by the shareholder appointing them, or by any ordinary resolution of the shareholders in general meeting. Unless appointed for a longer or shorter period or unless they resign or are removed, the directors shall, unless otherwise specified in the letter of their appointment hold office for a period of one year. Directors are eligible for re-appointment upon the lapse of the period stated in their letter of appointment.

Further details on the appointment of directors may be found in the Memorandum and Articles of Association of the company.

Pursuant to Listing Rule 9.43 (continued)

Amendments to the Memorandum and Articles of Association

In terms of the Companies Act, 1995, Cap 386 of the Laws of Malta, the company may, by extraordinary resolution at a general meeting, alter or add to its Memorandum or Articles of Association. An extraordinary resolution is one where:

(a) it has been taken at a general meeting of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principle purpose thereof has been duly given;

(b) it has been passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in aggregate:

(i) not less than 75% in nominal value of the shares represented and entitled to vote at the general meeting and either;

(ii) (a) at least 65% in nominal value of the issued share capital entitled to vote at the meeting in all cases other than for shareholders"reserved matters"as specified in the Articles of Association; or

(b) 80% in nominal value of the issued share capital entitled to vote at a meeting during which shareholders"reserved matters"as referred to in the Articles of Association, are to be voted upon.

Provided that, if one of the aforesaid majorities is obtained but not both, another meeting shall be convened within 30 days in accordance with the provisions for the calling of meetings to take a fresh vote on the proposed resolution. At the second meeting the resolution may be passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than 75% in nominal value of the shares issued by the company represented and entitled to vote at the meeting. However, if more than half in nominal value of all the shares issued by the company having the right to vote at the meeting is represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice.

Board member powers

The directors are vested with the management of the company, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The directors are empowered to act on behalf of the company and in this respect have the authority to enter into contracts and sue and be sued in representation of the company. In terms of the Memorandum and Articles of Association they may do all such things that are not, by the Memorandum and Articles of Association, reserved for the company in general meeting.

Pursuant to Listing Rule 9.44e.2

Capitalisation of interest with related parties

During the year the group capitalised interest amounting to €827,152.

Pursuant to Listing Rule 9.44e.10

Contracts of significance with parent company

Management agreements between CHI and CPHCL

CHI Limited ("CHI") has been appointed by CPHCL to operate, manage, and provide consultancy services to its group hotel properties. In terms of the agreements CHI is entitled to receive the following fees:

- Management fee of 2% based on total revenue;
- Marketing fee of 2% based on room revenue; and
- Incentive fee of 8% on gross operating profit subject to pre-agreed parameters.

The agreements ensure that the hotel properties are supported by an experienced hotel operator and that they can make use of the"Corinthia"brand. In turn, in terms of an agreement with CPHCL, CHI is obliged to pay CPHCL royalty and marketing fees of 0.75% and 0.5% respectively, based on room revenue.

Pursuant to Listing Rule 9.44e.12

Related party transactions

Corporate management services agreement between IHI and CPHCL

On 29 May 2007, the company entered into a corporate management services agreement with CPHCL whereby the latter appointed the company to provide it with corporate management and administrative support services. The principal objective of this agreement is to provide CPHCL with services relating to the monitoring of assets including the necessary management and administrative support services and assistance of the combined resources and experience of IHI's specialist staff, so that CPHCL may properly manage its interest in the assets. In terms of this agreement CPHCL is to pay IHI a management fee amounting to €600,000 per annum.

The management fee is exclusive of any out-of-pocket expenses which IHI may incur in providing its services within the terms of this agreement, which expenses are capped up to an amount of €300,000. Amounts payable under this agreement become due within fifteen days from invoice date. Interest at the rate of three-month Euribor plus 2% shall also accrue on any outstanding amounts.

Management agreement between IHI and its subsidiaries

By virtue of various agreements entered into between IHI and its subsidiaries, the subsidiaries appointed IHI to provide them with administrative and management and support services.

In consideration for the services provided pursuant to these agreements, IHI is entitled to receive a management fee amounting to 1% of the total hotel revenue generated by the respective subsidiary companies with the exception of IHI Benelux B.V. in which case the management fee is fixed at €285,000 per annum. Such management fees are due and payable on a monthly basis.

Interest at the rate of 2.5% over the applicable rate of the European Central Bank shall also be due on any amount that remains outstanding.

Pursuant to Listing Rule 9.44e.14

Company secretary and registered office

Alfred Fabri
22, Europa Centre, Floriana FRN 1400, Malta
Telephone (+356) 21 233 141

Approved by the board of directors on 9 April 2009 and signed on its behalf by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

Grant Thornton

Grant Thornton House
30, Princess Elizabeth Street
Ta' Xbiex XBX 1104
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Report on the directors' statement of compliance with the Code of Principles of Good Corporate Governance

Listing Rules 8.37 and 8.38 issued by the Listing Authority, require the directors of International Hotel Investments p.l.c (the"company") to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the "statement of compliance"), and the effective measures they have taken to ensure compliance with these Principles.

Our responsibility, as auditors of the company, is laid down by Listing Rule 8.39 which requires us to include a report on this statement of compliance.

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

We are not required to, and we do not, consider whether the board's statements on internal control included in the statement of compliance covers all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the statement of compliance set out on pages 45 to 47 provides the disclosures required by Listing Rules 8.37 and 8.38 issued by the Listing Authority.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

9 April 2009

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

FINANCIAL STATEMENTS

Year ended 31 December 2008

CONTENTS

For the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Turnover	7	**127,966**	104,182
Direct costs		**(78,782)**	(65,710)
Gross profit		**49,184**	38,472
Marketing costs		**(5,059)**	(4,863)
Administrative expenses		**(21,688)**	(16,463)
Impairment of goodwill	13	**(15,114)**	-
Revaluation to fair value of investment properties	15	**26,253**	7,723
Net reversal of impairment losses on hotel properties	16.1	**3,543**	-
Other operating charges		**(1,818)**	(1,014)
Results from operating activities	8	**35,301**	23,855
Finance income	10	**5,512**	3,860
Finance costs	10	**(15,854)**	(13,720)
Net fair value (loss)gain on interest rate swaps		**(3,294)**	64
Net finance costs		**(13,636)**	(9,796)
Share of profit(loss) of equity accounted investments	18	**622**	(34)
Profit before tax		**22,287**	14,025
Tax expense	11	**(8,284)**	(4,016)
Profit for the year		**14,003**	10,009
Attributable to:			
Equity holders of the company		**13,602**	9,594
Minority interest		**401**	415
		14,003	10,009
Earnings per share	12	**0.03**	0.03

BALANCE SHEET – THE GROUP

As at 31 December 2008

	Notes	2008 €'000	2007 (Restated) €'000
ASSETS			
Non-current			
Intangible assets	13	**30,533**	46,814
Reimbursement assets	14	**23,676**	23,757
Investment property	15	**149,349**	104,600
Property, plant and equipment	16	**674,538**	621,485
Equity accounted investments	18	**44,391**	606
Loan receivable	19	**-**	1,470
Cash at bank	22	**-**	3,600
		922,487	802,332
Current			
Inventories	20	**4,877**	4,953
Trade and other receivables	21	**24,127**	21,618
Taxation		**1,235**	614
Cash and cash equivalents	22	**69,908**	163,813
		100,147	190,998
Total assets		**1,022,634**	993,330
EQUITY			
Called-up share capital	23	**553,213**	537,099
Revaluation reserve	24	**56,132**	47,715
Translation reserve	25	**(1,068)**	(1,068)
Other reserve	26	**378**	1,382
Reporting currency conversion difference	27	**443**	443
Retained earnings (accumulated losses)	28	**3,399**	(11,207)
Other equity components	29	**4,206**	4,206
		616,703	578,570
Minority interest		**7,390**	6,989
Total equity		**624,093**	585,559
LIABILITIES			
Non-current			
Bank borrowings	31	**182,240**	197,720
Bonds	32	**45,591**	45,309
Other interest bearing borrowings	33	**290**	7,341
Taxation		**2,110**	3,052
Deferred tax liabilities	34	**102,669**	85,774
Provision for charges		**435**	139
Derivatives	36	**3,309**	-
		336,644	339,335
Current			
Bank borrowings	31	**20,026**	22,704
Other interest bearing borrowings	33	**835**	9,600
Trade and other payables	35	**40,182**	36,117
Current tax liabilities		**854**	-
Derivatives	36	**-**	15
		61,897	68,436
Total liabilities		**398,541**	407,771
Total equity and liabilities		**1,022,634**	993,330

The financial statements on pages 54 to 57 and 62 to 101 were approved by the board of directors, authorised for issue on 9 April 2009 and signed on its behalf by:

Alfred Pisani
Chairman

Joseph Fenech
Managing director

For the year ended 31 December 2008

	Attributable to equity holders of the company									
	Share capital €'000	Revaluation reserve €'000	Translation reserve €'000	Other reserve €'000	Reporting currency conversion difference €'000	Retained earnings (accumulated losses) €'000	Other equity components €'000	Total €'000	Minority interest €'000	Total equity €'000
Balance at 1 January 2007	162,101	30,751	(1,068)	603	443	(20,022)	4,206	177,014	6,574	183,588
Revaluation of hotel property, net of deferred taxation	-	21,925	-	-	-	-	-	21,925	-	21,925
Income and expenses recognised directly in equity	-	21,925	-	-	-	-		21,925	-	21,925
Profit for the year	-	-	-	-	-	9,594	-	9,594	415	10,009
Total income and expenses for the year	-	21,925		-	-	9,594	-	31,519	415	31,934
Issue of bonus shares	4,961	(4,961)	-	-	-	-	-	-	-	-
Conversion of bonds	37	-	-	-	-	-	-	37	-	37
Issue of ordinary shares	370,000	-	-	-	-	-	-	370,000	-	370,000
Cost of bonus shares re-acquired	(398)	-	-	-	-	-	-	(398)	-	-
Proceeds from re-issue of bonus shares re-acquired	398	-	-	-	-	-	-	398	-	-
Transfer from accumulated losses	-	-	-	779	-	(779)	-	-	-	-
Balance at 31 December 2007	537,099	47,715	(1,068)	1,382	443	(11,207)	4,206	578,570	6,989	585,559
Balance at 1 January 2008	**537,099**	**47,715**	**(1,068)**	**1,382**	**443**	**(11,207)**	**4,206**	**578,570**	**6,989**	**585,559**
Revaluation of hotel property, net of deferred taxation	**-**	**24,530**	**-**	**-**	**-**	**-**	**-**	**24,530**	**-**	**24,530**
Income and expenses recognised directly in equity	**-**	**24,530**	**-**	**-**	**-**	**-**	**-**	**24,530**	**-**	**24,530**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**13,602**	**-**	**13,602**	**401**	**14,003**
Total income and expenses for the year	**-**	**24,530**	**-**	**-**	**-**	**13,602**	**-**	**38,132**	**401**	**38,533**
Issue of bonus shares	**16,113**	**(16,113)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Conversion of bonds	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Transfer from retained earnings	**-**	**-**	**-**	**(1,004)**	**-**	**1,004**	**-**	**-**	**-**	**-**
Balance at 31 December 2008	**553,213**	**56,132**	**(1,068)**	**378**	**443**	**3,399**	**4,206**	**616,703**	**7,390**	**624,093**

STATEMENT OF CASH FLOWS – THE GROUP

For the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Profit before tax		**22,287**	14,025
Adjustments	37	**21,206**	20,012
Working capital changes:			
Inventories		**76**	96
Trade and other receivables		**(8,666)**	(238)
Advance payments		**(684)**	2,600
Trade and other payables		**14,286**	(5,743)
Cash from operating activities		**48,505**	30,752
Tax paid		**(4,291)**	(1,431)
Net cash from operating activities		**44,214**	29,321
Investing activities			
Payments to acquire property, plant and equipment		**(60,001)**	(35,043)
Acquisition of subsidiary, net of cash acquired		**-**	(6,695)
Acquisition of associate		**(43,163)**	-
Interest received		**9,623**	3,860
Net cash used in investing activities		**(93,541)**	(37,878)
Financing activities			
Proceeds from the issue of share capital		**-**	178,000
Bonus shares re-acquired		**-**	(398)
Bonus shares re-issued		**-**	398
Bank finance advanced		**48**	4,219
Repayment of bank borrowings		**(16,517)**	(9,682)
Loans repaid to parent company and its subsidiary companies		**(14,017)**	(4,318)
Interest paid		**(16,003)**	(13,003)
Net cash (used in) from financing activities		**(46,489)**	155,216
Net (decrease) increase in cash and cash equivalents		**(95,816)**	146,659
Cash and cash equivalents at 1 January		**165,713**	19,054
Cash and cash equivalents at 31 December	22	**69,897**	165,713
Non-cash transactions			
Acquisition of subsidiary companies		**-**	192,000
Issue of bonus shares		**16,113**	4,961
Conversion of bonds into shares		**1**	37

INCOME STATEMENT – THE COMPANY

For the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Interest receivable and similar income		**9,958**	5,792
Interest payable and similar charges		**(3,543)**	(4,362)
Administrative expenses		**(3,586)**	(3,135)
Revaluation to fair value of investments in subsidiaries		**35,869**	33,974
Other operating charges		**(582)**	(1)
Profit before tax	8	**38,116**	32,268
Tax expense	11	**(12,655)**	(11,805)
Profit for the year		**25,461**	20,463
Earnings per share	12	**0.05**	0.05

BALANCE SHEET – THE COMPANY

As at 31 December 2008

	Notes	2008 €'000	2007 €'000
ASSETS			
Non-current			
Property, plant and equipment	16	**138**	107
Investments in subsidiaries	17	**506,035**	466,616
Equity accounted investments	18	**43,282**	119
Loans receivable	19	**64,183**	32,153
		613,638	498,995
Current			
Trade and other receivables	21	**14,373**	10,488
Loan receivable	19	**5,600**	5,600
Current taxation		**-**	269
Cash and cash equivalents	22	**46,941**	142,057
		66,914	158,414
Total assets		**680,552**	657,409
EQUITY			
Called-up share capital	23	**553,213**	537,099
Other reserve	26	**32,359**	26,164
Reporting currency conversion difference	27	**443**	443
Retained earnings (accumulated losses)	28	**754**	(2,399)
Other equity components	29	**347**	347
Total equity		**587,116**	561,654
LIABILITIES			
Non-current			
Bank borrowings	31	**5,266**	6,700
Bonds	32	**45,591**	45,309
Other interest bearing borrowings	33	**-**	6,585
Deferred tax liabilities	34	**38,439**	25,769
		89,296	84,363
Current			
Bank borrowings	31	**1,433**	1,433
Other interest bearing borrowing	33	**-**	6,777
Trade and other payables	35	**2,707**	3,167
Derivatives	36	**-**	15
		4,140	11,392
Total liabilities		**93,436**	95,755
Total equity and liabilities		**680,552**	657,409

The financial statements on pages 58 to 101 were approved by the board of directors, authorised for issue on 9 April 2009 and signed on its behalf by:

Alfred Pisani
Chairman

Joseph Fenech
Managing director

STATEMENT OF CHANGES IN EQUITY – THE COMPANY

For the year ended 31 December 2008

	Share capital €'000	Other reserve €'000	Reporting currency conversion difference €'000	Retained earnings (accumulated losses) €'000	Other equity components €'000	Total equity €'000
Balance at 1 January 2007	162,101	17,573	443	(9,310)	347	171,154
Profit for the year	-	-	-	20,463	-	20,463
Total income and expenses for the year	-	-	-	20,463	-	20,463
Issue of bonus shares	4,961	(4,961)	-	-	-	-
Conversion of bonds	37	-	-	-	-	37
Issue of ordinary shares	370,000	-	-	-	-	370,000
Cost of bonus share re-acquired	(398)	-	-	-	-	(398)
Proceeds from issue of bonus share re-acquired	398	-	-	-	-	398
Transfer from accumulated losses	-	13,552	-	(13,552)	-	-
Balance at 31 December 2007	537,099	26,164	443	(2,399)	347	561,654
Balance at 1 January 2008	**537,099**	**26,164**	**443**	**(2,399)**	**347**	**561,654**
Profit for the year	**-**	**-**	**-**	**25,461**	**-**	**25,461**
Total income and expenses for the year	**-**	**-**	**-**	**25,461**	**-**	**25,461**
Issue of bonus shares	**16,113**	**(16,113)**	**-**	**-**	**-**	**-**
Conversion of bonds	**1**	**-**	**-**	**-**	**-**	**1**
Transfer from retained earnings	**-**	**22,308**	**-**	**(22,308)**	**-**	**-**
Balance at 31 December 2008	**553,213**	**32,359**	**443**	**754**	**347**	**587,116**

STATEMENT OF CASH FLOWS – THE COMPANY

For the year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Profit before tax		**38,116**	32,268
Adjustments	37	**(35,580)**	(33,764)
Working capital changes:			
Trade and other receivables		**(3,885)**	(3,186)
Trade and other payables		**82**	(45)
Cash used in operating activities		**(1,267)**	(4,727)
Tax paid		**(527)**	-
Tax refunded		**269**	54
Net cash used in operating activities		**(1,525)**	(4,673)
Investing activities			
Payments to acquire property, plant and equipment		**(52)**	(112)
Acquisition of subsidiary, net of cash acquired		**-**	(11,106)
Acquisition of associate	18	**(43,163)**	-
Net loan advances to subsidiary companies		**(36,496)**	(27,000)
Net cash used in investing activities		**(79,711)**	(38,218)
Financing activities			
Proceeds from issue of share capital		**-**	178,000
Bonus share re-acquired		**-**	(398)
Bonus shares re-issued		**-**	398
Repayment of bank borrowings		**(1,433)**	(1,433)
Loans repaid to parent company and its subsidiary companies		**(12,447)**	(2,370)
Net cash (used in) from financing activities		**(13,880)**	174,197
Net (decrease) increase in cash and cash equivalents		**(95,116)**	131,306
Cash and cash equivalents at 1 January		**142,057**	10,751
Cash and cash equivalents at 31 December	22	**46,941**	142,057
Non-cash transactions			
Acquisition of subsidiaries		**-**	189,525
Issue of ordinary shares		**-**	192,000
Issue of bonus shares		**16,113**	4,961
Conversion of bonds into shares		**1**	37

1 Nature of operations

The group's main business is connected with the ownership, development and operation of hotels, leisure facilities and other activities related to the tourism industry. It also owns commercial centres held for rental.

2 General information

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

The financial statements of the company and the consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU, and in accordance with the Companies Act, 1995.

The financial statements are presented in thousands of euro (€'000) which is also the functional currency of the company and its subsidiaries.

3 Change in accounting policies

3.1 Standards, Amendments and Interpretations to existing standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these financial statements certain new Standards, Amendments or Interpretations to existing Standards have been published but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new Standards, Amendments and Interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new Standards and Interpretations have been issued but are not expected to have a material impact on the group's financial statements.

IAS 1 *Presentation of Financial Statements* (Revised)(effective from 1 January 2009)
The revised Standard requires additional disclosures whereby some items that are recognised directly in equity are to be recognised in other comprehensive income. The adoption of the revision in this Standard only affects presentation and will not affect the financial position or results of the group.

IFRS 8 *Operating Segments* (effective from 1 January 2009)
The new Standard replaces IAS 14 Segment Reporting and requires that the accounting policy for identifying segments is to be based on internal management reporting information that is regularly reviewed by the chief decision makers. The adoption of this Standard will result in a change in identified segments but will not affect the financial position or results of the group.

IAS 23 *Borrowing Costs* (Revised)(effective from 1 January 2009)
The revised standard requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to be ready for their intended use or sale. The option of immediately expensing those borrowing costs will be removed. The group has never applied this option and currently capitalises borrowing costs relating to qualifying assets. Therefore management does not anticipate any effect arising from the revision of this Standard.

IFRS 3 *Business Combinations* (Revised 2008) (effective from 1 July 2009)
The Standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new Standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IAS 27 *Consolidated and Separate Financial Statements* (Revised 2008) (effective from 1 July 2009)
The revised Standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the group's interest in subsidiaries. Management does not expect the Standard to have a material effect on the group's financial statements.

Annual Improvements 2008
The IASB has issued Improvements for International Financial Reporting Standards 2008. Most of these amendments become effective in annual periods beginning on or after 1 January 2009. Smaller amendments are made to several other Standards. These amendments, however, are not expected to have a material impact on the group's financial statements.

4 Summary of accounting policies

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the following notes:

13	Intangible assets
14	Reimbursement assets
15	Investment property
16	Property, plant and equipment
36	Derivative financial instruments

The accounting policies have been consistently applied by group entities and are consistent with those used in previous years.

4.2 Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2008. Subsidiaries are all entities over which the group has power to control the financial and operating policies. The company obtains and exercises control through voting rights. All subsidiaries have a reporting date of 31 December.

Intra-group balances, transactions and unrealised gains and losses on transactions between the group companies are eliminated. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment losses from the group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Minority interests represent the portion of a subsidiary's profit and loss and net assets that is not held by the group. If losses in a subsidiary applicable to a minority interest exceed the minority interest in the subsidiary's equity, the excess is allocated to the majority interest except to the extent that the minority has a binding obligation and is able to cover the losses.

4.3 Business combinations

Business combinations are accounted for using the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss immediately after acquisition.

4.4 *Investments in associates*

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the purchase method as explained above. However, any goodwill or fair value adjustment attributable to the group's share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within 'Share of profit/loss of equity accounted investments' in the income statement. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Changes recognised directly in the associate's equity are recognised directly in the equity of the group. However, when the group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

Unrealised gains and losses on transactions between the group and its associates are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the group.

4.5 *Borrowing costs*

Borrowing costs incurred on specific fixed asset projects prior to their commissioning are capitalised as part of the cost of the qualifying asset. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the average rate of interest on bank borrowings. All other borrowing costs are recognised as an expense in the period in which they are incurred.

4.6 *Foreign currency translation*

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in income statement.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the euro are translated into euro upon consolidation. The functional currency of the Maltese entity in the group changed to the euro following Malta's adoption of the euro as its national currency on 1 January 2008.

On consolidation, assets and liabilities have been translated into euro at the closing rate at the reporting date. Income and expenses have been translated into the group's presentation currency at the average rate over the reporting period. Exchange differences are reflected directly in the translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into euro at the closing rate.

4.7 *Revenue*

Revenue comprises revenue from the sale of goods and the rendering of services plus the group's share of the revenue of its joint ventures.

Revenue is measured by reference to the fair value of consideration received or receivable by the group for goods supplied and services provided, excluding VAT, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the group's different activities have been met.

Rental income from operating leases of the group's investment properties is recognised on an accrual basis.

Interest income and expenses are reported on an accrual basis using the effective interest method.

Dividend income is recognised when received.

4.8 *Lease payments*

Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.9 *Operating expenses*

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.10 *Retirement benefit costs*

The group companies contribute towards state pensions in accordance with local legislation and do not contribute to any retirement benefit plans. Related costs are recognised as an expense during the year in which they are incurred.

4.11 *Intangible assets*

Intangible assets are subject to impairment testing as described in note 4.14. Goodwill arises on the acquisition of subsidiaries and associates.

Goodwill represents the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss. Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets that are acquired by the group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred. Amortisation, other than of goodwill, is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible asset, other than goodwill, from the date they are available for use.

4.12 *Property, plant and equipment*

Land and buildings held for use in production or administration are stated at revalued amounts. Revalued amounts are fair market values determined in appraisals by external professional valuers annually.

Any revaluation surplus is recognised in equity and credited to the 'revaluation reserve'. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in revaluation reserve. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged to equity to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Furniture and fittings, plant and equipment and motor vehicles are initially recognised at acquisition cost. Subsequently they are carried at acquisition cost less depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Depreciation is recognised on a straight-line basis to write off the cost or valuation of assets less estimated residual value over their estimated useful lives. The periods generally applicable are:

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

As no finite useful life for freehold land can be determined, related carrying amounts are not depreciated.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss for the year. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment or assets in the course of construction until construction or development is complete, at which time it is re-measured to fair value and reclassified as investment property. Any gain or loss arising on re-measurement is recognised in profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised directly in equity. Any loss is recognised immediately in profit or loss.

4.13 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are revalued annually and are included in the balance sheet at their fair values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within 'revaluation to fair value of investment properties'.

Rental income and operating expenses from investment property are reported within 'revenue' and 'other expenses' respectively.

4.14 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units 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 or cash-generating unit's carrying amount exceeds its recoverable amount. Cash flows and discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, (see note 13 and 16).

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.15 Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets
For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held to maturity investments; and
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in equity.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'administrative expenses'.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Loans advanced by the company to its subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the company's net investment in those subsidiaries and included as part of the carrying amount of investments in subsidiaries.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables is presented within 'administrative expenses'.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see derivative financial instruments below). Assets in this category are measured at fair value with gains or losses recognised in profit or loss. Gains or losses on derivative financial instruments are based on changes in fair value determined by reference to active market transactions or using a valuation technique where no active market exists.

Investments in subsidiaries are presented in the balance sheet of the company as financial assets at fair value through profit or loss.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the group has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Available-for-sale financial assets are measured at fair value. Gains and losses are recognised in equity and reported within the other reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in equity is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within equity. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'. Reversals of impairment losses are recognised in equity, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Financial liabilities
The group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or as 'finance income'.

Derivative financial instruments
A specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the balance sheet.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in equity and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain previously recognised in the income statement is reclassified from equity to profit or loss and presented as a reclassification adjustment within equity. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in the income statement are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in equity is transferred immediately to profit or loss.

Convertible bonds
Bonds that can be converted to share capital at the option of the holder are accounted for as compound financial instruments, net of attributable transaction costs. The equity component of the convertible bonds is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The liability component is stated at amortised cost, with the difference between such cost and redemption value being recognised in the profit and loss account over the term of the bonds, using the effective interest basis.

4.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

4.17 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only when the group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in equity (such as the revaluation of land) in which case the related deferred tax is also recognised in equity.

4.18 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

4.19 *Equity and reserves*

Share capital represents the nominal value of shares that have been issued.

When share capital recognised as equity is purchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment. Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the translation reserve (see note 25). Gains and losses on certain financial instruments are included in other reserves (see note 26).

Retained earnings/accumulated losses include all current and prior period losses less retained profits.

4.20 *Provisions, contingent liabilities and contingent assets*

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. In a business combination contingent liabilities are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Possible inflows of economic benefits to the group that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.21 Segment reporting

The Group is principally engaged in one specific business segment, namely the ownership, development and operation of hotels and other leisure facilities. The Group operates primarily in four geographical areas, namely the Mediterranean basin, European member countries, other countries situated in Europe, and in North Africa. Segment information is only presented for the Group's geographical segments.

Segment results include revenues and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expense that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the group. Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by group policy. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the group's balance sheet. Segment assets and liabilities do not include income tax items and interest-bearing borrowings.

5 Prior period adjustment

During the year ended 31 December 2007, the company recognised goodwill on the acquisition of IHI Towers s.r.o (IHIT) and Corinthia Towers Tripoli Limited (CTTL) from Corinthia Palace Hotel Company Limited (CPHCL). This goodwill was attributable to the recognition of deferred tax liabilities on the temporary differences arising in respect of the assets of the acquired entities.

Following clarifications with the competent tax authorities the calculation of the deferred tax liability was revised. The revised calculation reflects the changes in the applicable tax rates and the tax consequences that would follow from the manner in which the group expects to settle the carrying amount of the liabilities. Although a portion of the deferred tax liabilities relating to depreciatable assets will be settled through use, the balance relating to non-depreciatable assets will only crystallise upon the sale outside the group of the shares in IHIT and/or CTTL and/or their underlying properties.

In view of group tax relief provisions applicable in Malta any tax due by CPHCL on the transfer of the shares in IHIT and CTTL to IHI 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 the group for future tax it may incur should the group sell the shares or the underlying properties outside the group. This indemnity will be equivalent to the tax that will be due by IHI on the gain that was untaxed in the hands of CPHCL, and is currently assessed at €23.7 million. The indemnity has no time limit and has a maximum value of €45 million.

The financial statements for the year ended 31 December 2007 have been restated to adjust for the revision in applicable tax rates and to reflect the recognition of the reimbursement assets arising from the indemnity agreement. The effect of the restatement on those financial statements is summarised below. There is no effect on the figures for the year ended 31 December 2008.

		2007		2007
		Originally reported	**Adjustment**	**Restated**
	Notes	€'000	€'000	€'000
Goodwill on acquisition	6 & 13	34,756	(19,642)	15,114
Reimbursement assets	14	-	23,757	23,757
Deferred tax liabilities arising on business combinations	6 & 34	(34,756)	(4,115)	(38,871)
		-	-	-

The effect of the restatement on each financial statement line item affected is summarised below:

		2007		2007
		Originally reported	**Adjustment**	**Restated**
	Notes	€'000	€'000	€'000
Intangible assets	13	66,456	(19,642)	46,814
Reimbursement assets	14	-	23,757	23,757
Deferred tax liabilities	34	(81,658)	(4,115)	(85,773)
			-	

6 Acquisitions

On 29 May 2007, in terms of the Subscription Agreement dated 5 December 2006 entered into between IHI, CPHCL and Nakheel Hotels FZE (formerly Istithmar Hotels FZE), IHI completed the acquisition of Corinthia Towers Tripoli Limited, owner of the Corinthia Bab Africa Hotel and Commercial Centre in Tripoli, and IHI Towers s.r.o., owner of Corinthia Hotel Prague, from CPHCL. The consideration comprised shares in IHI, a cash settlement and a loan. As a result, IHI gained control of these companies with effect from 29 May 2007.

These acquisitions had the following effect on the group's assets and liabilities at acquisition date:

	Notes	Corinthia Towers Tripoli Limited €'000	IHI Towers s.r.o. €'000	Total €'000
Reimbursement assets (restated)	14	22,010	1,747	23,757
Property, plant and equipment		138,800	105,496	244,296
Investment property		68,200	-	68,200
Inventories		2,259	422	2,681
Trade and other receivables		5,426	3,994	9,420
Cash at bank		1,618	2,793	4,411
Trade and other payables		(6,697)	(5,431)	(12,128)
Bank borrowings		(56,500)	(50,496)	(106,996)
Deferred tax liabilities (restated)	34	(22,010)	(16,861)	(38,871)
Net identifiable assets and liabilities		153,106	41,664	194,770
Goodwill on acquisition (restated)	13	-	15,114	15,114
Consideration		153,106	56,778	209,884
Consideration paid other than in cash				(198,778)
Cash acquired				(4,411)
Net cash outflow				6,695

Refer to note 5 for further details regarding the restated figures.

In the seven month period ended 31 December 2007, these subsidiaries contributed the following amounts to the consolidated profit after tax:

	€'000
Corinthia Towers Tripoli Limited	5,894
IHI Towers s.r.o.	1,413
	7,307

Had these acquisitions taken place on 1 January 2007, management estimates that the consolidated revenue and profit after tax would have been €126.3 million and €13.4 million, respectively.

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

7 Segmental reporting

	Corporate office		Hotel management company		Malta		Other EU countries		Other European countries		North Africa		Consolidation adjustments		The group	
Income statement	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Total external revenue	**600**	226	**1,722**	2,936	**11,425**	10,642	**58,825**	51,768	**13,422**	17,917	**41,972**	20,725	**-**	(32)	**127,966**	104,182
Inter-segment revenue	**1,401**	1,047	**7,530**	5,784	**-**	-	**-**	-	**-**	-	**-**	-	**(8,931)**	(6,831)	**-**	-
Total segment revenue	**2,001**	1,273	**9,252**	8,720	**11,425**	10,642	**58,825**	51,768	**13,422**	17,917	**41,972**	20,725	**(8,931)**	(6,863)	**127,966**	104,182
Segment result*	**34,283**	32,268	**2,804**	2,989	**(2,479)**	(54)	**8,125**	3,840	**4,173**	10,938	**39,110**	9,170	**(50,715)**	(35,296)	**35,301**	23,855
Finance income															**5,512**	3,860
Finance costs															**(15,854)**	(13,720)
Fair value of interest rate swaps															**(3,294)**	64
Share of profit(loss) of equity accounted investees															**622**	(34)
Tax expense															**(8,284)**	(4,016)
Profit for the year															**14,003**	10,009
Balance sheet																
Segment assets	**637,271**	657,290	**14,896**	13,667	**41,750**	45,889	**329,264**	334,273	**224,563**	178,225	**285,615**	228,857	**(556,350)**	(466,091)	**977,009**	992,110
Investment in equity accounted investees	**43,282**	119	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,108**	487	**44,390**	606
Taxation															**1,235**	614
Total assets															**1,022,634**	993,330
Segment liabilities	**2,707**	3,183	**3,898**	4,226	**10,171**	11,035	**20,987**	19,806	**21,788**	11,862	**8,090**	6,480	**(24,150)**	(20,461)	**43,491**	36,131
Interest bearing liabilities															**248,982**	282,675
Deferred taxation															**102,669**	85,774
Taxation															**2,964**	3,052
Provision for charges															**435**	139
Total liabilities															**398,541**	407,771
Capital expenditure incurred	**53**	112	**42**	61	**813**	1,645	**5,076**	4,984	**46,721**	15,091	**5,864**	271	**(5,374)**	12,879	**53,195**	35,043
Depreciation charged	**21**	5	**72**	56	**1,418**	1,362	**10,409**	9,181	**2,187**	1,706	**7,390**	4,141	**-**	-	**21,497**	16,451
Amortisation of intangible asset	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,167**	1,167	**1,167**	1,167
Impairment reversal (losses)	**-**	-	**-**	-	**(1,234)**	-	**4,777**	-	**-**	-	**-**	-	**-**	-	**3,543**	-

* Segment result is after revaluation to fair value of investment property, net reversal of impairment losses on hotel properties, impairment of goodwill and amortisation of intangibles.

8 Results from operating activities

Results from operating activities are after the following charges:

	2008 €'000	2007 €'000
The group		
Directors' remuneration	**598**	367
Loss on disposal of property, plant and equipment	**12**	340
Operating lease costs	**460**	337
Depreciation of property, plant and equipment	**21,497**	16,451
Property, plant and equipment written off	**-**	26
Amortisation of intangibles	**1,167**	1,167
Auditors' remuneration	**221**	289
Cost of sales	**9,616**	7,599

The company

The profit for the year is stated after the following charges:

Directors' remuneration	**568**	355
Depreciation of property, plant and equipment	**22**	5
Auditors' remuneration	**20**	15

9 Personnel expenses

	The group		The company	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Wages and salaries	**28,372**	24,041	**1,095**	474
Social security contributions	**4,808**	3,948	**35**	18
Other staff costs	**3,407**	2,506	**32**	10
	36,587	30,495	**1,162**	502

Weekly average number of employees:

	No.	No.	**No.**	No.
Management and administrative	**502**	344	**20**	12
Operating	**1,651**	1,366	**-**	-
	2,153	1,710	**20**	12

10 Finance income and finance costs

Results from operating activities are after the following charges:

	The group	
	2008	2007
	€'000	€'000
Interest receivable on:		
Loans advanced to related companies	**89**	149
Other balances	**85**	29
Bank deposits	**5,338**	3,682
Finance income	**5,512**	3,860

	The group	
	2008	2007
	€'000	€'000
Interest payable on:		
Bank borrowings	**(12,494)**	(10,042)
Bonds	**(2,780)**	(2,775)
Loans advanced by parent company and its subsidiaries	**(457)**	(1,106)
Capital and other creditors	**(22)**	-
Less interest capitalised within property, plant and equipment	**827**	921
Imputed interest on convertible bonds and amortisation of bond issue costs	**(280)**	(270)
Interest rate differential of interest rate swap	**(15)**	(78)
Exchange differences	**(633)**	(370)
Finance costs	**(15,854)**	(13,720)

The group deposited funds equivalent to the relevant outstanding bank loan balances thus taking benefit from offset arrangements through which the interest margins on these loans were reduced substantially. As a result of these arrangements the group reduced its interest expense by €0.8 million (2007 - €0.4 million).

11 Tax expense

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

	The group		The company	
	2008	2007	**2008**	2007
	€000	€000	**€000**	€000
Current taxation	**(2,970)**	(3,823)	**-**	-
Overprovision in respect of previous years	**589**	168	**-**	-
Tax at source	**(798)**	(444)	**(527)**	(417)
Deferred taxation	**(5,105)**	83	**(12,128)**	(11,388)
	(8,284)	(4,016)	**(12,655)**	(11,805)

Refer to note 35 for information on the deferred tax assets and liabilities.

11.1 Tax expense reconciliation

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Profit before tax	**22,287**	14,025	**38,116**	32,268
Income tax using the company's domestic tax rate	**(7,800)**	(4,909)	**(13,340)**	(11,293)
Effect of income subject to foreign tax rates	**3,168**	2,034	**726**	-
Non-tax deductible expenses	**(547)**	(168)	**(41)**	-
Current year losses for which no deferred income is recognised	**(385)**	(1,856)	**-**	(648)
Effect of other consolidation adjustments	**(5,916)**	(78)	**-**	-
Change in unrecognised temporary differences	**(573)**	(543)	**-**	136
Effect of movement in exchange rates in opening deferred tax liability of subsidiary acquired	**-**	(884)	**-**	-
Effect of reduction in foreign tax rates on opening temporary differences	**3,180**	2,388	**-**	-
Overprovision in respect of previous years	**589**	-	**-**	-
Tax expense	**(8,284)**	(4,016)	**(12,655)**	(11,805)

11.2 Income tax recognised directly in equity

	The group	
	2008	2007
	€'000	€'000
Tax effect on revaluation of hotel properties	**11,790**	5,887

12 Earnings per share

The calculation of earnings per share is based on the net profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year, calculated as below:

12.1 Weighted average number of shares

	2008		2007	
	Shares	**Weighted average**	Shares	Weighted average
	No'000	**No'000**	No'000	No'000
At beginning of year	**537,099**	**537,099**	162,101	162,101
Effect of bonus share issue	**16,113**	**16,113**	4,961	4,961
Effect of shares issued in:				
May	**1**	**1**	37	24
June	**-**	**-**	370,000	216,932
	553,213	**553,213**	537,099	384,018

12.1 Diluted earnings per share

The calculation of the profit for the year attributable to the shareholders for the purpose of calculating the diluted earnings per share is arrived at after taking into account changes in expenses that would result from the conversion of the dilutive potential ordinary shares as follows:

(i) Profit attributable to ordinary shareholders (diluted)

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Profit attributable to shareholders	**14,003**	10,009	**25,461**	20,463
After-tax effect of interest on convertible bonds	**480**	471	**480**	471
Profit attributable to the shareholders (diluted)	**14,483**	10,480	**25,941**	20,934

(ii) Weighted average number of ordinary shares (diluted)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company's dilutive potential ordinary shares arise from the convertible bonds in issue such that the weighted average number of shares outstanding is increased by the registered average number of additional shares which would have been outstanding, assuming the conversion of all dilutive potential shares. The additional amount of shares to be issued upon conversion is dependent on the arithmetic average of the daily trade weighted average price (TWAP) arrived at as explained in note 32.1 to these financial statements. The effect on the fully diluted earnings per share cannot be ascertained since it is not possible to forecast this price at date of conversion.

13 Intangible assets

	Notes	Goodwill €'000	Other €'000	Total €'000
Cost				
Balance at 1 January 2007		9,727	23,334	33,061
Business combination (restated)	5 & 6	15,114	-	15,114
Balance at 31 December 2007		24,841	23,334	48,175
Balance at 1 January 2008 and 31 December 2008		**24,841**	**23,334**	**48,175**
Amortisation				
At 1 January 2007		-	194	194
Amortisation for the year		-	1,167	1,167
At 31 December 2007		-	1,361	1,361
At 1 January 2008		**-**	**1,361**	**1,361**
Amortisation for the year		**-**	**1,167**	**1,167**
Impairment of goodwill		**15,114**	**-**	**15,114**
At 31 December 2008		**15,114**	**2,528**	**17,642**
Carrying amount				
At 1 January 2007		9,727	23,140	32,867
At 31 December 2007		24,841	21,973	46,814
At 31 December 2008		**9,727**	**20,806**	**30,533**

a) CHI Limited and IHI Towers s.r.o.

For the purpose of impairment testing of the goodwill arising on the acquisition of CHI Limited ("CHI") and IHI Towers s.r.o., the directors have relied on the expert opinion of an independent third party. The indicative valuations were based on the discounted cash flows derived from hotel operating projections as prepared by HVS International, specialists in hotel consulting and valuations ("HVS"), as at 31 December 2008.

Key assumptions

CHI Limited

Value in use was determined by discounting the forecast future cash flows generated by CHI for a five year explicit period 2009 – 2013.

The following are the key assumptions underlying the projections:

- revenue derived from IHI properties is based on operational projections prepared by HVS. This accounts for 80% of the total revenue in the explicit period;
- revenue from other properties is assumed to grow at 2% per annum on 2009 budget (in-perpetuity growth rate of 2% per annum applied subsequently to the five year period covered by the explicit projections);
- the rates charged by CHI and the royalties payable to CPHCL, Wyndham and Ramada are assumed to remain unchanged at current levels;
- no new major properties are expected to be added to the CHI portfolio;
- inflationary growth in operating expenses on 2009 budget is assumed to be 3%; and
- a pre-tax discount rate of 13.44% was applied to the operating projections of CHI, based on a debt to equity ratio of 30:70.

This valuation confirmed that there was no impairment.

IHI Towers s.r.o.

Value in use was determined by discounting the forecast future cash flows generated by Corinthia Hotel Prague for a ten year explicit period 2009–2018.

The following are the key assumptions underlying the projections:

- revenue is assumed to grow at an average of 3.2% per annum on 2009 budget (in-perpetuity growth rate of 2% per annum applied subsequently to the ten year period covered by the explicit projections);
- inflationary growth in operating expenses on 2009 budget is assumed to be 2%; and
- a pre-tax discount rate of 9.07% was applied to the operating projections, based on a debt to equity ratio that varies from 50:50 to 55:45.

Based on this valuation goodwill was found to be impaired and written-off.

14 Reimbursement assets

		The group	
		2008	2007
	Notes	**€'000**	€'000
Balance at 1 January		**23,757**	-
Acquisition through business combinations (restated)	5 & 6	**-**	23,757
Effect of change in tax rate		**(81)**	-
Balance at 31 December		**23,676**	23,757

The indemnity agreement referred to in note 5 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 received from CPHCL if IHI settles the obligation, the reimbursements have been recognised and treated as separate assets.

15 Investment property

	The group	
	2008	2007
	€'000	€'000
Balance at 1 January	**104,600**	26,800
Acquisition through business combinations (a)	**-**	68,200
Additions (b)	**18,496**	1,877
Change in fair value (c)	**26,253**	7,723
Balance at 31 December	**149,349**	104,600

a) This investment property is owned by a subsidiary company, Corinthia Towers Tripoli Limited, and comprises the Commercial Centre and a vacant plot of land adjacent to the Corinthia Bab Africa Hotel.

b) During the year under review the group acquired, for €5.3 million, the 99-year lease of the land adjacent to the Corinthia Bab Africa Hotel which was previously being occupied on an encroachment basis.

During the year it also continued works and incurred costs amounting to €13.2 million on the investment property situated in St Petersburg, Russian Federation.

c) At the balance sheet date, the fair value of investment property held by the group in St. Petersburg, Russian Federation, has been increased by the directors by €3.5 million (2007 – €5.7 million), relying on the expert opinion of Colliers International, a firm of real estate consultants.

Also at balance sheet date, the directors recognised a fair value increase of €5.0 million (2007 – €2.0 million) on the Commercial Centre in Tripoli, Libya and a further €17.8 million on a parcel of land adjacent to the Corinthia Bab Africa Hotel. In doing so the directors have relied on the expert opinions of independent valuers to support these valuations.

d) All investment property are hypothecated in favour of the group's bankers as collateral for amounts borrowed as stated in note 31.

e) Rental income earned by the group from investment property amounted to €6.3 million (2007 – €3.6 million) and direct expenses to €0.4 million (2007 – €0.3 million).

16 Property, plant and equipment

The group

	Notes	Land and buildings €'000	Plant and equipment €'000	Furniture, fixtures and fittings €'000	Motor vehicles €'000	Assets in the course of construction €'000	Total €'000
Cost/revalued amount							
Balance at 1 January 2007		309,758	31,209	24,608	559	25,573	391,707
Acquired through business combinations	6	220,275	32,850	26,007	232	1,317	280,681
Additions		1,704	3,253	4,397	81	25,608	35,043
Reallocations		-	-	-	-	(1,877)	(1,877)
Disposals		-	(565)	(106)	(58)	-	(729)
Revaluation surplus	24	22,825	-	-	-	-	22,825
Balance at 31 December 2007		554,562	66,747	54,906	814	50,621	727,650
Balance at 1 January 2008		**554,562**	**66,747**	**54,906**	**814**	**50,621**	**727,650**
Additions		**1,802**	**1,677**	**1,153**	**128**	**29,939**	**34,699**
Reallocations		**13,608**	**1,033**	**1,596**	**-**	**(16,237)**	**-**
Disposals		**-**	**(464)**	**(44)**	**(60)**	**-**	**(568)**
Revaluation surplus	24	**28,884**	**-**	**-**	**-**	**-**	**28,884**
Balance at 31 December 2008		**598,856**	**68,993**	**57,611**	**882**	**64,323**	**790,665**
Depreciation and impairment losses							
Balance at 1 January 2007		27,033	15,387	15,922	363	-	58,705
Acquired through business combinations	6	13,234	13,772	9,216	163	-	36,385
Depreciation for the year		7,219	5,290	3,868	74	-	16,451
Disposals		-	(354)	(23)	(12)	-	(389)
Revaluation surplus	24	(4,987)	-	-	-	-	(4,987)
Balance at 31 December 2007		42,499	34,095	28,983	588	-	106,165
Balance at 1 January 2008		**42,499**	**34,095**	**28,983**	**588**	**-**	**106,165**
Depreciation for the year		**9,800**	**6,692**	**4,911**	**94**	**-**	**21,497**
Net reversal of impairment losses	16.1	**(3,543)**	**-**	**-**	**-**	**-**	**(3,543)**
Disposals		**-**	**(472)**	**(29)**	**(55)**	**-**	**(566)**
Revaluation surplus	24	**(7,436)**	**-**	**-**	**-**	**-**	**(7,436)**
Balance at 31 December 2008		**41,320**	**40,315**	**33,865**	**627**	**-**	**116,127**
Carrying amounts							
At 1 January 2007		282,725	15,822	8,686	196	25,573	333,002
At 31 December 2007		512,063	32,652	25,923	226	50,621	621,485
At 31 December 2008		**557,536**	**28,678**	**23,746**	**255**	**64,323**	**674,538**

16 Property, plant and equipment (continued)

The company

	Plant and equipment €'000	Furniture, fixtures and fittings €'000	Motor vehicles €'000	Total €'000
Cost				
Balance at 1 January 2007	-	-	-	-
Additions	18	64	30	112
Balance at 31 December 2007	18	64	30	112
Balance at 1 January 2008	**18**	**64**	**30**	**112**
Additions	**11**	**10**	**31**	**52**
Balance at 31 December 2008	**29**	**74**	**61**	**164**
Depreciation				
Balance at 1 January 2007	-	-	-	-
Depreciation for the year	1	1	3	5
Balance at 31 December 2007	1	1	3	5
Balance at 1 January 2008	**1**	**1**	**3**	**5**
Depreciation for the year	**5**	**7**	**9**	**21**
Balance at 31 December 2008	**6**	**8**	**12**	**26**
Carrying amounts				
At 1 January 2007	-	-	-	-
At 31 December 2007	17	63	27	107
At 31 December 2008	**23**	**66**	**49**	**138**

16.1 Impairment of assets

In line with the requirements of IAS 36, *Impairment of Assets*, the directors have assessed whether there are any indications that the value of the group's hotel properties may be impaired. In assessing such indications, the directors considered, *inter alia*, evidence available from internal reporting and independent expert valuation reports.

Impairment losses reflect lower than expected economic performances of the hotel properties, whereas reversals of such losses reflect improvements in previously projected net future cash flows from operations.

Impairment losses and reversals have been recognised as follows:

Hotel property	Recognised at 1.1.07 €'000	Change €'000	Recognised at 31.12.07 €'000
Corinthia Hotel St George's Bay Malta	703	-	703
Corinthia Hotel & Spa Lisbon	13,650	-	13,650
	14,353	-	14,353

Hotel property	Recognised at 1.1.08 €000	Change €000	Recognised at 31.12.08 €000
Corinthia Hotel St George's Bay Malta	703	1,234	1,937
Corinthia Hotel & Spa Lisbon	13,650	(12,844)	806
Corinthia Hotel Prague	-	8,067	8,067
	14,353	(3,543)	10,810

In assessing the recoverable amounts of the above hotel properties by reference to their value in use, the future cash flows to be derived from the continuing use and ultimate disposal were estimated in the currency in which they will be generated, and discounted by applying the pre-tax discount rates.

In case of Corinthia Hotel St George's Bay, Malta a discount rate of 8.95% (2007 – 8.70%) was used. For the testing of Corinthia Hotel and Spa Lisbon and Corinthia Hotel Prague, discount rates of 7.14% (2007 – 8.44%) and 9.07% were utilised respectively.

These discount rates reflect the current market assessment of the time value of money and the risks specific to these hotel properties for which the future cash flow estimates used in arriving at their carrying amount have not been adjusted for.

16.2 *Revaluation to fair value of hotel properties*

The "value in use" calculations resulting from the impairment reviews of the group's hotel properties (see note 16.1) were also considered appropriate for the purpose of determining their fair value. This same basis was also used in arriving at the fair value of the Corinthia Hotel St Petersburg, the Corinthia Grand Hotel Royal and the Corinthia Bab Africa Hotel, which values exceeded their respective carrying amounts. The resulting excess was accounted for as a revaluation surplus. Refer to note 24.

In arriving at their projected operating cash flows, a detailed analysis of the facilities and performance capabilities of the hotel properties, their expectations and prospects in the various jurisdictions in which they operate, was carried out.

These fair value assessments do not include a review of other factors such as market liquidity, the possible outlook of potential acquirers and the value at which other comparable transactions may have been executed, which factors may also impact the open market values of these properties.

16.3 *Key assumptions and sources of estimation uncertainty*

Key judgements and assumptions concerning the future and other key sources of estimation uncertainty which materially impacted the impairment assessment at the reporting date, include the projection of room revenue in the coming years and the execution risk associated with the attainment of the projected capabilities (including projected room revenue), of the hotel properties.

The directors are satisfied that the judgements made are appropriate to the circumstances but, as with all projections relating to future events, there is a degree of uncertainty inherent in the figures and, it is reasonably possible, based on existing knowledge, that actual results may differ from assumptions. Sustained variations from expectations would have a material impact on the impairment assessment and hence the carrying amounts at which the hotel properties are stated on the balance sheet.

16.4 *Historic cost of hotel properties*

The carrying amounts of the land and buildings that would have been included in these financial statements had these assets been carried at cost less accumulated depreciation thereon would be less than those at which they are stated in these financial statements.

16.5 *Security*

Certain tangible fixed assets owned by the group are hypothecated in favour of the group's bankers as collateral for amounts borrowed as stated in note 31.

17 Investments in subsidiaries

The amounts stated in the balance sheet are analysed as follows:

	The company	
	2008	2007
	€'000	€'000
Shares in subsidiary companies	**310,283**	274,414
Loans to subsidiary companies	**195,752**	192,202
	506,035	466,616

The above loans to subsidiary companies are interest free and are classified with investment in subsidiaries since they are repayable at the discretion of the borrower.

17.1 Subsidiary companies

Company name	Registered office	Nature of business	% ownership
Five Star Hotels Limited	22, Europa Centre Floriana FRN 1400 Malta	Owns and operates the Corinthia Hotel St George's Bay, Malta	100
Alfa Investimentos Turisticos Lda	Avenida Columbana Bardolo Pinheiro Lisboa 1099 - 031 Portugal	Owns and operates the Corinthia Hotel & Spa Lisbon, Portugal	100
IHI Lisbon Limited	22, Europa Centre Floriana FRN 1400 Malta	Investment company holding an equity stake in Alfa Investimentos Turisticos Lda	100
IHI St Petersburg LLC	57, Nevskij Prospekt St Petersburg 191025 Russian Federation	Investment company	100
IHI Benelux B.V.	Claude Debussylaan 24 1082 MD Amsterdam The Netherlands	Owns and operates the Corinthia Hotel St Petersburg St Petersburg, Russian Federation	100
IHI Hungary Zrt	Erzsebet Krt 43-49 H-1073, Budapest Hungary	Owns and operates the Corinthia Grand Hotel Royal Budapest, Hungary	100
IHI Zagreb d.d.	Centar Kaptol Nova Ves 11 10000 Zagreb Croatia	Investment company	100
CHI Limited	1, Europa Centre Floriana FRN 1400 Malta	Hotel management company	70
Corinthia Towers Tripoli Limited	22, Europa Centre Floriana FRN 1400 Malta	Owns and operates the Corinthia Bab Africa Hotel and Commercial Centre, Libya	100
IHI Towers s.r.o.	Kongresová 1655 / 1 1406 / 69 Praha 4 Czech Republic	Owns and operates the Corinthia Hotel Prague, Czech Republic	100
IHI Benghazi Limited	22, Europa Centre Floriana FRN 1400 Malta	Investment company	75

17.2 Shares in subsidiary companies

	The company	
	2008	2007
	€'000	€'000
At 1 January	**274,414**	143,568
Acquisition of equity	**-**	96,872
Increase in fair value	**35,869**	33,974
At 31 December	**310,283**	274,414

17.3 *Investments in subsidiaries at fair value through profit or loss*

The fair values of the investments of IHI in its subsidiaries, accounted for at fair value through profit or loss, have been determined by reference to the fair values of the underlying properties held by the respective subsidiaries and, in the case of CHI Limited, by reference to its enterprise value. Specific to the fair value of these investments, account has been taken of:

(i) the deferred tax liabilities arising as a result of the revaluation to fair value of such properties, on the basis that the directors will pursue a sale of the shares held by IHI in its subsidiary companies, notwithstanding that, as the tax rules stand today, it may be more tax efficient to sell the underlying properties; and

(ii) the tax indemnity granted by CPHCL, the previous owner of the shares now held in Corinthia Towers Tripoli Limited and IHI Towers s.r.o., details of which are set out in note 5 and 14 to the financial statements.

17.4 *Security*

Shares in certain subsidiary companies are pledged in favour of the group's banks as collateral for loans advanced. Refer to note 31 for details.

18 Equity accounted investments

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
At 1 January	**606**	640	**119**	119
Additions	**43,163**	-	**43,163**	-
Share of results	**622**	(34)	**-**	-
At 31 December	**44,391**	606	**43,282**	119

During the year under review the company acquired 33.33% of the share capital of NLI Holdings Limited.

18.1 *Associate companies*

Company name	**Registered office**	**Nature of business**	**% ownership**
NLI Holdings Limited	CTV House La Pouquelaye St Helier Jersey JE2 3GF	Parent company of a group that owns the unoccupied building of the Metropole Hotel and 10 Whitehall Place in London, UK	33.33
QPM Limited	22, Europa Centre Floriana FRN 1400 Malta	Project management in Malta	20.00

18.2 *Summary of financial information of associate companies*

	2008	2007
	€'000	€'000
Total assets	**189,230**	7,971
Total liabilities	**(76,250)**	(5,343)
Net assets	**112,980**	2,628
Revenue	**8,308**	7,716
Profit (loss) for the year	**2,164**	(170)
Share of contingent liabilities of associates	**50**	250

19 Loans receivable

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Non-current				
Group companies	**-**	-	**64,183**	30,683
Related companies	**-**	1,470	**-**	1,470
	-	1,470	**64,183**	32,153
Current				
Group company	**-**	-	**5,600**	5,600
	-	1,470	**69,783**	37,753

The carrying amount of loans receivable is considered to be a reasonable approximation of fair value.

		Terms		
	€'000	**Interest**	**Repayable by**	**Security**
Group companies –				
IHI Benelux B.V	64,183	6 month Euribor + 3.25%	31 December 2010	None
Five Star Hotels Limited	5,600	-	On demand	None
	69,783			

20 Inventories

	2008	2007
	€'000	€'000
Food and beverages	**859**	756
Consumables	**500**	620
Goods held for resale	**31**	43
Other	**3,487**	3,534
	4,877	4,953

21 Trade and other receivables

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Trade receivables	**14,022**	13,417	**-**	-
Amounts owed by:				
Parent company	**881**	762	**34**	-
Subsidiary companies	**-**	-	**12,759**	9,041
Associate companies	**431**	277	**145**	-
Other related companies	**2,248**	1,910	**2**	280
Other debtors	**1,807**	1,297	**158**	422
Accrued income	**661**	1,132	**1,162**	671
Financial assets	**20,050**	18,795	**14,260**	10,414
Recoverable VAT on capital expenditure	**2,344**	1,546	**-**	-
Advance payments in respect of capital creditors	**468**	-	**-**	-
Prepayments	**1,265**	1,277	**113**	74
Total receivables - current	**24,127**	21,618	**14,373**	10,488

21.1 Impairment losses on trade receivables

The ageing of trade receivables at the reporting date was:

	Gross amount 2008 €'000	**Impaired amount 2008 €'000**	Gross amount 2007 €'000	Impaired amount 2007 €'000
Not past due	**2,141**	**-**	3,646	-
Past due 0-30 days	**3,035**	**(55)**	2,387	(17)
Past due 31-120 days	**4,194**	**(138)**	4,236	(31)
Past due 121-360 days	**2,032**	**(585)**	2,356	(55)
More than one year	**4,270**	**(872)**	1,802	(907)
	15,672	**(1,650)**	14,427	(1,010)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2008 €'000	2007 €'000
Balance at 1 January	**1,010**	1,182
Impairment losses recognised	**737**	192
Impairment losses reversed	**(97)**	(364)
Balance at 31 December	**1,650**	1,010

The impairment loss at 31 December 2008 mainly relates to specific provision for doubtful debtors that have been overdue for more than one year. Such balances were unsecured.

Based on historic default rates, the group believes that no impairment loss is necessary in respect of trade receivables not past due or on the remaining portion of debtors which have not been provided for which are past due by up to 120 days as these amounts relate to customers that have a good track record with the group.

The 'allowance accounts' in respect of trade receivables are used to record impairment losses unless the group considers that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written-off against the financial asset directly.

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

22 Cash and cash equivalents

Cash and cash equivalents include the following components:

	The group		**The company**	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Cash and bank balances:				
Non-current	-	3,600	**-**	-
Current	**69,908**	163,813	**46,941**	142,057
Cash and cash equivalents in the balance sheet	**69,908**	167,413	**46,941**	142,057
Bank overdraft	**(11)**	(1,700)	**-**	-
Cash and cash equivalents in the statement of cash flows	**69,897**	165,713	**46,941**	142,057

The bank balances include amounts of €5.4 million (2007- €5.4 million) that, in accordance with the provisions of the subscription for shares agreement in a group company, have been set aside for the purposes of a Development Fund.

Cash at bank includes cash held by the company with financial institutions amounting to €38.9 million that are pledged in order to benefit from lower interest rates on bank borrowings (see note 10). In addition, the group figures include an amount of €1.8 million set aside by two subsidiary companies for debt servicing requirements and another amount of €0.8 million set aside by another subsidiary for capital expenditure purposes.

23 Share capital

23.1 Authorised share capital

During 2007, the authorised share capital of the company was increased from €750 million to €1,000 million and divided into two classes of ordinary shares: 750 million ordinary listed shares of a nominal value of €1 each and 250 million ordinary unlisted shares of a nominal value of €1 each. Ordinary unlisted shares have been automatically re-designated as ordinary listed shares with effect from 31 January 2008.

23.2 Issued share capital

		Ordinary shares of €1 each	
		2008	2007
	Note	**€'000**	€'000
On issue at 1 January		**537,099**	162,101
Issued for cash		**-**	178,000
Issued on business combination		**-**	192,000
Bonus issue	23.3	**16,113**	4,961
Conversion of convertible bonds		**1**	37
On issue at 31 December – fully paid up		**553,213**	537,099

23.3 Bonus shares

During 2008, the shareholders approved the capitalisation of an amount not exceeding €16.2 million from the reserve of the company (see note 26) and to issue such number of fully paid up bonus shares of a nominal value of €1 each out of this reserve. The bonus shares were issued and allotted in a ratio of three bonus shares for every hundred ordinary shares.

During 2007, the shareholders approved the capitalisation of an amount not exceeding €5 million from the reserve of the company (see note 26) and to issue such number of fully paid up bonus shares of a nominal value of €1 each out of this reserve. The bonus shares were issued and allotted in a ratio of one bonus share for every six ordinary shares in issue as at 30 June 2006, less any shares held by CPHCL.

The resolution approving the bonus issue in 2007 also resolved to:

(i) authorise the directors and grant them powers to conduct and undertake a buy-back programme of shares of the company up to an amount not exceeding the number of bonus shares issued pursuant to the capitalisation; and

(ii) further authorise the directors to re-sell the shares so acquired provided that such shares shall be acquired from members to whom bonus shares were issued in terms of this resolution and the number of shares so acquired from each relevant member shall not exceed the number of bonus shares issued to each member.

During 2007, out of 4.96 million bonus shares issued, the company re-acquired and re-issued 398,217 shares.

23.4 Shareholder rights

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

24 Revaluation reserve

The group

	Notes	Revaluation surplus €'000	Deferred taxation €'000	Net €'000
At 1 January 2007		40,096	(9,345)	30,751
Revaluation of hotel property carried out at year end:				
IHI Benelux B.V.		11,022	(2,645)	8,377
Corinthia Towers Tripoli Limited		14,192	(2,696)	11,496
IHI Towers s.r.o.		2,598	(546)	2,052
		27,812	(5,887)	21,925
		67,908	(15,232)	52,676
Bonus share issue	23.3			(4,961)
At 31 December 2007				47,715
Revaluation of hotel property carried out at year end:				
IHI Benelux B.V.		4,565	872	5,437
Corinthia Towers Tripoli Limited		30,397	(12,575)	17,822
IHI Hungary Zrt		3,956	(633)	3,323
IHI Towers s.r.o.		(2,598)	546	(2,052)
		36,320	(11,790)	24,530
				72,245
Bonus share issue	23.3			(16,113)
At 31 December 2008				**56,132**

25 Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

26 Other reserve

The reserve represents the following unrealised gains, net of related deferred taxation.

	The group		The company	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Fair value gain on investments in subsidiary companies	**-**	-	**62,368**	39,053
Tax benefit of unused tax losses	**378**	1,382	**378**	1,382
	378	1,382	**62,746**	40,435
Issue of bonus shares	**-**	-	**(21,074)**	(4,961)
Transfer to accumulated losses	**-**	-	**(9,313)**	(9,310)
	378	1,382	**32,359**	26,164

The resolution approving the bonus issue in 2007 also resolved to authorise the directors to apply such amount of this reserve as at 31 December 2006 (net of the capitalisation) for the purpose of offsetting accumulated losses of the company up to the financial year ended 31 December 2006.

27 Reporting currency conversion difference

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

28 Retained earnings (accumulated losses)

The profit for the year has been transferred to accumulated losses as set out in the statement of changes in equity for the year ended 31 December 2008.

29 Other equity components

	2008 €'000	2007 €'000
The group		
Equity component of convertible bonds	**347**	347
Increase in value of original shareholding in CHI pursuant to independent valuation carried out on acquisition of further shareholding in 2006, net of deferred tax	**3,859**	3,859
	4,206	4,206
The company		
Equity component of convertible bonds	**347**	347

30 Capital management policies and procedures

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, which the group defines as the profit for the year divided by total equity.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The group seeks to maximise the return on shareholders' equity and to reduce the incidence of interest expense. The interest expense expressed as a percentage of interest-bearing borrowings was 4.15% (2007 – 4.85%).

The lower interest expense for 2008 resulted from the reduction in interest margins on bank loans against which a corresponding amount of pledged funds was placed on deposit with the respective financial institutions.

There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

31 Bank borrowings

	The group		**The company**	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Bank overdraft	**11**	1,700	**-**	-
Bank loans	**202,255**	218,724	**6,699**	8,133
	202,266	220,424	**6,699**	8,133
Comprising:				
Non current				
Bank loans due within 2 – 5 years	**77,099**	82,256	**4,066**	4,900
Bank loans due later than 5 years	**105,141**	115,464	**1,200**	1,800
	182,240	197,720	**5,266**	6,700
Current				
Bank overdraft	**11**	1,700	**-**	-
Bank loans due within 1 year	**20,015**	21,004	**1,433**	1,433
	20,026	22,704	**1,433**	1,433

31.1 *Terms and repayment schedule*

Group company	Face value and carrying amount 2008 €'000	2007 €'000	Nominal interest rate	Year of maturity	Within 1 year €'000	Repayment between 2 - 5 years €'000	After 5 years €'000	Security
International Hotel Investments p.l.c.								
Bank loan	**4,200**	4,800	Bank euro base rate + 1.75%	2015	600	2,400	1,200	General hypothec for €10 million over all company's assets present and future. General hypothecary guarantee over all company present and future assets and special hypothecary guarantee over the Corinthia Hotel St George's Bay.
Bank loan	**2,499**	3,333	6 month Euribor + 1.5%	2011	833	1,666	-	First general hypothec for €3.75 million over all of the company's assets present and future. Joint and several suretyship with a related company and a first special hypothec over property owned by this company. Second ranking mortgage guarantee by Thermal Hotel Aquincum Rt over the Aquincum Hotel.
Five Star Hotels Limited								
Bank overdraft	**11**	1,117	Bank euro base rate + 1.75%	On demand	11	-	-	General hypothec over assets belonging to Five Star Hotels Limited supported by a special hypothec and privilege over the leasehold land and buildings and a pledge over the company's comprehensive insurance policies.
Bank loan	**5,921**	5,912	Bank euro base rate + 1.75%	2015	621	2,893	2,407	
Alfa Investimentos Turisticos Lda								
Bank loan	**25,530**	40,850	3 month Euribor + 1.25%	2022	1,290	6,450	17,790	Secured by mortgages over the Corinthia Hotel & Spa Lisbon including the underlying land.
	14,030	-	6.24%		-	-	14,030	
Bank loan	**2,701**	2,877	3 month Euribor + 1.7%	2013-2015	475	1,913	313	Secured by a second ranking mortgage over the Corinthia Hotel & Spa Lisbon including land and a blank bill of exchange.
Bank overdraft	**-**	71	3 month Euribor + 3%	On demand				
IHI Benelux B.V.								
Bank loan	**16,987**	16,987	3 month Euribor +3.25% during construction, thereafter margin at 3%	2016	3,300	13,687	-	Secured over the Corinthia Hotel St Petersburg and a pledge over the shares of IHI Benelux B.V. Pledge over all present and future movable property held by the company and subordination of loans due to the parent by this company and by a pledge over all bank accounts held.
IHI Hungary Zrt								
Bank loan	**40,261**	42,558	3 month Euribor + 2.925% (composite rate)	2019	1,555	7,323	31,383	Secured by a mortgage over the Corinthia Grand Hotel Royal and by a security deposit over the shares of IHI Hungary Zrt and by a cash collateral. In addition, IHI, CPHCL and Corinthia Investments Limited have provided additional financial gurantees to the bankers granting this loan. As part of this loan agreement no repayment of group loans can be effected except with the consent of the security agent.
CHI Limited								
Bank overdraft	**-**	512	-	On demand	-	-	-	Secured by general hypothec over the company's assets and by a guarantee from IHI.
Corinthia Towers Tripoli Limited								
Bank loan	**32,000**	40,000	3 month Libor + 1.5%	2012	8,000	24,000	-	Secured by a general hypothec over the land and buildings of the hotel property in Tripoli.
Bank loan	**10,250**	11,750	3 month Euribor + 2.25%	2013	1,500	8,750	-	Secured by a pledge on shares in Corinthia Towers Tripoli Limited.
IHI Towers s.r.o								
Bank loan	**47,876**	49,657	3 month Euribor + 1.35%	2020	1,841	8,017	38,018	Secured by mortgages over the Corinthia Hotel Prague and by a pledge on shares, moveables, bank accounts and insurance policy.
	202,266	220,424			20,026	77,099	105,141	

32 Bonds

	The group and the company	
	2008	2007
	€'000	€'000
Convertible bonds	**11,292**	11,094
Pre-euro bonds (previously Lm bonds)	**13,848**	13,813
Euro bonds I	**8,045**	8,011
Euro bonds II	**12,406**	12,391
	45,591	45,309

32.1 Convertible bonds

	€'000
Proceeds from issue	12,283
Transaction costs	(367)
	11,916
Imputed interest and amortisation of transaction costs to 31 December 2007	(149)
Exchange differences	(636)
Conversion into shares	(37)
At 31 December 2007	11,094
Imputed interest and amortisation of transaction costs for 2008	199
Conversion into shares	(1)
At 31 December 2008	11,292

(i) During 2000 the company issued 50,000 bonds with a face value of Lm100 each, which, unless previously purchased and cancelled or converted in accordance with the terms of issue, shall be redeemable at par on the 29 May 2010. Any bonds purchased by the issuing company on the open market shall be cancelled. The company reserves the right to purchase bonds on the open market without notice.

Bondholders shall be entitled to exercise their conversion option on a conversion date during the conversion period by converting their bonds or part thereof into fully paid ordinary shares of the company at the conversion price determined as set out below. Upon conversion, the right of the converting bondholder to repayment of the bond to be converted and any interest for the period between the applicable conversion date and redemption date shall be extinguished and released, and, in consideration and in exchange thereof, the company shall issue fully paid up ordinary shares as provided in the terms and conditions of issue. A conversion of part of a bond shall not be allowed.

The bonds entitle the holders thereof to an original entitlement of 100 shares for every bond. In the event that upon conversion the conversion price is higher than the share issue price, and a bondholder wishes to retain such original entitlement, such bondholder shall pay the cash difference as determined in accordance with the terms of the issue of the bonds. A bondholder may elect not to pay such cash difference and in lieu thereof shall accept the issue of a lower number of shares than his original entitlement. Shares shall not be issued at below their nominal value.

A bondholder may exercise the conversion option during the conversion period which commenced on the 29 November 2005 and ends on 29 November 2009. In the case of bonds converted on any of the following conversion dates during any conversion term, the conversion price shall be determined in accordance with the arithmetic average of the daily trade weighted average price (TWAP) quoted by the Malta Stock Exchange during the three months immediately preceding the reference date less a percentage, as follows:

Conversion term	Conversion dates	%
First	29 November 2005; 29 May 2006 and 29 November 2006	10
Second	29 May 2007; 29 November 2007 and 28 May 2008	15
Third	29 November 2008; 29 May 2009 and 29 November 2009	20

Conversions of bonds amounting to €1,165 took place during 2008 (2007– €37,270).

(ii) The bonds carry an interest rate of 5% per annum payable annually in arrears on 29 May.

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

32.2 *Pre-euro and euro bonds*

During 2003, the company offered to the general public an aggregate of Lm5.2 million bonds maturing in 2013, subject to an over-allotment option for a further amount of Lm4.17 million in either or a combination of bonds denominated in Maltese lira and bonds denominated in euro. After the application of the over-allotment option, the bonds allotted by the company amounted to Lm6 million (equivalent to €14.3 million) 6.3% bonds and €8.1 million 6.2% – 6.8% bonds. Also, during 2006 the company issued €12.5 million 6.5% bonds 2012 – 2014.

		Euro bonds	
	Pre-euro bond	I	II
	€'000	€'000	€'000
At 1 January 2007	13,780	7,979	12,377
Amortisation of transaction costs	33	32	14
At 31 December 2007	13,813	8,011	12,391
Amortisation of transaction costs	35	34	15
At 31 December 2008	**13,848**	**8,045**	**12,406**

(i) *Terms of payment*

Unless previously purchased and cancelled, the pre-euro bonds and euro bonds I will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 15 February 2013.

In the case of euro bonds II, the bonds shall become due for final redemption on 27 March 2014. The company has however the right to redeem this bond or any part thereof at any time prior to the stated maturity date on either of the interest payment dates falling in 2012 and/or 2013. Redemption of euro bonds II shall be made at their face value.

The company may at any time purchase bonds in the open market or otherwise at any price. All bonds so redeemed or purchased will be cancelled forthwith and may not be re-issued or re-sold.

(ii) *Interest*

The pre-euro bond carries an interest rate of 6.3% per annum whereas euro bond I carries interest at the rate of 6.2% per annum for the interest payment dates falling between the years 2004 up to and including 2010 and at the rate of 6.8% for the rest of the term of the bond. In either case interest shall be payable annually in arrears on 15 February each year between the years 2004 and 2013. Euro bond II bears interest at the rate of 6.5% per annum payable annually in arrears on the 27 March of each year.

(iii) *Security*

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

33 Other interest bearing borrowings

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Amounts owed to:				
Parent company	**290**	12,737	**-**	12,447
Subsidiary companies	**-**	-	**-**	915
Associate companies	**394**	2,147	**-**	-
Related companies	**441**	2,057	**-**	-
	1,125	16,941	**-**	13,362
Non current liabilities				
Amounts owed to:				
Parent company	**290**	5,670	**-**	5,670
Subsidiary companies	**-**	-	**-**	915
Related companies	**-**	1,671	**-**	-
	290	7,341	**-**	6,585
Current liabilities				
Amounts owed to:				
Parent company	**-**	7,067	**-**	6,777
Associate companies	**394**	2,147	**-**	-
Related companies	**441**	386	**-**	-
	835	9,600	**-**	6,777

The terms of the amounts owed to the related parties are as follows:

		Terms		
	€'000	**Interest**	**Repayable by**	**Security**
Parent company	290	5.5%	At least after more than 12 months after balance sheet date	None
Associate companies	393	3 month Euribor + 2%	On demand	None
Related company	442	6.0%	On demand	None
	1,125			

34 Deferred taxation

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Tax effect of temporary differences relating to:				
Excess of tax base over carrying amount of tangible fixed assets	**29,135**	23,984	**5**	4
Unrelieved tax losses and unabsorbed capital allowances	**(7,936)**	(5,177)	**(378)**	(744)
Investment in intangible asset	**7,728**	8,136	**-**	-
Investment in subsidiaries	**5,150**	5,150	**38,733**	26,159
Tax effect on revaluation of land and buildings	**53,500**	45,445	**-**	-
Tax effect on revaluation of investment property	**15,830**	8,382	**-**	-
Convertible bonds component recognised in equity	**92**	144	**92**	164
Provision for exchange differences	**(371)**	(26)	**(13)**	191
Provision for doubtful debts	**(266)**	(252)	**-**	-
Derivatives	**(730)**	(5)	**-**	(5)
Accrued charges	**537**	(7)	**-**	-
	102,669	85,774	**38,439**	25,769
The movement can be analysed as follows:				
Movement for the year	**16,895**	44,675	**12,670**	11,338
Arising on business combinations (restated)	**-**	(38,871)	**-**	-
Losses surrendered	**-**	-	**(542)**	-
Recognised directly in equity				
Deferred tax on revaluation of hotel property carried out at year end	**(11,790)**	(5,887)	**-**	-
Recognised in profit or loss	**(5,105)**	(83)	**12,128**	11,388

Refer to notes 5 and 6 for further details regarding the restated figure.

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of tax losses of certain subsidiaries. The tax losses expire as follows:

	2008	2007
	€'000	€'000
Expiry		
2009	**5,695**	5,864
2010	**5,953**	6,169
2011	**5,668**	5,672
2012	**3,153**	3,153
2013	**2,520**	-
2014	**3,085**	-
	26,074	20,858

Deferred tax benefits arising out of certain tax losses which may become available for set-off against future taxable income have not been recognised in these financial statements as it cannot be determined with reasonable certainty whether the respective group companies would be in a position to claim the right to utilise such losses before their expiry.

35 Trade and other payables

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Trade payables	**7,098**	7,472	**210**	262
Amounts owed to:				
Parent company	**481**	1,722	**-**	293
Subsidiary companies	**-**	-	**47**	235
Associate companies	**236**	474	**21**	46
Other related companies	**789**	1,157	**31**	57
Capital creditors	**4,937**	3,494	**-**	-
Other creditors	**4,059**	3,515	**8**	10
Accruals	**17,959**	12,928	**2,349**	2,219
Financial liabilities	**35,559**	30,762	**2,666**	3,122
Advance payments	**4,439**	5,150	**-**	-
Statutory liabilities	**184**	205	**41**	45
Total payables - current	**40,182**	36,117	**2,707**	3,167

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

36 Derivative financial instruments

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Interest rate swaps:				
Non-current	**3,309**	-	**-**	-
Current	**-**	15	**-**	15
	3,309	15	**-**	15

36.1 Terms

	The group		The company	
	€'000	€'000	**€'000**	€'000
Notional amount maturing in 2008	**-**	8,000	**-**	8,000
Notional amount maturing in 2013	**14,030**	-	**-**	-
Notional amount maturing in 2014	**36,391**	-	**-**	-

Interest rates:

Maturing in 2008	
Receive fixed interest at the rate of	6.2% per annum
Pay variable interest at the rate of	6 month Euribor + 2.955%
Maturing in 2013	
Receive variable interest at the rate of	3 month Euribor
Pay fixed interest at the rate of	4.89% to 5.2% per annum
Maturing in 2014	
Receive variable interest at the rate of	3 month Euribor
Pay fixed interest at the rate of	4.15% per annum

37 Cash flow adjustments

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Adjustments:				
Depreciation	**21,497**	16,451	**21**	5
Provision for doubtful debts	**640**	(172)	**-**	-
Impairment of goodwill	**15,114**	-	**-**	-
Fair value adjustment on derivative instruments	**3,294**	(64)	**-**	-
Loss on disposal of property, plant and equipment	**12**	340	**-**	-
Amortisation of intangible asset	**1,167**	1,167	**-**	-
Net impairment reversal	**(3,543)**	-	**-**	-
Fair value adjustment on investment in subsidiaries	**-**	-	**(35,869)**	(33,974)
Fair value adjustment on investment properties	**(26,253)**	(7,723)	**-**	-
Share of results of associate companies	**(622)**	34	**-**	-
Movement in reimbursement assets	**81**	-	**-**	-
Amortisation of transaction costs	**280**	270	**280**	270
Realised deferred exchange difference	**-**	183	**-**	-
Provision for exchange differences	**406**	407	**-**	(1)
Provision for charges	**(296)**	(23)	**-**	-
Interest receivable	**(5,512)**	(3,860)	**(12)**	(64)
Interest payable	**14,941**	13,002	**-**	-
	21,206	20,012	**(35,580)**	(33,764)

38 Commitments

	2008 €'000	2007 €'000
The group		
Capital expenditure		
Contracted for:		
Five Star Hotels Limited (Corinthia Hotel, St George's Bay, Malta)	**-**	69
Alfa Investimentos Turisticos Lda (Corinthia Hotel & Spa Lisbon)	**919**	782
IHI Benelux B.V. (Corinthia Hotel St Petersburg)	**20,889**	44,813
Corinthia Towers Tripoli Limited (Corinthia Bab Africa Hotel, Tripoli)	**-**	234
	21,808	45,898
Authorised but not yet contracted for:		
Five Star Hotels Limited (Corinthia Hotel, St George's Bay, Malta)	**-**	85
Alfa Investimentos Turisticos Lda (Corinthia Hotel & Spa, Lisbon)	**-**	14
IHI Benelux B.V. (Corinthia Hotel St Petersburg)	**7,000**	44,813
Corinthia Towers Tripoli Limited (Corinthia Bab Africa Hotel, Tripoli)	**-**	54
	7,000	153
	28,808	46,051
The company		
NLI Holdings Limited	**16,850**	-

Operating leases
Non-cancellable operating lease rentals in relation to Five Star Hotels Limited are as follows:

	2008 €'000	2007 €'000
Less than one year	**108**	108
Between one and five years	**433**	433
More than five years	**13,021**	13,129
	13,562	13,670

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, Malta.

During the year ended 31 December 2008, €108,000 (2007: €105,000) was recognised as an expense in the income statement in respect of operating leases.

39 Contingent liabilities

	The group		The company	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Guarantees given in the ordinary course of business	**-**	300	**-**	-
Bank guarantees	**-**	-	**5,000**	5,000

40 Related parties

The group's related parties include its associates, key management, fellow subsidiaries and shareholders of the ultimate parent company.

None of the transactions incorporates special terms and conditions and, except as disclosed in note 14, 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 14, 17, 19, 21 and 33.

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Revenue				
Services rendered to:				
Parent company and fellow subsidiaries	**2,563**	1,911	**2,000**	1,272
Associate companies	**5**	5	**-**	-
	2,568	1,916	**2,000**	1,272
Direct costs				
Charged by parent company and fellow subsidiaries	**1,671**	1,465	**-**	-
Administrative expenses				
Management fee charged by parent company to:				
IHI p.l.c.	**-**	225	**-**	225
Sundry expenses				
Charged(recharged) by(to):				
Parent company and fellow subsidiaries	**-**	(290)	**-**	-
Associate companies	**8**	-	**-**	-
	8	(290)	**-**	-
Financing				
Interest receivable	**(89)**	(147)	**(3,550)**	(76)
Interest payable	**457**	1,106	**184**	821
	368	959	**3,366**	745
Expensed	**2,047**	2,359	**3,366**	970
Property, plant and equipment				
Capitalised construction and related services provided by associate companies	**767**	1,083	**-**	-

Refer to note 6 for details regarding the acquisition of subsidiaries from the parent company, CPHCL.

40.1 Transactions with key management personnel

In addition to the remuneration paid to the directors included in note 8, in the course of its operations the group has a number of arrangements in place with its officers, executives and other related parties whereby concessions are made available for hospitality services rendered to them according to accepted industry norms.

41 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 group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the group is exposed are described below. See also note 41.4 for a summary of the group's financial assets and liabilities by category.

41.1 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 customers. The group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	The group		**The company**	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Classes of financial assets – carrying amounts				
Reimbursement assets	**23,676**	23,757	**-**	-
Investments in subsidiaries	**-**	-	**310,283**	274,414
Long term loans	**-**	1,470	**259,935**	224,355
Short term loans	**-**	-	**5,600**	5,600
Trade and other receivables	**20,050**	18,795	**14,260**	10,414
Cash and cash equivalents	**69,908**	167,413	**46,941**	142,057
	113,634	211,435	**637,019**	656,840

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The subsidiary companies within the group have, over the years, conducted business with various corporates, tour operators and individuals located in different jurisdictions and, owing to the spread of the group's debtor base, there is no concentration of credit risk.

The group has a credit policy in place under which new customers are analysed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered. The group's review includes external ratings, where available, and in some cases, bank references. Customers that fail to meet the group's benchmark creditworthiness may transact with the group only on a cash basis.

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

The group does not require collateral in respect of trade and other receivables. The group establishes an allowance for doubtful recoveries that represents its estimate of losses in respect of trade and other receivables. See note 21.1 for further information on impairment of financial assets that are past due.

Cash at bank

The group's cash is placed with quality 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.

Guarantees

At 31 December 2008 the company had given a bank guarantee amounting to €5 million (2007: €5 million) in respect of Five Star Hotels Limited for a bank loan advanced to this subsidiary as well as a project-related cost overrun guarantee (refer to note 41.2) in respect of IHI Benelux BV.

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 21.1 for further information on impairment of financial assets that are past due.

41.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group actively manages its cash flow requirements. 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 financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

At 31 December 2008 the group and company have financial liabilities including estimated interest payments with contractual maturities which are summarised below:

The group	**Current**		**Non-current**	
31 December 2008	**Within 6 months €'000**	**6-12 months €'000**	**2-5 years €'000**	**More than 5 years €'000**
Bank borrowings	13,644	15,509	104,962	132,375
Bonds	2,776	-	40,928	13,212
Parent company loan and other interest bearing borrowings	835	16	290	-
Bank overdraft	11	-	-	-
Trade and other payables	35,559	-	-	-
Derivatives	366	745	2,158	45
	53,191	16,270	148,338	145,632

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

The group	**Current**		**Non-current**	
31 December 2007	**Within 6 months €'000**	**6-12 months €'000**	**2-5 years €'000**	**More than 5 years €'000**
Bank borrowings	17,184	16,321	118,310	153,233
Bonds	2,776	-	33,428	24,019
Parent company loan and other interest bearing borrowings	-	10,241	6,009	1,587
Bank overdraft	1,700	-	-	-
Trade and other payables	30,762	-	-	-
Derivatives	15	-	-	-
	52,437	26,562	157,747	178,839

The company	**Current**		**Non-current**	
31 December 2008	**Within 6 months €'000**	**6-12 months €'000**	**2-5 years €'000**	**More than 5 years €'000**
Bank borrowings	813	817	4,592	1,289
Bonds	2,779	-	40,928	13,212
Trade and other payables	2,666	-	-	-
	6,258	817	45,520	14,501

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

The company	**Current**		**Non-current**	
31 December 2007	**Within 6 months €'000**	**6-12 months €'000**	**2-5 years €'000**	**More than 5 years €'000**
Bank borrowings	964	957	6,054	2,022
Bonds	2,776	-	33,428	24,019
Parent company loan and other interest bearing borrowings	-	7,185	6,009	-
Trade and other payables	3,122	-	-	-
Derivatives	15	-	-	-
	6,877	8,142	45,491	26,041

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

In addition the group maintains lines of credit as follows:

- €10 million loan facility (not yet drawn-down) made available to the company to part finance the development of the Corinthia Hotel St Petersburg in St Petersburg (see below). This loan will be subject to interest at the rate of 1.5% per annum above the 6-month Euribor and repayable in half-yearly capital repayments of €500,000 each over a period of 10 years commencing six months after date of first drawdown.

- €1.5 million secured overdraft facility available to IHI Hungary Zrt. Interest would be payable at the variable, overnight Euribor plus 1.4% interest margin per annum.

- €82.5 million syndicated loan agreement available to IHI Benelux B.V. to finance the development of the two sites adjacent to the Corinthia Hotel St Petersburg in St Petersburg with a final maturity date of 2016, of which €17 million were applied towards the repayment of a balance of an original loan secured to acquire the hotel in 2002.

  The interest payable on the current loan facility is at the three-month Euribor rate plus a margin of 3.25% per annum during the construction period, a margin of 3% per annum on project completion, and then a further reduction of 0.25% (to end with a margin of 2.75% per annum) on the achievement of pre-agreed financial covenants.

  Repayments of the €82.5 million loan commence in August 2009, following which the capital sum is to be paid in 32 quarterly instalments, the individual instalment payments increasing over the years in line with pre-determined income expectation. There is also a balloon payment at the end of the term, equivalent to 8% of the total loan facility.

41.3 Market risk

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

Foreign currency risk

The group operates internationally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of group entities, the euro. The currencies giving rise to this risk are the Hungarian forint, the Russian rouble, the Czech crown and the Libyan dinar. In addition, the group does not hedge its investments in its foreign subsidiaries and was similarly exposed to currency risk arising on the translation of the assets and liabilities of such subsidiaries where the functional currency at the subsidiary company level is other than the euro. As from 1 January 2008, all group entities have a euro functional currency.

In respect of monetary assets and liabilities denominated in foreign currencies, the group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, when necessary, to address short-term mismatches.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the group. This provides an economic hedge and no derivatives are entered into.

Interest rate risk

The group is exposed to changes in market interest rates through bank borrowings and related party loans at variable interest rates.

The group's interest-bearing financial instruments at the reporting dates are as follows:

	2008 €'000	2007 €'000
Fixed rate instruments		
Financial assets, other than cash at bank:		
Non-current		
Placement of term deposit with banks	**-**	3,600
Current		
Placement of term deposit with banks	**-**	1,800
Financial liabilities:		
Bonds	**(45,591)**	(45,309)
Parent company loan and other interest-bearing borrowings	**(732)**	(15,285)
	(46,323)	(55,194)
Variable rate instruments		
Financial assets other than cash at bank:		
Non-current		
Loan to related company	**-**	1,470
Financial liabilities:		
Bank borrowings	**(202,266)**	(220,425)
Other interest bearing liabilities	**(393)**	(1,671)
	(202,659)	(220,626)

The group adopts a policy of ensuring adequate hedging against its exposure to changes in interest rates on interest-bearing borrowings due by the parent company and its subsidiaries by entering into financial arrangements subject to fixed rates of interest whenever possible.

In addition, with a view to mitigating interest rate risk, the group entered into interest rate swap agreements with financial institutions. Swaps are over-the counter agreements between the two parties to exchange future cash flows based upon agreed notional amounts. Under these interest rate swap agreements, the group agreed with the counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts.

The following table illustrates the sensitivity of profit for the year to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of recent market conditions. The calculations are based on a change in the market interest rates for each period and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	The group €'000		**The company** €'000	
	+1%	-1%	+1%	-1%
Interest payable				
31 December 2008	(1,386)	1,478	(70)	70
31 December 2007	(1,850)	1,850	(168)	168
Interest receivable				
31 December 2008	1,098	(1,098)	988	(988)
31 December 2007	670	(670)	583	(583)

41.4 *Summary of financial assets and liabilities by category*

The carrying amounts of the group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See note 4.15 for explanations about how the category of financial instruments affects their subsequent measurement.

	The group		The company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Non-current assets				
Investments at fair value through profit and loss	-	-	310,283	274,414
Reimbursement assets	23,676	23,757	-	-
Loans and receivables –				
Amounts due from group and related companies	-	1,470	259,935	224,355
Cash and cash equivalents	-	3,600	-	-
	23,676	**28,827**	**570,218**	**498,769**
Current assets				
Loans and receivables –				
Amounts due from group companies	-	-	5,600	5,600
Trade receivables	14,022	13,417	-	-
Other receivables	6,020	5,378	14,260	10,414
Cash and cash equivalents	69,908	163,813	46,941	142,057
	89,950	**182,608**	**66,801**	**158,071**
Non-current liabilities				
Financial liabilities measured at amortised cost –				
Bank borrowings	182,240	197,720	5,266	6,700
Bonds	45,591	45,309	45,591	45,309
Other interest bearing borrowings	290	7,341	-	6,585
Derivatives	3,309	-	-	-
	231,430	**250,370**	**50,857**	**58,594**
Current liabilities				
Financial liabilities measured at amortised cost –				
Bank borrowings	20,026	22,704	1,433	1,433
Other interest bearing borrowings	835	9,600	-	6,777
Trade payables	7,098	7,472	210	262
Other payables	10,502	10,362	107	641
Accruals	17,959	12,928	2,349	2,219
Derivatives	-	-	-	15
	56,420	**63,066**	**4,099**	**11,347**

42 Events after the balance sheet date

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation on 9 April 2009 by the board.

43 Ultimate controlling party

The company is a subsidiary of CPHCL. The group's ultimate parent company is CPHCL, the registered office of which is the same as that of the company.

CPHCL prepares the consolidated financial statements of the group of which IHI and its subsidiaries form part. These financial statements are filed and are available for public inspection at the Registry of Companies in Malta.

44 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

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Report on the financial statements

We have audited the accompanying financial statements of International Hotel Investments p.l.c. and the consolidated financial statements of its group set out on pages 54 to 101, which comprise the balance sheets of the company and the group as at 31 December 2008, and their income statements, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As described in the directors' report, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for the company and International Financial Reporting Standards as adopted by the European Union for the group. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements 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 internal control of the company and the group. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

GrantThornton

Opinion

In our opinion,

- the company's financial statements give a true and fair view of its financial position as at 31 December 2008 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards , and

- the group's consolidated financial statements give a true and fair view of its financial position as at 31 December 2008 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and statutory requirements

We are also required to report as to whether the financial statements are properly prepared in accordance with the Companies Act, 1995. We are required to report to you if, in our opinion:

- the information given in the directors' report is not consistent with the financial statements; or
- the company has not kept proper accounting records; or
- the company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit or certain information required by the Act regarding directors' remuneration is not disclosed in the financial statements, in which case we are required to include the required particulars in a statement in our report.

Opinion

In our opinion the financial statements have been properly prepared in accordance with the requirements of the Companies Act, 1995 (Cap 386).

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

9 April 2009

Certified Public Accountants
Member of Grant Thornton International Ltd

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