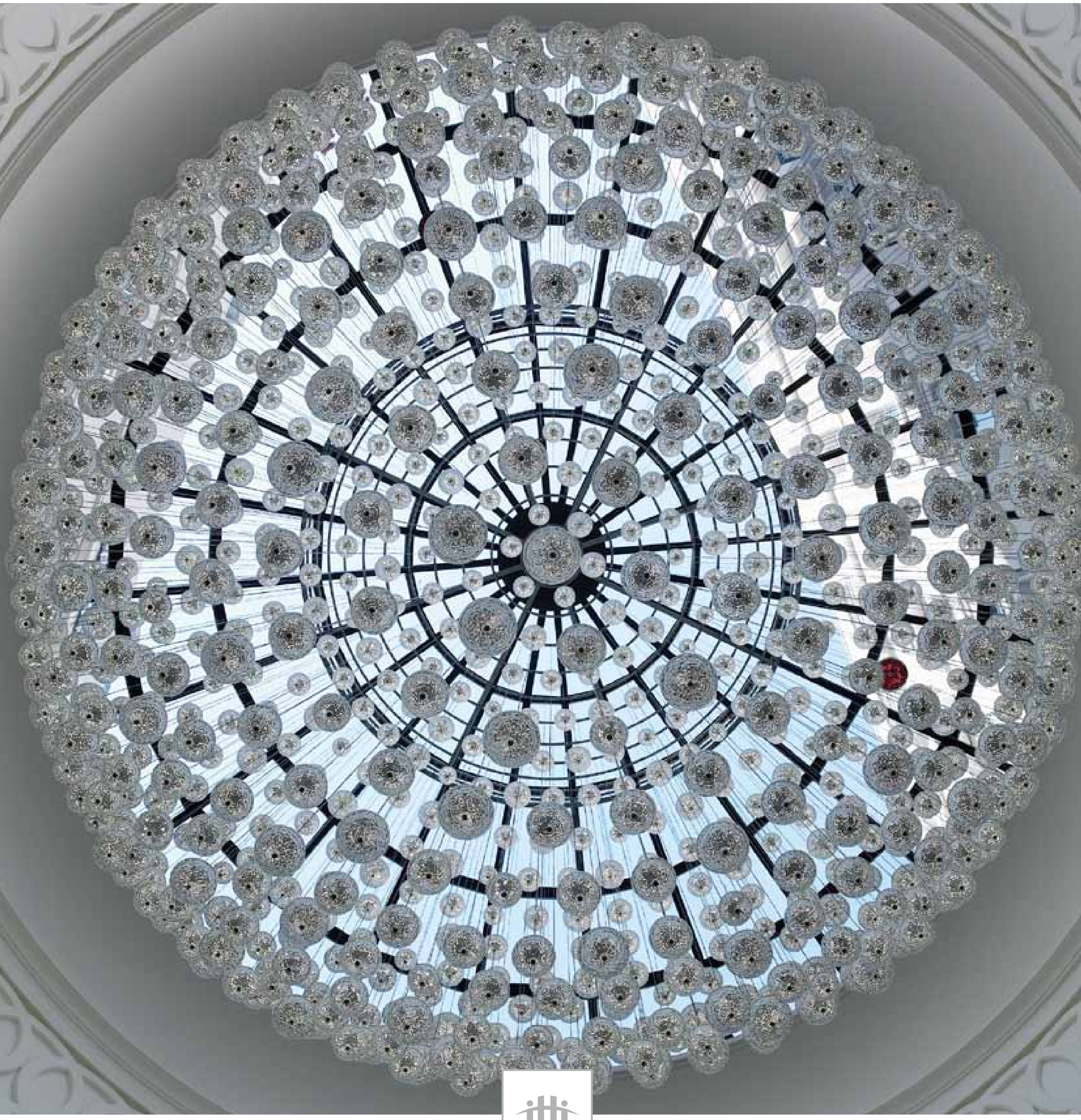


INTERNATIONAL HOTEL INVESTMENTS p.l.c.

annual report
& financial statements 2011

contents

introduction

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

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 business potential of each of the acquired hotels by way of major refurbishment and expansion projects. Typically, IHI has targeted investment opportunities in emerging markets as also established destinations, unlocking hidden value in landmark real estate. IHI's policy is to achieve the maximum benefit through capital gains in redevelopment, as also healthy operating results with ultimate appreciation of the property over the years.

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

In 2007, IHI welcomed Istithmar 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.

IHI is the shareholder in a hotel management company – CHI Limited (CHI). 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.

CPHCL is a joint venture between the Pisani family of Malta and the Libyan Foreign Investment Company (LFICO), which joined the company in 1974. CPHCL has since grown to be the leading private company in Malta with ownership and management interests in hotels worldwide.

Istithmar Hotels is an integrated hotel development, investment and asset management business based in Dubai, United Arab Emirates.

International Hotel Investments p.l.c.

20%

CHI
Hotel operator

QPM
Project Management Company

Owned Hotels	
Corinthia Hotel & Residences London	294 bedrooms + 12 luxury apartments (50% ownership)
Corinthia Hotel St Petersburg	388 bedrooms + shopping mall + office block
Corinthia Hotel Budapest	414 bedrooms + 26 luxury apartments
Corinthia Hotel Prague	539 bedrooms
Corinthia Hotel Lisbon	518 bedrooms
Corinthia Hotel Tripoli	299 bedrooms + office block
Corinthia Hotel St George's Bay, Malta	250 bedrooms
Marina Hotel Malta	200 bedrooms
OWNED	**2,902 bedrooms + 38 residences + mall + 2 office blocks**
Managed Hotels	
Corinthia Palace Hotel	152 bedrooms
Corinthia Hotel Khartoum	230 bedrooms
Corinthia Hotel Taormina	180 bedrooms (under development)
Ramada Plaza Tunisia	309 bedrooms
Ramada Plaza Budapest	310 bedrooms
Ramada Plaza Dubai - UAE	358 bedrooms
Ramada Plaza Sharjah - UAE	240 bedrooms
Panorama Hotel Prague	440 bedrooms
MANAGED BEDROOMS	**2,219 bedrooms**
OWNED & MANAGED BEDROOMS	**5,121 bedrooms**

board of directors

front row - left to right

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 31 years.

Nagmeddin Hemali Mokhtar is Chairman and Managing Director of Libyan Foreign Investment Company (LFICO). He has worked in the legal office of Omma Bank, as LFICO representative in Pakistan and as head of the legal office of LFICO in Tripoli.

Alfred Pisani is the 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.

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.

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 the design, development and marketing of The World Islands Project in Dubai.

back row - left to right

Simon Naudi joined the Board of IHI in 2005, having joined the Corinthia Group in a senior executive role in 1997. He has been responsible for business development, particularly hotel and real estate acquisitions and development.

Michael Beckett has considerable expertise as an independent director in international mining, industrial and leisure companies. Among other directorships, Mr Beckett is currently non-Executive Chairman of Endeavour Financial Corporation in Canada and non-Executive Director of Northam Platinum in South Africa.

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 the Chairman of the IHI Audit Committee.

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.

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

chairman's statement

for the year ended 31 December 2011

View from the Royal Penthouse Suite– Corinthia Hotel London

Alfred Pisani - Chairman & CEO

Dear Shareholders,

2011 was a momentous and positive year for IHI, namely for three reasons.

Firstly, the landmark luxury hotel in London, in which IHI owns 50%, was completed to the acclaim of customers and media worldwide, positioning our Corinthia Brand at the forefront of the global hotel industry with a flagship property that is truly at the top end of the city's luxury market.

Secondly, our business in Libya survived intact the ravages of a revolution. In spite of a war situation in Tripoli, we kept our hotel going, in fact not closing for a single day, ensuring that we maintained our hotel in full operation throughout the conflict. Our hotel is now at the centre of the vast economic opportunities that Libya is about to experience.

Thirdly, all of our hotels in mainland Europe performed better than the previous year, with increased profits in each of our operations notwithstanding economic recession and national challenges in all of the countries in which we operate.

I will elaborate in detail on each of these points in my report, but it is of note to record that in spite of all of our challenges, that is, the recession in Europe and a war in Libya, we have nevertheless maintained our profitability. Whilst recording lower profits in Libya, an achievement in itself to stay afloat, our consolidated operating profit has matched that achieved the previous year, stabilizing at €22.38 million. With Libya now back on stream and the hotel in London fully up and running, 2012 promises to reap further improved results.

The backdrop to 2011 in Hungary, Portugal, Czech Republic, Russia and Malta, all countries in which we operate our hotels, was one of national challenges, as Governments implemented austerity measures aimed at curbing costs on national debts which had become impossible to sustain or roll over. No doubt, this tight economic outlook negatively impacted the volume of business and leisure visitors to the countries in which we operate. In addition, many companies cut back on their international conferences and meetings, an important source of business for us, given the large size of our hotels and our focus on the meetings market.

In spite of this difficult year, our hotels performed better in 2011 than in 2010. Such results are the outcome of the sterling work being done by our hotel management team. On the service side, we have continued to invest in human resources and operating standards. No matter the beauty of our properties, it is service that ultimately attracts and retains customers. In 2011, we consolidated our management team at corporate office, and we took the initiative to bring in fresh blood from leading global hotel companies. Much work is going into programmes for training and development in all our hotels, a focus that will be maintained throughout 2012 and beyond. We will continue to further enhance the Spirit of Corinthia, a style of management and service that stays true to our family-inspired tradition of hospitality.

Our own signature service standards are being documented in training packages and rolled out together with a programme of structured career development for our young and upcoming managers. This is the bedrock for our business and our future.

On the marketing front, our Corinthia Brand is fast gaining a solid reputation with a global presence. 2011 was the first full year in which our online distribution system was in place. Worldwide, hotel bookings are dominated by the internet, where the importance of having a Brand that is recognizable to customers searching for hotels is of paramount importance. In 2011, our own corinthia.com and Corinthia World booking channels generated 12% of our total room revenue, compared to 5.8% in 2010, and our target is to rise steadily up to 20/30% in our hotels over the years to come. To this end, we are spending, literally, millions of Euros in design, photography and technology to upgrade our websites and in promoting our name worldwide through a concerted campaign of public relations and a strategy for positioning ourselves in the new world of social media. We are also reaching out to new markets, such as the United States, where our Brand is now gaining recognition among the top corporate and leisure markets. In the field of revenue management, where we daily increase and decrease prices for our rooms as demand fluctuates between lows and highs, we have recruited some of the world's best talent to guide us through this new area of hotel reservations, a far cry from the pioneering days of a total reliance on tour operators.

Whitehall Penthouse Study – Corinthia Hotel London

On the sales front, we are also rationalizing our sales offices worldwide. We have closed down a number of offices that were not strategic to us, and we are focusing our efforts on our own offices in France, Germany, Russia and Italy, whilst venturing out to new areas such as Brazil and the United States. This year, in 2012, we expect our own sales offices in the various countries to generate €14 million in room revenue.

Our brand recognition has been boosted to no end by the opening of the flagship hotel in London. This property is located at the heart of this global capital, and has introduced our Company, and our style and spirit to an entirely new global audience. Already, we have hosted among our guests, royalty and political leaders from all over the world as also business personalities from the world's leading companies and many other important people, the like of famous movie stars. More importantly, the hotel is a major development success which has created substantial capital value to you, our Shareholders, and ultimately, now that we are fully operational we forecast cash flows that will drive substantial profits. As you all know, our two adjoining properties in Westminster were acquired in 2008 from The Crown Estate, and within six months of acquisition, we had contractors on site in what was, for two years running, the largest construction project in the city centre. Throughout last year, we opened the hotel in phases, culminating in the launch of the seven penthouse suites last December, providing a total inventory of 294 luxury bedrooms, restaurants, bars and a flagship spa which in itself is a world showcase. In the adjoining building, that is 10, Whitehall Place, we will be completing our 12 residential apartments in May for their eventual sale at the highest valuations anywhere in the city.

The quality of finishes that has been achieved for the hotel as also the apartments is indeed remarkable and reviews in influential media have described this property as one of the most stunning hotels developed in recent years. More importantly this has been created at the most competitive price possible, an overall cost for the acquisition of the freehold title and building, as also for its total re-development at a price tag of £320 million. Objectively, based on trading prices and costs incurred for similar hotels and residences, our properties in London could be valued at amounts which significantly exceed our cost, which amply demonstrates beyond any shadow of doubt our capabilities to be not only owners but also developers capable of creating significant added value for our shareholders over the development period.

Turning to Libya, 2011 was a year of hostilities with eight months of continual war and conflict. Our Tripoli hotel is possibly the property with the highest profile and a landmark in the city. For sure, the period of conflict was an anxious and tense time for all of us. Of course, our main concerns rested with our staff, caught out in the midst of a very dangerous situation. Likewise, we were also very concerned to safeguard our property and avoid looting. We survived the war intact, with no injury to any of our employees or any harm to our property. This achievement is due to a heroic core team of managers and staff who stayed at the hotel throughout the war. We were also fortunate to have had the unbending political support of our Government in Malta, as well as that of the various other international governments and the new Libyan political force that supported us through the changes that took place in these difficult times. With the support of all, our property was protected. At this point I must also mention that at the start of hostilities the Maltese Government afforded us full support in our presentations with the UK, the EU and the United States as well as the United Nations Security Council, to drive home the need in providing us with a mandate to continue trading as our Company was threatened with the possibilities of sanctions as a result of LFICO's indirect shareholding in IHI.

I say with pride that we did not miss a single day of operations in Libya notwithstanding some very scary moments. Of course, the financial impact of the conflict was most significant, especially when one considers the healthy cash flows we had been used to in this hotel in previous years. Having said this, however, registering an operating profit for this hotel in these difficult circumstances is a major feat in its own right. Now that hostilities have ended, we have been witnessing an increased and sustained level of occupancy. Although we have not as yet reached the same level of business as we used to enjoy before, we are however sure in our minds that subsequently, more so after the elections due in a few weeks' time, there will be an increased level of economic activity in the country.

Dear Shareholders, I have said earlier that we registered year-on-year improvements in all of the IHI owned and operated hotels. Whilst many were expecting the economic crisis to abate during the course of 2011, this was in fact not the case and the improved performance in difficult market conditions gains more significance. As can be noted from the financial results and the report of our Managing Director, we have in the year under review generated the same level of operating profit as we did the year before. Furthermore, our income generation from our non-hotel properties, that is, our offices and retail shops in Libya and St Petersburg, equally remains strong. In the case of Libya, despite the conflict period, the tenants renting our offices in the adjoining building to the hotel continued to pay their yearly rent uninterruptedly. Similarly, in St Petersburg, following the launch of the commercial and office building which adjoins our hotel and completed in 2009, we have seen an increasing interest in the take up of office spaces and retail outlets. In fact, most of the commercial areas have now been leased out.

In due course, once we reach a stabilized level of earnings, we shall consider the outright sale of the commercial part within our portfolio to realize the capital gains that we have made over time with the purpose to support our income stream to issue dividends. In a couple of months, we shall also be actively promoting the sale of the 12 residences in London. We have purposefully delayed the sale as we wanted to ensure that the apartments are fully finished prior to putting them on the market, at which point we should maximize their value. Here I can confirm that like the hotel these apartments are being finished to the highest standards, ranking with the very best in the city, a factor which will also influence the price that they will fetch on the market. Once again, we are sure to realize a very substantial profit equal to at least twice the cost of the land and construction of these apartments.

We have recently announced that we are still actively considering raising fresh equity to fund our international expansion plan. Up to last year we have sought an increase in our equity through a possible listing in an international market. However, market conditions remain challenging for public listings, and accordingly, we have had to seek new equity by approaching private institutions and sovereign funds. Meetings are currently being organized in many countries to achieve this objective.

The funds that we expect to raise, matched by a corresponding amount of bank loans to retain a prudent debt to equity ratio, will be principally applied to acquire new properties and develop them into landmark buildings in key cities of Europe, North America and China. Our plan is to expand globally our brand Corinthia, which IHI owns, and this can only be achieved if we develop trophy hotels like the one that we have just completed in London. Our plan is to fly the Corinthia flag in key cities, the like of Paris, New York, Beijing and others. Once we achieve this objective, we will be better positioned to compete effectively as a management company. At that point in time we expect that we will be able to entice third party hotel owners to entrust the management of their hotels through our own management company, that is, CHI. The growth prospects, through this route, are far more interesting as then we would not need to fund acquisition to grow our portfolio of hotels under the Corinthia Brand.

As one explained on numerous occasions, our Company's business covers two activities, firstly that of developing trophy hotels and secondly, once such properties are completed, that of managing these hotels through our own management company, CHI, under the Corinthia brand. It must be appreciated that the funding for the development of these hotels is achieved through the Company's equity funds supported by bank loans, normally on a gearing not exceeding 50:50.

Whitehall Penthouse Terrace – Corinthia Hotel London

Explorer's Penthouse Suite – Corinthia Hotel London

Once the properties are operational, priority is given to pay the yearly interest and bank loan capital repayments, a process that would take some seven to ten years to fully repay through the cash generated by the operation. This commitment to pay the banks obviously takes priority. On the other hand, we have expressed our belief on numerous occasions with our shareholders that the benefit of acting as developers invariably translates into capital gains on completion of any of our hotels, as we have experienced in most of our developments, particularly with the latest hotel in London. Ordinarily, one would expect the capital markets to recognize this appreciation. Accordingly to realize this capital gain one would have to sell the property at some point in time. This is no different than building an apartment for a cost of €100,000 and ten years later it is worth €200,000, meaning that the capital gain on such an apartment is only realized once the apartment is actually sold. In view of this rationale, your board of directors is considering the possibility to sell those properties which in the board's opinion have achieved their stabilized valuation with the purpose to realize the capital gain made over the past years. However, such a sale would only be made on the condition that the management of the hotels remains entrusted to CHI . This way we would be realizing the capital gain and the appreciation of the properties, which would, in turn, provide the necessary funds to issue dividends. This strategy means that we would have taken the initiative to place our Corinthia flag in leading world capital cities by developing the properties ourselves and ultimately, in subsequent years, offload such properties to realize the capital gain realized over time. This, in other words, means that our Company would have attained its two most important objectives: firstly, that we will realize the capital gain; and secondly, that the property would continue to be operated under the Corinthia brand subsequent to the sale.

Finally, and on a totally different note, I wish to bring to your attention that as we are developing more of an international profile, IHI has felt a responsibility to support a worthy cause of humanity by contributing €15,000 to an international charity fund called 'Just A Drop' in order to drill a water shaft with all the supporting equipment in a remote area of Tanzania to provide clean water to some 20,000 poor people in an attempt to minimize the exposure to malaria and other serious diseases. We felt that such a small contribution is most deserving and requires our support and trust that you, our Shareholders, endorse this decision.

Dear Shareholders, I would like to conclude by thanking my fellow Directors on the Board as well as all the executives and employees for their total support and dedication. I would also wish to thank you – our Shareholders – for continuing to support the Company. Like us, I believe you feel proud in seeing the Corinthia flag flying in a number of capital cities in Europe and North Africa.

Alfred Pisani
Chairman and Chief Executive Officer

Marina Hotel at Corinthia Beach Resort, St George's Bay, Malta

managing director's report

for the year ended 31 December 2011

Royal Penthouse Lounge – Corinthia Hotel London

Joseph Fenech - Managing Director

The key highlight of my review this year, is that we managed to achieve the same EBITDA of the year before. In my report for the previous two years, I had highlighted that the results being achieved by IHI were conditioned by the financial and economic crises hitting the Eurozone countries which are the main feeder markets to our hotels in various cities in Europe and North Africa.

Whilst there has been no abatement on this front – we have been faced with a worsening scenario particularly in Portugal and Hungary – in the year under review we were also affected by the outbreak of hostilities in neighbouring Libya.

Trafalgar Penthouse Lounge – Corinthia Hotel London

Our hotel in Libya had over the years consistently contributed significant amounts of revenues and profits to the consolidated results of the IHI Group. However, whilst we remained operational during the eight month period of conflict – and for this we are indebted to the unbending support of our management and staff – occupancy levels, revenue generated and profits achieved from the Corinthia hotel in Tripoli were lower than those achieved in prior years. In itself, remaining operational throughout the conflict period, not sustaining any damage to the property, and registering a profit is a remarkable achievement.

It will also be noted that despite the lower level of economic activity in the Corinthia hotel in Tripoli in 2011, all the other hotels within the IHI fold registered healthier revenues and higher profits compared to the year before. As mentioned earlier, within a depressed economic and financial environment this is yet again another outstanding feat, and no doubt, bears witness to our ability to deliver in difficult circumstances. Here one must also single out the results of our hotels in St Petersburg, Lisbon and Prague which contributed to this improved performance.

The year under review has also seen the completion of the Corinthia London Hotel, of which IHI owns 50%, after an extensive reconstruction over a period of more than two years. The level of detail provided and the standards achieved do indeed make us proud, as the Corinthia Hotel London is fast earning a reputation of being among the best in the city's luxury hotel sector.

Review of Income and Comprehensive Income Statement

	2011 € million	2010 € million
Revenues	**104.22**	101.84
Direct costs	**(53.86)**	(52.51)
Marketing, administrative and other costs	**(27.98)**	(26.47)
Earnings before interest, tax and depreciation (EBITDA)	**22.38**	22.86
Depreciation and amortization	**(24.43)**	(24.73)
Net revaluation uplifts	**4.11**	4.60
Net finance costs including interest rate swaps	**(13.46)**	(13.81)
Other expenses	**(0.40)**	(0.34)
Loss before taxation	**(11.81)**	(11.42)
Tax income (expense)	**1.08**	(1.65)
	(10.73)	(13.07)
Net revaluation of hotel properties and translation difference through comprehensive income statement	**(13.40)**	18.42
Total comprehensive (expense) income for year	**(24.13)**	5.35

Corinthia Hotel Budapest

Earnings before interest, tax, depreciation and amortization (EBITDA)

As noted above, despite the year-on-year reduction in the operating performance of the Corinthia hotel in Tripoli, this was more than adequately compensated for by the improved trading results of the other IHI hotels. This is evidenced by the fact that we registered revenues which are more than €2 million higher in 2011 over 2010 whilst our EBITDA for the year under review, at €22.38 million, was more or less in line with that achieved the year before at €22.86 million. Much of this improvement was due to the results achieved by the in-house reservation and distribution system which was launched in August 2010, in anticipation of the completion of the Corinthia hotel in London.

Being purely a business hotel, the reduction in occupancy at the Corinthia Hotel Tripoli during the eight months of the period of conflict, affected the Group's performance disproportionately as the rates achieved in this property are by far higher than the average rates achieved across the other IHI hotel properties. In compensation for this drop in revenues, significantly higher occupancies were achieved in the other IHI hotels particularly in St Petersburg, Lisbon and Prague and, to a lesser degree, in Budapest and Malta. Whilst positive in the sense that higher occupancies result in higher revenues, it also affected our operating cost base as there is a corresponding increase relative to the rise in occupancy.

Between 2009 and 2010, another attempt was made in the preparation for an IPO in a foreign jurisdiction. However, despite the fact that a lot of work had been conducted in this respect, we were advised that the then prevailing market conditions were not conducive to a successful launch and we had to postpone our plans. In 2010 we wrote off €0.71 million of IPO costs while this year we wrote off the balance of €1.79 million. Both these amounts are shown under Administrative expenses in the Income Statement. The Group remains committed to increase its equity base, but further details on initiatives being taken on this front are highlighted in the Chairman's report.

Depreciation and amortization

The depreciation charge for the year under review, at €24.43 million, is marginally below the provision made the year before. This is a very significant amount and accounts for more than 100% of our EBITDA. Although this charge does not affect the cash flow position of the Group, it does reflect the high asset base which has now exceeded the Euro one billion mark.

Revaluation adjustments

Revaluation adjustments have become a regular feature both in our Income and Comprehensive Income Statements in view of a decision taken a number of years back to revalue the Group's hotel properties and investment properties on an annual basis.

Investment properties include the commercial centres in Tripoli and St Petersburg, apart from the residential apartments in London. Movements in value on investment properties, are reflected through the Income Statement.

On the other hand, revaluation uplifts in hotel values are reflected in the Comprehensive Income Statement while impairments that represent a reduction to the original cost net of depreciation are charged to the Income Statement. Conversely any uplift up to the amount previously impaired is likewise reflected in the Income Statement.

In the valuation exercise, we have this year retained the same prudent gearing ratio used last year of 50:50 between debt and equity. Furthermore, notwithstanding that in 2011 we generally fared better than in 2010 in terms of operating performance on a per property basis, yet the future outlook for the next ten years which underpins the determination of hotel values has been reduced by the independent valuers in view of the economic uncertainties prevailing in the Eurozone countries.

Despite this dampened future outlook in profit forecasting, it is heartening to note that this year we only suffered minor impairments in two of our properties affecting the Income Statement. These were the properties located in Malta and Budapest with an impairment of €2.65 million and €4.33 million respectively. Against this however, we managed to partially reverse prior years' impairment on the property in Prague amounting to €4.49 million, such that the overall net impairment in the Income Statement was €2.49 million. It is also worth mentioning that the value of the investment property in St Petersburg has been increased by €5.4 million at the end of the financial year under review. The net effect of the uplift in value of the investment properties and the further impairment of the hotel assets, was a positive contribution on the Income Statement of €2.95 million.

An impairment charge, net of tax, of €14.51 million is also being reported in the Comprehensive Income Statement relating to the hotel property in St Petersburg and IHI's share in the Corinthia Hotel London. Against this, currency translation gains amounting to € 1.11 million were also recognized in the Comprehensive Income Statement.

Net finance costs

Net finance costs include both interest receivable and interest payable, apart from movements on interest rate swaps.

Interest receivable in 2011 amounted to €1.83 million and is €1.22 million higher than the corresponding figure the year before. This increase is principally made up of gains on currency translation on a loan provided to the associate company responsible for the London development. To a lesser degree, there has also been higher interest receivable on the same loan.

Equally, interest payable at €15.73 million in 2011 is €1.10 million higher than the interest cost incurred in 2010. The increased borrowing costs arise in consequence of a general increase in Euribor rates, apart from a higher level of indebtedness as the Group successfully managed to conclude a loan in the Russian Federation for €50 million in September 2011 and also managed to make a further drawdown of €5 million on an existing loan facility. Against this, however, the Group managed to repay €10 million in scheduled debt on its existing loans for 2011, notwithstanding that it managed to obtain a moratorium on capital debt repayment of €8.75 million in view of the period of conflict in Libya.

Balance Sheet review

As reported in recent years, in 2011 we retained total assets above the Euro one billion mark. In fact, total assets during this year increased by €13.57 million to €1,066.83 million. Equally important to note is that the prudent debt to equity ratio adopted by the Group through which 56.5% of our assets are funded by shareholders' funds proved to be a wise decision in this difficult period of economic uncertainty. The balance of our liabilities side of our Balance Sheet is made up of three key components: corporate bonds, bank borrowings and deferred tax which has accumulated over the years on property revaluation uplifts. It is also worth noting that the maturity profile of our indebtedness fits in well with our expected operating profits generation.

The most significant movements on the assets side for the year under review were:

- a reduction of €34.15 million in the value of property, plant and equipment principally in consequence of the depreciation charge reported in the Income Statement and the impairment losses;
- an increase of €22.47 million in the loan provided to the associate company responsible for the London development as further funding was required to bring this project to its completion;
- a short-term loan of €11.50 million provided to the parent company Corinthia Palace Hotel Company Limited just before the year end which was repaid immediately after balance sheet date;
- an increase in trade receivables of €6.48 million principally on account of a slow-down in debt collection from our Corinthia hotel in Tripoli following the prolonged period of unrest in the country and the subsequent appointment of an interim government.

As intimated earlier on in my review, we have successfully concluded a €50 million long-term loan in September 2011 with a Russian bank secured by our hotel property in St Petersburg. In itself this was a remarkable achievement considering the prevailing difficult economic and financial situation coupled with the fact that this was a loan provided by a Russian bank, denominated in a foreign currency and made to a foreign entity. This facility was fully drawn by the end of the year. Notwithstanding this additional loan, our long-term indebtedness only increased by €35.40 million between the two balance sheet dates.

Conclusion

Last year I mentioned that other than the economic downturn in Europe we were also being affected by the political unrest in Libya. At the time of writing this report last year we were still in the second month of unrest and no one could foresee how long this was going to last and what were going to be the repercussions. We are now in full cognizance of the impact of this conflict, and this has been amply explained above. The collective actions taken by the Group in Libya had the benefit of safeguarding all our personnel, limiting the damage sustained by the property throughout the eight month conflict period to a minimal level and enabled us to be very much in the forefront to benefit from increased business once hostilities ended. On the other hand, the level of activity from this operation was very much subdued and ordinarily one would have expected the Group results for 2011 to be significantly inferior to those achieved in 2010. Thankfully, this was not the case, and this in itself shows the resilience that we have in exceptionally difficult circumstances.

We have also started reaping the benefits of our in-house developed reservation and distribution system which was launched in August 2010. We are, therefore, becoming less reliant on third-party systems as more business is being generated through our distribution network.

Despite the economic slowdown and a debt crisis in a number of Eurozone countries, we have seen a gradual, yet steady, recovery of the Meeting, Incentive, Conference and Events segment, which is the most high-rated segment of most of our hotels. This has helped us in achieving better occupancies, higher rates and increased operating profits in all of IHI's hotels except in Tripoli, which collectively made up for the reduced performance of that hotel. We remain confident that this positive trend will also continue in 2012.

We have also successfully completed and launched the Corinthia Hotel in London, during the course of 2011. The year under review can be best termed as a soft launch year for this property with the rooms inventory being gradually handed over to operations over a number of months. We can now safely say that our hotel in London is today ranked as one of the leading luxury hotels in London and the outlook for 2012 is indeed encouraging.

In conclusion, I wish to thank the Chairman and Board of Directors for their continued and unbending support.

Joseph Fenech
Managing Director

Spa – Corinthia Hotel London

our hotel brand

Corinthia Hotels is a brand that pays homage to the freedom of bespoke architecture and interior design blended with superlative hospitality that is to be found in every Corinthia hotel.

CORINTHIA™
HOTELS

Foyer – Corinthia Hotel London

CORINTHIA
HOTEL
LONDON

Early in 2008, IHI and its principal shareholders, entered into a development and acquisition agreement with The Crown Estate for what was then known as the Metropole Building and 10 Whitehall Place, in central London. The two adjoining properties occupy an entire block, facing Northumberland Avenue, Whitehall Place and Scotland Yard Road.

Developed in the late 19th century as the Metropole Hotel, but later used by the Ministry of Defence since the mid-1930s, the Metropole Building and its adjoining 10 Whitehall Place, were redeveloped into London's premier luxury hotel.

The Hotel features 294 bedrooms, a historic grand ballroom, meeting facilities, a speciality restaurant, a destination bar and a number of other food and beverage outlets. The adjoining 10 Whitehall Place has been redeveloped to include a luxury spa and 12 luxury apartments.





Grand Ballroom – Corinthia Hotel London

CORINTHIA
HOTEL
BUDAPEST

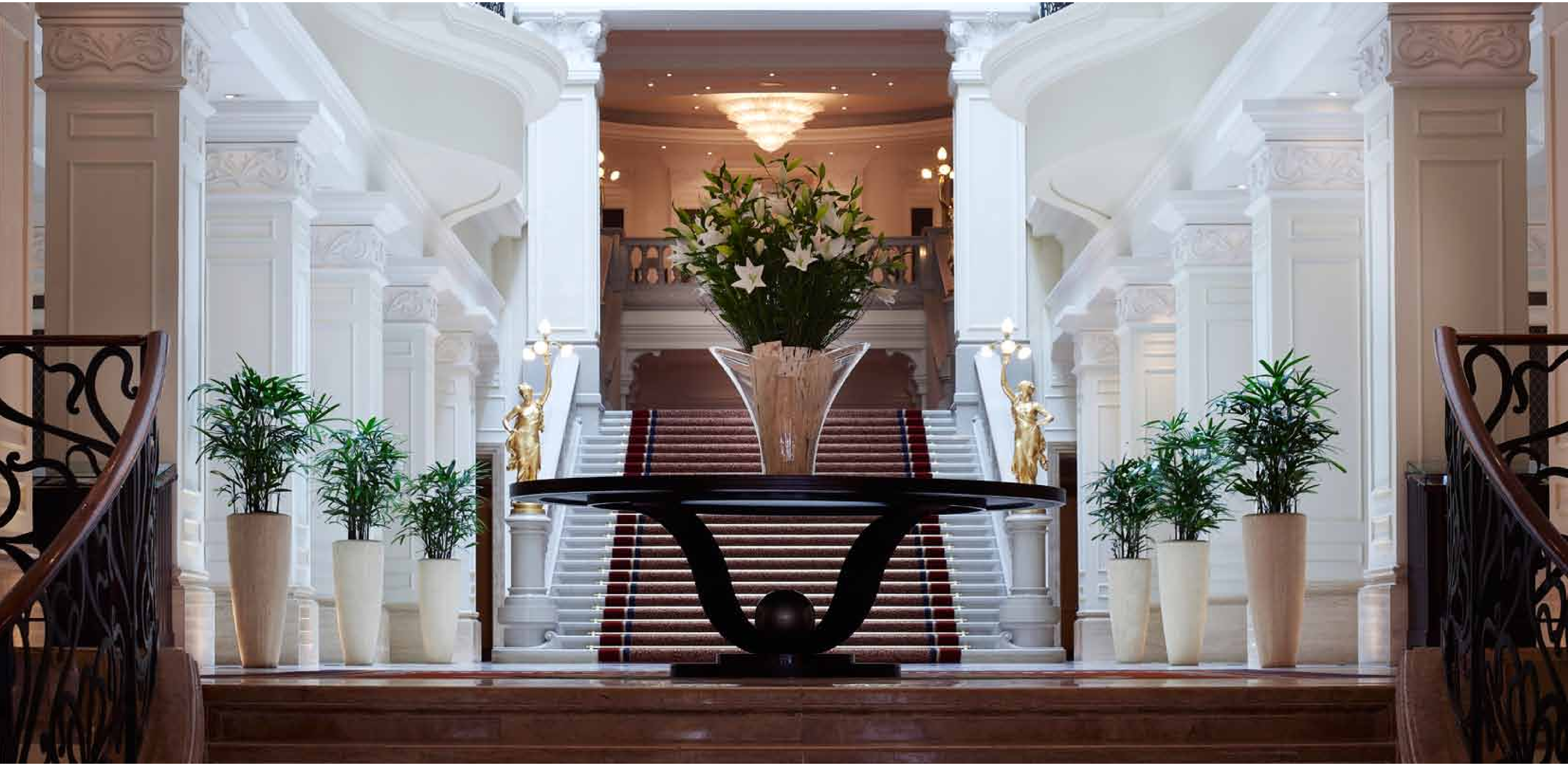
The Corinthia Hotel Budapest is a landmark, deluxe property, originating in the grand architectural epoch of the late 19th century.

The hotel was acquired by IHI as a vacant building in April 2000 and subsequently demolished to make way for a 60,000m² reconstruction that retained the historic façade and the 19th century classical ballroom.

Today, the hotel consists of 414 executive bedrooms, as well as support facilities. These include extensive conference facilities covering 3,600m² of meeting and exhibition areas; the fully restored 19th century ballroom; 26 luxury apartments; a multi-storey 260-vehicle carpark and coach park; a spectacular 19th century spa, a nightclub; various restaurants and dining outlets. The hotel was officially opened in April 2003.







CORINTHIA
HOTEL
ST PETERSBURG

The 388-room five-star Corinthia Hotel St Petersburg, Russia, was acquired by IHI in January 2002. The hotel is located on the main boulevard, Nevskij Prospekt in the city centre.

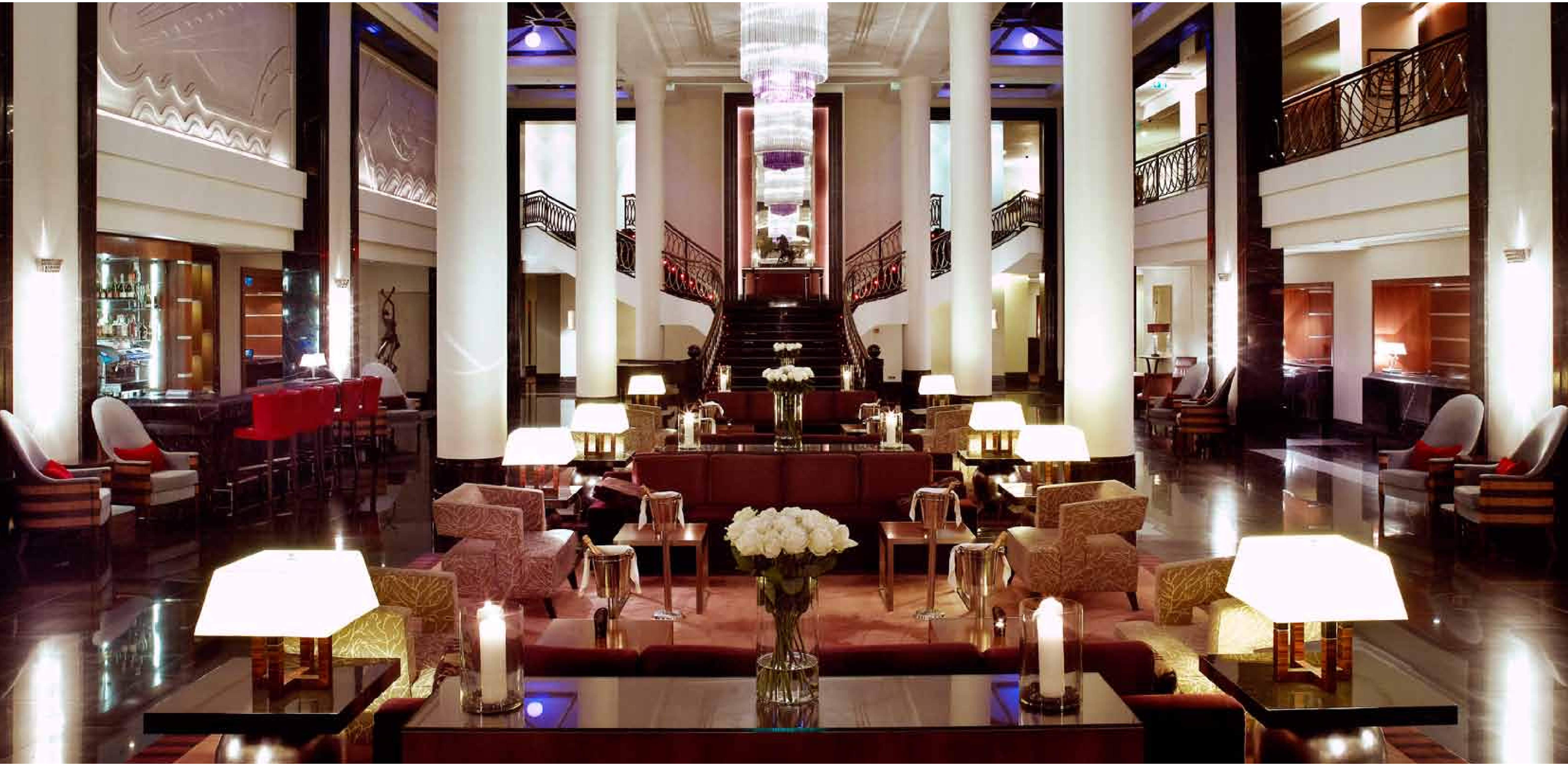
The hotel also features a range of Russian and international restaurants and extensive conference facilities.

Furthermore, in 2009, the property was further expanded by developing two large adjacent sites on either side of the hotel, which had also been acquired by IHI at the time of the hotel acquisition. One building includes additional executive bedrooms and a convention centre.

The other building comprises a 15,000m^2 mixed-use commercial centre featuring a retail mall and offices for rent to third parties.







CORINTHIA
HOTEL
LISBON

The high-rise Corinthia Hotel 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.

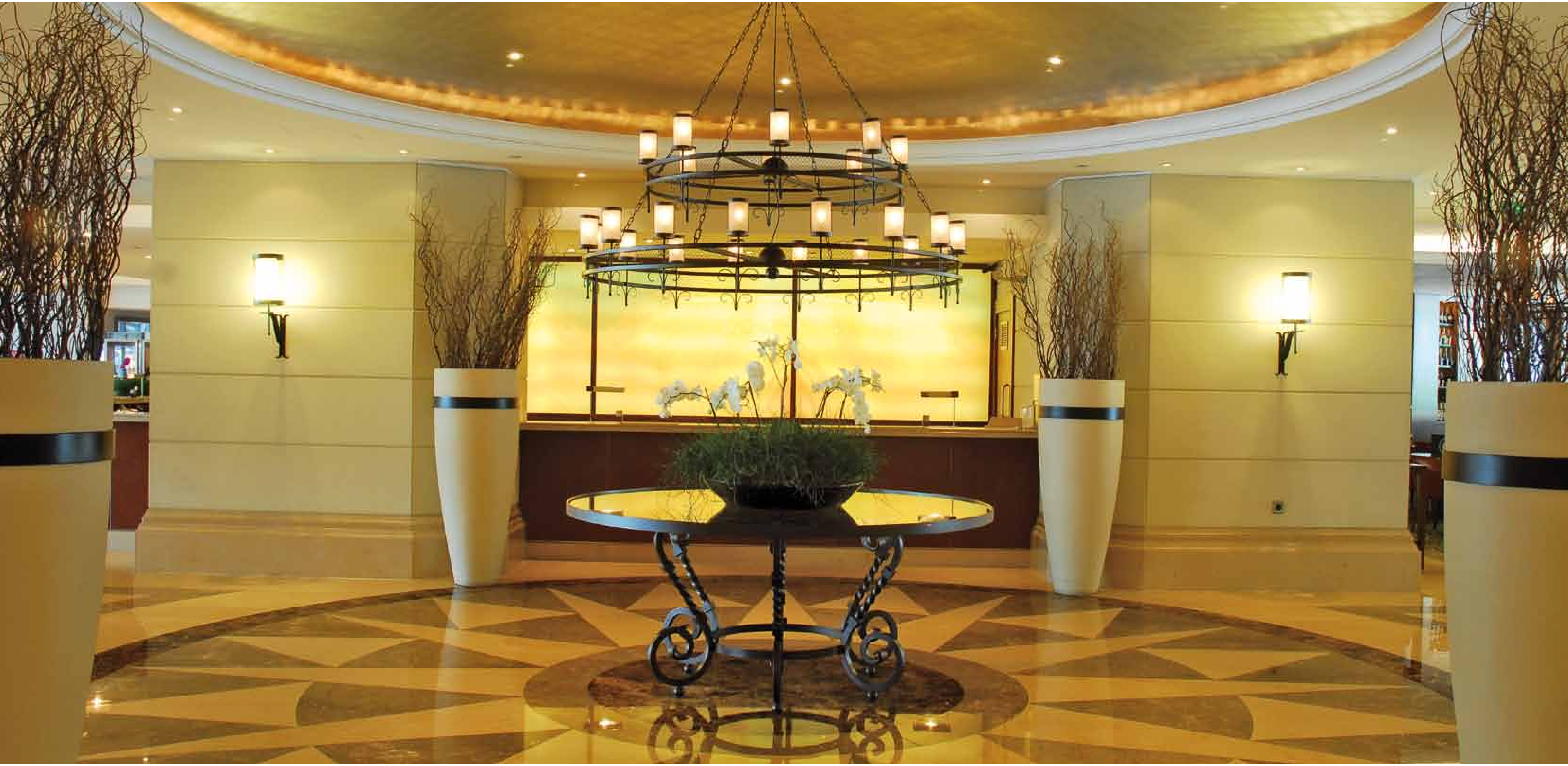
The renovated hotel was re-opened in May 2004 and now comprises 518 bedrooms, a 280-cover main restaurant, a 120-cover Portuguese restaurant and a lobby bar.

Above all, the hotel is fully equipped for the meetings, conference and incentive markets. Its 3,000m² 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 lounge affording spectacular views of Lisbon, complete with boardrooms, executive check-in, dining and business facilities.

The hotel has recently completed a 2,000m² spa and fitness facility – the largest in the city.







CORINTHIA
HOTEL
ST GEORGE'S BAY, MALTA

The Corinthia Hotel St George's Bay is a modern development sitting on 28,000m^2 of prime site land, right at the water's edge in St. Julians, by far Malta's premier location for hotel and commercial real estate.

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. The hotel's lobby, public areas and bedrooms have been fully refurbished in 2006.





CORINTHIA
HOTEL
TRIPOLI

The Corinthia Hotel Tripoli and 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.

The hotel component is housed in two, spectacular concave 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 facility adjoining the hotel towers are an integral component of the project, and house 10,000m^2 of lettable top quality offices, fully occupied by a select number of blue chip companies operating in the oil and gas sector.






CONCIERGE

CORINTHIA
HOTEL
PRAGUE

The Corinthia Hotel Prague was acquired by Corinthia in 1998 and subsequently merged into IHI.

The hotel is a landmark high-rise 539-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 hotels in the country, and has been fully refurbished over the past years.

The Corinthia Hotel Prague is a landmark conference hotel in its own right, having over 3,000m^2 of meeting space, besides extensive food & beverage operations, a spa and indoor swimming pool as well as an executive business lounge floor, all affording dramatic views of the city.





INTERNATIONAL HOTEL INVESTMENTS p.l.c.

directors' and other statutory reports & financial statements 2011

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 2011.

Principal activities

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

Review of business development and financial position

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 2011.

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

Board of directors

Mr Alfred Pisani	(Chairman and Chief Executive Officer)
Mr Joseph Fenech	(Managing Director)
Mr Ibrahim Zletni	(resigned 9 October 2011)
Mr Andrew Watson	
Mr Hamza Mustafa	
Mr Simon Naudi	
Dr Joseph J Vella	
Mr Frank Xerri de Caro	
Mr Michael Beckett	
Mr Nagmeddin H.Mokhtar	(appointed 9 October 2011)

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 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.

Reserves

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

Auditors

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

Approved by the board of directors on 29 March 2012 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 5.68, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the annual report and prepared in accordance with the requirements of International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company and its undertakings included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and position of the Company and its undertakings together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the board of directors on 29 March 2012 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

DIRECTORS' STATEMENT OF COMPLIANCE

with the Code of Principles of Good Corporate Governance

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

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

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

COMPLIANCE WITH THE CODE

Principles 1 and 4: The board

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

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

Principle 3: Composition of the board

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 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.

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	08 June 2005

Non-executive directors	*Date of first appointment*
Mr Ibrahim Zletni	25 August 2008 (resigned 09 October 2011)
Mr Nagmeddin H. Mokhtar	09 October 2011
Mr Andrew Watson	15 May 2008
Mr Hamza Mustafa	05 February 2009
Dr Joseph J. Vella	29 March 2000
Mr Frank Xerri de Caro	02 July 2004
Mr Michael Beckett	23 July 2010

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

In accordance with the requirements of the Articles of Association, the term of office of the following directors: Mr Alfred Pisani, Mr Joseph Fenech, Mr Ibrahim Zletni, Dr Joseph J. Vella, Mr Simon Naudi, Mr Andrew Watson, Mr Hamza Mustafa, and Mr Frank Xerri de Caro, lapsed at the Annual General Meeting held on 26 May 2011, at which date they were re-appointed for a further term.

Principle 5: Board meetings.

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

Mr Alfred Pisani	4
Mr Joseph Fenech	4
Mr Simon Naudi	4
Mr Ibrahim Zletni	0 (resigned 9 October 2011)
Mr Hamza Mustafa	3
Mr Andrew Watson	3
Dr Joseph J Vella	4
Mr Frank Xerri de Caro	4
Mr Michael Beckett	4
Mr Nagmeddin H.Mokhtar	1 (appointed 9 October 2011)

Principle 6: Information and Professional Development

The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

Principle 8: 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, set up in 2002, is made up of a majority of non-executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audit and acts to facilitate communication between the board, management and, upon the direct request of the audit committee, the internal audit team and the external auditors.

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

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

  The board of directors, in terms of Listing Rule 5.118, 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 2011, 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.

- ***Monitoring committee***

  The committee is responsible for ensuring that proper budgets are set by management for every hotel owned by the Company in order to achieve maximum returns on investments. The committee also monitors closely the performance of the hotels throughout the year to ensure that such budgets are actually 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 Caruana and Mr Eugenio Privitelli as members. The committee reports directly to the directors of the Company. In 2011, the committee met every month to review the performance of each hotel. Meetings were also held as necessary with CHI Limited ("CHI"), the operator of the Company's hotels.

Principle 9: Relations with shareholders and with the market

The Company is highly committed to having an open and communicative relationship with its shareholders and investors. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of interim and annual financial statements, two Interim directors' statements and respective Company announcements, the Company seeks to address the diverse information needs of its broad spectrum of shareholders in various ways. It has invested considerable time and effort in setting up and maintaining 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 information. As a result of these initiatives, the investing public is kept abreast of all developments and key events concerning the Company, whether these take place in Malta or abroad.

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.

Principle 10: Institutional shareholders

The Company ensures that it is constantly in close touch with its principal institutional shareholders.

Principle 11: Conflicts of interest

The directors are fully aware of their obligations regarding dealings in securities of the Company as required by the Listing Rules in force during the year. Moreover they are notified of 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.

Principle 12: Corporate social responsibility

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

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

NON-COMPLIANCE WITH THE CODE

Principle 2: Chairman and Chief Executive

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.

In terms of Principle 3.1, which calls for the appointment of a senior independent director where the roles of Chairman and Chief Executive Officer are carried out by the same person, the board has appointed Mr Frank Xerri de Caro as the indicated senior independent director.

Principle 7: Evaluation of the board's performance

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

Approved by the board of directors on 29 March 2012 and signed on its behalf by:

Frank Xerri de Caro
Director and Chairman of Audit Committee

Joseph J Vella
Director

OTHER DISCLOSURES IN TERMS OF LISTING RULES

Pursuant to Listing Rule 5.64.1
Share capital structure

The Company's issued share capital is five hundred and fifty four million and two hundred and thirty eight thousand five hundred and seventy three (554,238,573) ordinary shares of €1 each. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank *pari passu* between themselves.

Pursuant to Listing Rule 5.64.3
Shareholders holding 5% or more of the equity share capital as at 31 December 2011:

	Number of shares	Percentage holding (%)
Corinthia Palace Hotel Company Limited	325,777,026	58.78
Istithmar Hotels FZE	122,226,668	22.05
Libyan Foreign Investment Company	61,113,332	11.03

There were no changes in shareholders holding 5% or more of the equity share capital as at 29 March 2012.

Pursuant to Listing Rule 5.64.8
Appointment and replacement of directors

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

Amendments to the Memorandum and Articles of Association

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

Pursuant to Listing Rule 5.64.9
Powers of board members

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

Statement by the directors pursuant to Listing Rule 5.70.1

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

Pursuant to Listing Rule 5.70.2
Company secretary and registered office

Alfred Fabri
22 Europa Centre, Floriana FRN 1400, Malta
Telephone (+356) 2123 3141

Signed on behalf of the board of directors on 29 March 2012 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

REMUNERATION STATEMENT

Nominations and remuneration committee

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

The board of directors approved the new terms of reference of the nominations and remuneration committee, bringing them in line with both the changes in the Listing Rules, as well as best international practice.

Directors' fees

The directors' fees for 2011 including those for membership of board committees and other subsidiary boards are:

	€
Mr Alfred Pisani	41,929
Mr Joseph Fenech	46,587
Mr Simon Naudi	30,635
Mr Ibrahim Zletni	8,735
Mr Hamza Mustafa	11,647
Mr Andrew Watson	11,647
Dr Joseph J Vella	32,611
Mr Frank Xerri de Caro	27,952
Mr Michael Beckett	52,448
Mr Nagmeddin H.Mokhtar	2,911

The foregoing amounts are all fixed remuneration. There are no variable remuneration considerations nor share options.

Remuneration of executive directors and senior executives

In 2011 the remuneration of executive directors and senior executives of the Company and its subsidiaries amounted to €2.9 million.

The foregoing amount is all fixed remuneration. There are no variable remunerations nor share options.

Grant Thornton
An instinct for growth™

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Report on the directors' statement of compliance with the Code of Principles of Good Corporate Governance

Listing Rules 5.94 and 5.97 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 5.98 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 FS 5 to FS 7 provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority.

Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON
Certified Public Accountants

29 March 2012

financial statements 2011

contents

Save as provided by Article 4 of Regulation 1606/2002/EC (the "IAS Regulation"), which applies to companies that at balance sheet date had their securities trading on a regulated market of any European Union Member State, the Companies Act, 1995 (the "Act") requires the directors of International Hotel Investments p.l.c. (the "Company") to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company and the Group as at the end of the financial period and of the profit or loss of the Company and the Group for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union.

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 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 systems 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.

Signed on behalf of the board of directors on 29 March 2012 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

Year ended 31 December 2011

	Notes	**2011 €'000**	2010 €'000
Revenue	5	**104,223**	101,843
Direct costs		**(53,863)**	(52,509)
		50,360	49,334
Marketing costs		**(5,624)**	(5,296)
Administrative expenses		**(22,219)**	(21,142)
Other expenses		**(139)**	(35)
		22,378	22,861
Depreciation and amortisation		**(24,429)**	(24,730)
Increase in fair value of investment property	13	**5,448**	2,746
Net impairment (losses) reversals on hotel properties	14.1	**(2,497)**	2,400
Results from operating activities	6	**900**	3,277
Share of profit (loss) from equity accounted investments	16	**1,155**	(546)
Finance income	8	**1,826**	607
Finance costs	8	**(15,725)**	(14,634)
Net fair value gain on interest rate swaps		**432**	216
Movement in reimbursement asset		**(399)**	(340)
Loss before tax		**(11,811)**	(11,420)
Tax income (expense)	9	**1,079**	(1,651)
Loss for the year		**(10,732)**	(13,071)
Attributable to:			
Owners		**(10,398)**	(12,531)
Non-controlling interest		**(334)**	(540)
		(10,732)	(13,071)
Loss per share	10	**(0.02)**	(0.02)

STATEMENT OF COMPREHENSIVE INCOME - THE GROUP

Year ended 31 December 2011

	Notes	2011 €'000	2010 €'000
Loss for the year		**(10,732)**	(13,071)
Other comprehensive income:			
Revaluation of hotel properties	22	**(12,703)**	(20,300)
Translation difference		**1,236**	432
Share of other comprehensive (expense) income of equity accounted investments		**(5,218)**	38,427
Income tax relating to components of other comprehensive income	9.2	**3,287**	(137)
Other comprehensive (expense) income for the year, net of tax		**(13,398)**	18,422
Total comprehensive (expense) income for the year		**(24,130)**	5,351
Attributable to:			
Owners		**(23,796)**	5,891
Non-controlling interest		**(334)**	(540)
		(24,130)	5,351

BALANCE SHEET – THE GROUP

Year ended 31 December 2011

	Notes	2011 €'000	2010 €'000
ASSETS			
Non-current			
Intangible assets	11	**47,415**	48,016
Reimbursement assets	12	**22,432**	22,831
Investment property	13	**187,239**	181,705
Property, plant and equipment	14	**565,568**	599,713
Investments accounted for using the equity method	16	**132,867**	135,694
Loan receivable	17	**29,450**	6,971
		984,971	994,930
Current			
Inventories	18	**5,382**	5,185
Loan receivable	17	**11,500**	-
Trade and other receivables	19	**36,561**	25,803
Current tax assets		**407**	669
Cash and cash equivalents	20	**28,008**	26,675
		81,858	58,332
Total assets		**1,066,829**	1,053,262
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners:			
Share capital	21	**554,238**	554,238
Revaluation reserve	22	**55,097**	75,866
Translation reserve	23	**347**	(657)
Reporting currency conversion difference	25	**443**	443
Accumulated losses	26	**(14,171)**	(10,027)
Other equity components	27	**741**	628
		596,695	620,491
Non-controlling interest		**5,920**	6,254
Total equity		**602,615**	626,745
LIABILITIES			
Non-current			
Borrowings	29	**206,727**	165,802
Bonds	30	**93,686**	93,526
Other interest bearing borrowings	31	**-**	5,684
Taxation		**200**	-
Deferred tax liabilities	32	**94,035**	99,214
Provision for charges		**206**	206
Derivatives	34	**4,265**	4,697
		399,119	369,129
Current			
Borrowings	29	**25,360**	20,925
Other interest bearing borrowings	31	**422**	383
Trade and other payables	33	**32,382**	29,319
Current tax liabilities		**6,931**	6,761
		65,095	57,388
Total liabilities		**464,214**	426,517
Total equity and liabilities		**1,066,829**	1,053,262

The financial statements on pages FS 13 to FS 64 were approved by the board of directors, authorised for issue on 29 March 2012 and signed on its behalf by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

STATEMENT OF CHANGES IN EQUITY - THE GROUP

Year ended 31 December 2011

	Share capital €'000	Revaluation reserve €'000	Translation reserve €'000	Reporting currency conversion difference €'000	(Accumulated losses) retained earnings €'000	Other equity components €'000	Total attributable to owners €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2010	553,225	57,506	(994)	443	2,157	3,014	615,351	7,394	622,745
Loss for the year	-	-	-	-	(12,531)	-	(12,531)	(540)	(13,071)
Other comprehensive income	-	20,124	337	-	-	(2,039)	18,422	-	18,422
Total comprehensive income	-	20,124	337	-	(12,531)	(2,039)	5,891	(540)	5,351
Issue of bonus shares	1,764	(1,764)	-	-	-	-	-	-	-
Treasury shares	(751)	-	-	-	-	-	(751)	-	(751)
Dividend	-	-	-	-	-	-	-	(600)	(600)
Transfer to accumulated losses	-	-	-	-	347	(347)	-	-	-
Balance at 31 December 2010	554,238	75,866	(657)	443	(10,027)	628	620,491	6,254	626,745
Balance at 1 January 2011	**554,238**	**75,866**	**(657)**	**443**	**(10,027)**	**628**	**620,491**	**6,254**	**626,745**
Loss for the year	**-**	**-**	**-**	**-**	**(10,398)**	**-**	**(10,398)**	**(334)**	**(10,732)**
Other comprehensive expense	**-**	**(14,515)**	**1,004**	**-**	**-**	**113**	**(13,398)**	**-**	**(13,398)**
Total comprehensive expense	**-**	**(14,515)**	**1,004**	**-**	**(10,398)**	**113**	**(23,796)**	**(334)**	**(24,130)**
Transfer to accumulated losses	**-**	**(6,254)**	**-**		**6,254**	**-**	**-**	**-**	**-**
Balance at 31 December 2011	**554,238**	**55,097**	**347**	**443**	**(14,171)**	**741**	**596,695**	**5,920**	**602,615**

STATEMENT OF CASH FLOWS – THE GROUP

Year ended 31 December 2011

	Notes	2011 €'000	2010 €'000
Loss before tax		**(11,811)**	(11,420)
Adjustments	35	**34,910**	35,381
Working capital changes:			
Inventories		**(197)**	17
Trade and other receivables		**(11,670)**	(7,584)
Advance payments		**(103)**	343
Trade and other payables		**3,482**	4,598
Cash from operating activities		**14,611**	21,335
Tax paid		**(181)**	(2,315)
Net cash from operating activities		**14,430**	19,020
Investing activities			
Payments to acquire property, plant and equipment		**(4,180)**	(6,269)
Payment to acquire investment property		**(86)**	-
Payments to acquire intangible asset		**(6,523)**	(14,133)
Acquisition of subsidiary, net of cash acquired		**-**	(1)
Acquisition of associate		**-**	(3,900)
Interest received		**514**	516
Net cash used in investing activities		**(10,275)**	(23,787)
Financing activities			
Purchase of treasury shares		**-**	(751)
Bank finance advanced		**55,344**	25,500
Repayment of bank borrowings		**(10,325)**	(31,866)
Loans to parent company and its subsidiary companies		**(11,500)**	-
Loans advanced to associate		**(21,626)**	(6,971)
Proceeds from issue of bonds		**-**	24,598
Repayment of bonds		**-**	(11,597)
Interest paid		**(15,056)**	(16,550)
Dividend to non-controlling interest in subsidiary company		**-**	(600)
Net cash used in financing activities		**(3,163)**	(18,237)
Net decrease in cash and cash equivalents		**992**	(23,004)
Cash and cash equivalents at beginning of year	20	**25,250**	48,254
Cash and cash equivalents at the year end	20	**26,242**	25,250
Non-cash transactions			
Issue of bonus shares		**-**	1,764

INCOME STATEMENT - THE COMPANY

Year ended 31 December 2011

	Notes	**2011** **€'000**	2010 €'000
Interest receivable and similar income		**11,093**	9,411
Interest payable and similar charges		**(8,208)**	(8,469)
Administrative expenses		**(6,387)**	(4,730)
Revaluation to fair value of investments in subsidiaries		**(223)**	(20,539)
Other operating charges		**-**	(161)
Loss before tax	6	**(3,725)**	(24,488)
Tax expense	9	**(520)**	6,812
Loss for the year		**(4,245)**	(17,676)
Loss per share	10	**(0.01)**	(0.03)

BALANCE SHEET – THE COMPANY

Year ended 31 December 2011

	Notes	**2011** **€'000**	2010 €'000
ASSETS			
Non-current			
Intangible asset	11	**19,814**	19,817
Property, plant and equipment	14	**129**	151
Investments in subsidiaries	15	**434,294**	441,768
Investments accounted for using the equity method	16	**83,108**	83,108
Loans receivable	17	**93,353**	122,573
		630,698	667,417
Current			
Trade and other receivables	19	**45,003**	34,625
Loan receivable	17	**11,500**	-
Current tax assets		**-**	295
Cash and cash equivalents	20	**10,831**	5,082
		67,334	40,002
Total assets		**698,032**	707,419
EQUITY			
Share capital	21	**554,238**	554,238
Other reserve	24	**7,804**	7,949
Reporting currency conversion difference	25	**443**	443
Accumulated losses	26	**(6,699)**	(2,599)
Total equity		**555,786**	560,031
LIABILITIES			
Non-current			
Borrowings	29	**8,300**	9,900
Bonds	30	**93,686**	93,526
Other interest bearing borrowings	31	**-**	5,684
Deferred tax liabilities	32	**26,935**	26,721
		128,921	135,831
Current			
Borrowings	29	**1,600**	2,433
Current tax liability		**6**	-
Trade and other payables	33	**11,719**	9,124
		13,325	11,557
Total liabilities		**142,246**	147,388
Total equity and liabilities		**698,032**	707,419

The financial statements on pages FS 13 to FS 64 were approved by the board of directors, authorised for issue on 29 March 2012 and signed on its behalf by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

STATEMENT OF CHANGES IN EQUITY– THE COMPANY

Year ended 31 December 2011

	Share capital €'000	Other reserve €'000	Reporting currency conversion difference €'000	Other equity components €'000	Accumulated losses €'000	Total equity €'000
Balance at 1 January 2010	553,225	23,063	443	347	1,380	578,458
Loss for the year	-	-	-	-	(17,676)	(17,676)
Bonus share issue	1,764	(1,764)	-	-	-	-
Treasury shares	(751)	-	-	-	-	(751)
Transfer from/to accumulated losses	-	(13,350)	-	(347)	13,697	-
Balance at 31 December 2010	554,238	7,949	443	-	(2,599)	560,031
Balance at 1 January 2011	**554,238**	**7,949**	**443**	**-**	**(2,599)**	**560,031**
Loss for the year	**-**	**-**	**-**	**-**	**(4,245)**	**(4,245)**
Transfer from/to accumulated losses	**-**	**(145)**	**-**	**-**	**145**	**-**
Balance at 31 December 2011	**554,238**	**7,804**	**443**	**-**	**(6,699)**	**555,786**

STATEMENT OF CASH FLOWS – THE COMPANY

Year ended 31 December 2011

	Notes	**2011 €'000**	2010 €'000
Loss before tax		**(3,725)**	(24,488)
Adjustments	35	**(341)**	20,821
Working capital changes:			
Trade and other receivables		**(10,379)**	(12,067)
Trade and other payables		**2,595**	3,704
Cash used in operating activities		**(11,850)**	(12,030)
Income tax paid		**(4)**	(127)
Net cash used in operating activities		**(11,854)**	(12,157)
Investing activities			
Payments to acquire property, plant and equipment		**(104)**	(39)
Payments to acquire intangible asset		**(5,684)**	(14,133)
Acquisition of subsidiary		**-**	(1)
Acquisition of associate		**-**	(3,900)
Net loans repaid by subsidiary and associate companies		**25,824**	405
Net cash from (used in) investing activities		**20,036**	(17,668)
Financing activities			
Purchase of treasury shares		**-**	(751)
Repayment of bank borrowings		**(2,433)**	(2,433)
Proceeds from bond issue		**-**	24,598
Repayment of bonds		**-**	(11,597)
Net cash (used in) from financing activities		**(2,433)**	9,817
Net increase (decrease) in cash and cash equivalents		**5,749**	(20,008)
Cash and cash equivalents at beginning of year	20	**5,082**	25,090
Cash and cash equivalents at year end	20	**10,831**	5,082
Non-cash transactions			
Issue of bonus shares		**-**	1,764

1 NATURE OF OPERATIONS

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

2 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

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

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

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2011.

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below. An overview of standards, amendments and interpretations to IFRSs issued but not yet effective is given in note 3.2.

- **Improvements to IFRSs 2010** (issued in July 2010)

  The *Improvements to IFRSs 2010* made several minor amendments to IFRSs. Most of these amendments become effective in annual periods beginning on after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments.

3.2 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 and 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.

- **IFRS 9 Financial Instruments** (effective from 1 January 2013)

  The IASB aims to replace *IAS 39 Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

  Management has yet to assess the impact that this amendment is likely to have on the financial statement of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

- **Consolidation standards**

  A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management has yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

  IFRS 10 Consolidated Financial Statements (IFRS 10)

  IFRS 10 supersedes *IAS 27 Consolidated and Separate Financial Statements* (IAS 27) and *SIC 12 Consolidation - Special Purpose Entities*. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

  IFRS 11 Joint Arrangements (IFRS 11)

  IFRS 11 supersedes *IAS 31 Interests in Joint Ventures* (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

  IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)

  IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

  Consequential amendments to *IAS 27 Separate Financial Statements* (IAS 27) and *IAS 28 Investments in Associates and Joint Ventures* (IAS 28)

  IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

- **IFRS 13 Fair Value Measurement (IFRS 13)**

  IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management has yet to assess the impact of this new standard.

- **Amendments to IAS 1 Presentation of Financial Statements** *(IAS 1 Amendments)*

  The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

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

4.2 Presentation of financial statements

The consolidated financial statements are presented in accordance with *IAS 1 Presentation of Financial Statements* (Revised 2007). The Group has elected to present the 'statement of comprehensive income' in two statements: the 'income statement' and a 'statement of comprehensive income'.

4.3 Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2011. 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 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 and other comprehensive income 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.

Non-controlling interests represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owner of the parent and the non-controlling interests based on their respective ownership interests.

4.4 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

4.5 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 acquisition 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 profit or loss. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items recognised directly in the associate's equity are recognised in other comprehensive income or equity of the Group, as applicable. 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.

4.6 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 rate of interest on bank borrowings. All other borrowing costs are recognised as an expense in the period in which they are incurred.

4.7 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 profit or loss.
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.

4.8 Revenue

Revenue comprises revenue from the sale of goods and the rendering of services.

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 a systematic basis over the lease term.

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income is recognised when received.

4.9 Lease payments

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

4.10 Operating expenses

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

4.11 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.

4.12 Intangible assets

Intangible assets are subject to impairment testing as described in note 4.15.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. 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 is recognised in profit or loss as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, other than goodwill, from the date they are available for use.

4.13 Property, plant and equipment

Land and buildings held for use in supply of goods and services or administration are stated at revalued amounts. Revalued amounts are fair market values determined in appraisals by external professional valuers on an annual basis.

Any revaluation surplus is recognised in other comprehensive income 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 other comprehensive income. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income 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 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 other comprehensive income. Any loss is recognised immediately in profit or loss.

4.14 Investment property

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

Property that is being constructed for use as an investment property is included with investment property.

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 'change in fair value of investment property'.

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

4.15 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 (determined by the Group's management as equivalent to its operating segments) 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 notes 11 and 14.

Impairment losses on cash-generating units first reduce 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.

4.16 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 and liabilities are measured subsequently as described below.

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 Group does not own any held-to-maturity investments or available-for-sale investments.

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 to each category of financial assets, and 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 impairment loss estimate 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 Company's balance sheet as financial assets at fair value through profit or loss at inception.

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 'finance income'.

Derivative financial instruments and hedge accounting

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 other comprehensive income 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 equity is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income 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 the statement of comprehensive income is transferred immediately to profit or loss.

Convertible bonds

Bonds that can be converted to share capital at the option of the holder where the number of shares issued does not vary with changes in terms for value, 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 profit or loss over the term of the bonds, using the effective interest method.

4.17 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.

4.18 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised directly in the statement of comprehensive income or 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 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 the statement of comprehensive income or equity (such as the revaluation of land) in which case the related deferred tax is also recognised in the statement of comprehensive income or equity respectively.

4.19 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.

4.20 Equity and reserves

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

The revaluation reserve within equity comprises gains and losses due to the revaluation of property (see note 22).

Foreign currency translation differences arising on the translation of the Group's foreign associates are included in the translation reserve (see note 23).

Gains and losses on certain financial instruments are included in other reserve (see note 24).

The difference arising on the conversion of assets and liabilities from Maltese lira to euro prior to 1 January 2008 is included in the reporting currency conversion difference reserve (see note 25).

Accumulated losses include all current and prior period losses less retained profits (see note 26).

Other equity components include the increase in the fair value of the original shareholding in a subsidiary and the share of an associate's hedging reserve (see note 27).

4.21 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. Where the time value of money is material, provisions are discounted to their present values

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.

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

4.22 Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.23.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

4.23 Estimation uncertainty

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see notes 11 and 14). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

In the case of goodwill no impairment loss has been registered in the year under review (2010: nil). If the independent valuer's discount rate was increased by 1% the valuation would decrease by approximately €6.3 million and the valuation would still be higher than the carrying amount.

The Group incurred impairment losses of €15.2 million in 2011 (2010: €20.3 million) on its hotel properties to reduce the carrying amount to their recoverable amounts (see note 14.3). If the independent valuer's discount rate was increased by 1% a further impairment loss of €70 million (2010: €60.5 million) would have to be recognised, of which €30 million (2010: €31.2 million) would be written off against reserves and €40 million (2010: €29.3 million) in profit or loss.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Group. The carrying amounts are analysed in note 14. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Fair value of financial assets at fair value through profit or loss

Management uses valuation techniques in measuring the fair value of financial assets since active market quotes are not available. Details of the assumptions used are the same as those used in valuing the underlying properties. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Income taxes

In order to establish the taxation provisions, management exercises significant judgement in view of the fact that the Group operates in various jurisdictions and as a result there are diverse transactions for which the ultimate tax determination is somewhat uncertain. In the event that the amount of actual tax due differs from the original amounts provided for, such variances will have an impact on the taxation charges for future periods.

Investment properties

At each reporting date investment properties are revalued by independent valuers, based on management's estimates of expected future cash flows or market values. The Group has recognised fair value adjustments to investments property of €5.5 million (2010: €2.7 million). When based on management's estimate of expected future cash flows, the value of each property is determined by applying a suitable discount rate. If the discount rate is changed by 1%, the fair value of investment property would change by €5.2 million (2010: €6 million).

4.24 Segment reporting

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

A business segment is a group of assets and operations engaged in providing services that are subject to risk and returns that are different from that of other segments. A geographical segment is engaged in providing services within a particular economic environment that is subject to risks and returns that are different from those operating in other economic environments.

Hotel ownership, development and operations is the dominant source and nature of the Group's risks and returns. The Group is also engaged in the ownership and leasing of its investment property. Operations are based in six countries, Malta being the home of the parent and management companies.

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

The Group is not required to report a measure of total assets and liabilities for each reportable segment since such amounts are not regularly provided to the chief operating decision maker.

5 SEGMENT REPORTING

Information about reportable segments

Hotels	**Malta**		**Portugal**		**Hungary**		**Russia**		**Czech Republic**		**Libya**		**Total**	
	2011 €'000	2010 €'000	**2011 €'000**	2010 €'000	**2011 €'000**	2010 €'000	**2011 €'000**	2010 €'000	**2011 €'000**	2010 €'000	**2011 €'000**	2010 €'000	**2011 €'000**	2010 €'000
Segment revenue	**10,648**	9,885	**18,692**	15,793	**17,387**	15,331	**15,427**	12,934	**16,834**	14,273	**13,373**	23,873	**92,361**	92,089
EBITDA	**1,112**	1,182	**4,146**	3,408	**4,347**	3,525	**3,871**	2,115	**2,280**	1,034	**3,780**	10,112	**19,536**	21,376
Depreciation and amortisation	**(1,120)**	(1,453)	**(3,954)**	(4,024)	**(1,968)**	(1,995)	**(4,586)**	(4,526)	**(3,318)**	(3,401)	**(8,090)**	(8,082)	**(23,036)**	(23,481)
(Impairments) reversals	**(2,650)**	-	**-**	2,400	**(4,334)**	-	**-**	-	**4,487**	-	**-**	-	**(2,497)**	2,400
Segment profit (loss)	**(2,658)**	(271)	**192**	1,784	**(1,955)**	1,530	**(715)**	(2,411)	**3,449**	(2,367)	**(4,310)**	2,030	**(5,997)**	295

Entity wide disclosure

	Total 2011 €'000	Total 2010 €'000
Segment revenue	**92,361**	92,089
Rental income from investment property	**7,195**	6,574
Hotel management company revenue	**6,089**	4,364
Holding company revenue	**5,334**	5,116
Elimination of intra group revenue	**(6,756)**	(4,087)
Consolidation adjustments	**-**	(2,213)
Group revenue	**104,223**	101,843
Segment profit or loss	**(5,997)**	295
Net rental income from investment property	**6,261**	6,098
Change in fair value of investment property	**5,448**	2,746
Unallocated items	**(3,539)**	(2,400)
Depreciation and amortisation	**(1,393)**	(1,249)
Consolidation adjustments	**120**	(2,213)
	900	3,277
Share of profit (loss) from equity accounted investments	**1,155**	(546)
Finance income	**1,826**	607
Finance costs	**(15,725)**	(14,634)
Net fair value gain on interest rate swap	**432**	216
Movement in reimbursement assets	**(399)**	(340)
Loss for the year	**(11,811)**	(11,420)

	Malta 2011 €'000	Malta 2010 €'000	**Portugal 2011 €'000**	Portugal 2010 €'000	**Hungary 2011 €'000**	Hungary 2010 €'000	**Russia 2011 €'000**	Russia 2010 €'000	**Czech Republic 2011 €'000**	Czech Republic 2010 €'000	**Libya 2011 €'000**	Libya 2010 €'000	**Total 2011 €'000**	Total 2010 €'000
Non-current assets	**210,183**	216,865	**80,043**	89,110	**92,400**	98,005	**225,226**	235,940	**77,813**	76,418	**241,479**	248,845	**933,144**	965,183
Consolidation adjustments													**(55)**	(55)
													933,089	965,128

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

6 RESULTS FROM OPERATING ACTIVITIES

Results from operating activites are after the following charges:

	2011 €'000	2010 €'000
The Group		
Directors' remuneration	**600**	599
Loss on disposal of property, plant and equipment	**161**	65
Operating lease costs	**390**	431
Auditors' remuneration	**265**	241
Cost of sales	**7,445**	7,822

	2011 €'000	2010 €'000
The Company		
Directors' remuneration	**600**	584
Loss on disposal of property, plant and equipment	**-**	4
Depreciation of property, plant and equipment	**34**	30
Auditors' remuneration	**29**	23

7 PERSONNEL EXPENSES

	The Group		**The Company**	
	2011 €'000	2010 €'000	**2011 €'000**	2010 €'000
Wages and salaries	**25,282**	26,336	**1,369**	1,030
Social security contributions	**3,989**	3,879	**32**	34
Other staff costs	**2,981**	3,345	**28**	44
	32,252	33,560	**1,429**	1,108
Weekly average number of employees:	**No.**	No.	**No.**	No.
Management and administrative	**319**	395	**21**	19
Operating	**1,393**	1,366	**-**	-
	1,712	1,761	**21**	19

8 FINANCE INCOME AND FINANCE COSTS

	The Group	
	2011 €'000	2010 €'000
Finance income:		
Interest receivable on:		
Loans advanced to related companies	**298**	-
Other balances	**275**	38
Bank deposits	**217**	408
Exchange differences	**1,036**	161
Finance income	**1,826**	607
Finance costs:		
Interest payable on:		
Bank borrowings	**(9,141)**	(8,456)
Bonds	**(5,994)**	(5,791)
Loans advanced by parent company and its subsidiaries	**(382)**	(40)
Capital and other creditors	**(48)**	(99)
Imputed interest on convertible bonds and amortisation of bond issue costs	**(160)**	(248)
Finance costs	**(15,725)**	(14,634)

9 TAX INCOME (EXPENSE)

	The Group		The Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Current taxation	**(813)**	(2,029)	**(306)**	(398)
Under provision in respect of previous years	**-**	(2,745)	**-**	-
Tax at source	**-**	(77)	**-**	(42)
Deferred taxation	**1,892**	3,200	**(214)**	7,252
	1,079	(1,651)	**(520)**	6,812

9.1 Tax income (expense) reconciliation

	The Group		The Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Loss before tax	**(11,811)**	(11,420)	**(3,725)**	(24,488)
Income tax using the Company's domestic tax rate	**4,134**	3,997	**1,304**	8,571
Effect of income subject to foreign/different tax rates	**(1,095)**	(524)	**5**	56
Non-tax allowable items	**(444)**	(1,679)	**(1,834)**	(1,815)
Current year losses for which no deferred income is recognised	**(451)**	(591)	**-**	-
Effect of other consolidation adjustments	**(668)**	480	**-**	-
Change in unrecognised temporary differences	**(397)**	(737)	**5**	-
Effect of reduction in foreign tax rates on opening temporary differences	**-**	(299)	**-**	-
Under provision in respect of previous years	**-**	(2,297)	**-**	-
Tax income (expense)	**1,079**	(1,651)	**(520)**	6,812

9.2 Tax recognised in other comprehensive income

	The Group	
	2011	2010
	€'000	€'000
Tax effect on:		
Revaluation of hotel properties	**(3,545)**	787
Fair value adjustment on hedging instruments	**26**	(745)
Exchange translation difference	**232**	95
	(3,287)	137

10 EARNINGS PER SHARE

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

	2011	2010
	€'000	€'000
Number of shares:		
At beginning of year	**554,238**	553,225
Effect of bonus share issue	**-**	1,764
Effect of treasury shares	**-**	(751)
	554,238	554,238
Weighted average number of shares:		
At beginning of year	**554,238**	553,225
Effect of bonus share issue	**-**	1,764
Effect of treasury shares	**-**	(563)
	554,238	554,426

11 INTANGIBLE ASSETS

	The Group			
	Goodwill	**Brand**	**Others**	**Total**
	€'000	€'000	€'000	€'000
Cost				
At 1 January 2010	24,841	-	23,334	48,175
Acquisitions	-	19,600	217	19,817
At 31 December 2010	24,841	19,600	23,551	67,992
Acquisitions	-	-	839	839
At 31 December 2011	**24,841**	**19,600**	**24,390**	**68,831**
Amortisation				
At 1 January 2010	15,114	-	3,695	18,809
Amortisation for the year	-	-	1,167	1,167
At 31 December 2010	15,114	-	4,862	19,976
At 1 January 2011	15,114	-	4,862	19,976
Amortisation for the year	-	-	1,440	1,440
At 31 December 2011	15,114	-	6,302	21,416
Carrying amounts				
At 1 January 2010	9,727	-	19,639	29,366
At 31 December 2010	9,727	19,600	18,689	48,016
At 31 December 2011	**9,727**	**19,600**	**18,088**	**47,415**

	The Company		
	Brand	**Others**	**Total**
	€'000	€'000	€'000
Cost			
At 1 January 2010	-	-	-
Acquisitions	19,600	217	19,817
At 31 December 2010	19,600	217	19,817
Acquisitions	-	92	92
At 31 December 2011	**19,600**	**309**	**19,909**
Amortisation			
At 1 January 2010	-	-	-
Amortisation for the year	-	-	-
At 31 December 2010	-	-	-
At 1 January 2011	-	-	-
Amortisation for the year	-	95	95
At 31 December 2011	**-**	**95**	**95**
Carrying amounts			
At 1 January 2010	-	-	-
At 31 December 2010	19,600	217	19,817
At 31 December 2011	**19,600**	**214**	**19,814**

Goodwill

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 valuation is based on the discounted cash flows derived from hotel operating projections as prepared by HVS International, specialists in hotel consulting and valuations ("HVS").

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 2012 – 2016.

The following are the key assumptions underlying the projections:

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 76% of the total revenue in the explicit period (2010 – 61%);
- revenue from other properties is assumed to increase by 5% per annum on 2012 budget (2010 – 5% on 2011 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 IHI, Wyndham and Ramada are assumed to remain unchanged at current levels;
- inflationary growth in operating expenses on 2012 budget is assumed to be 2% (2010 – 2% on 2011 budget); and
- a pre-tax discount rate of 15.91% was applied to the operating projections of CHI (2010 – 14.01%), based on a debt to equity ratio of 30:70.

This valuation confirmed that there was no impairment.

Brand

In December 2010 the Company purchased the Corinthia brand from its parent company (CPHCL) for €19.6 million. This value was determined by independent valuers on the basis of the projected income statements of existing hotels as at the end of 2009 and is subject to an adjustment following a similar valuation exercise based on 2010 figures.

The agreement also provides for a 10 year period within which any addition of Corinthia branded rooms to the brand portfolio will result in an additional payment of €6,400 per room to CPHCL.

As the consideration was adjusted to reflect the projected income statements as at the end of 2010, no impairment testing was required.

Others

Other intangible assets represent web-site development costs, licences and the assumed value attributable to CHI's hotel management agreements which arose on the acquisition of CHI in 2007.

In 2011, the value attributable to the management agreements and the brand were tested together with CHI as a cash-generating unit. This test confirmed that there was no impairment.

The web-site development costs and licences are amortised over three years.

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12 REIMBURSEMENT ASSETS

	The Group	
	2011	2010
	€'000	€'000
At 1 January	**22,831**	23,171
Change in fair value	**(399)**	(340)
At 31 December	**22,432**	22,831

In view of group tax relief provisions applicable in Malta any tax due by Corinthia Palace Hotel Company Limited ("CPHCL") on the transfer of the shares in IHI Towers s.r.o ("IHIT") and Corinthia Towers Tripoli Limited ("CTTL") to IHI effected in 2007 was deferred. This tax will only become due in the eventuality that IHI sells the shares in IHIT and/or CTTL and/or their underlying properties outside the Group. In accordance with the indemnity agreement 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. The indemnity has no time limit and has a maximum value of €45 million.

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

13 INVESTMENT PROPERTY

	The Group	
	2011	2010
	€'000	€'000
At 1 January	**181,705**	178,876
Additions (a)	**86**	83
Change in fair value (b)	**5,448**	2,746
At 31 December	**187,239**	181,705

a) In 2011 additions of €86,000 (2010: €83,000) represent further work on the property in St Petersburg.

b) At the balance sheet date, the fair value of investment property held by the Group in St. Petersburg has been increased by the directors by €5.6 million (2010 - €2.9 million), relying on the expert opinion of Colliers International, a firm of real estate consultants.

   The valuation of the investment property in Lisbon gave rise to a lower value than previously recorded of €166,000 (2010 - €166,000).

   In 2010 and 2011 the directors have retained the value of the commercial centre in Tripoli and the parcel of land, both adjacent to Corinthia Hotel Tripoli, unchanged. In so doing, the directors have relied on expert opinions and all available information.

c) All investment property is hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in note 29.

d) Rental income earned by the Group for the period from investment property amounted to €7.2 million (2010 - €6.6 million) and direct expenses to €0.9 million (2010 - €0.5 million).

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings €'000	Plant and equipment €'000	Furniture, fixtures & fittings €'000	Motor vehicles €'000	Assets in the course of construction €'000	Total €'000
Cost/revalued amount						
Balance at 1 January 2010	661,231	73,383	63,563	873	2,765	801,815
Additions	22	650	875	16	3,462	5,025
Reallocations	2,043	314	185	41	(2,583)	-
Disposals	-	(211)	(232)	(49)	-	(492)
Balance at 31 December 2010	663,296	74,136	64,391	881	3,644	806,348
Balance at 1 January 2011	663,296	74,136	64,391	881	3,644	806,348
Additions	734	821	369	-	2,281	4,205
Reallocations	1,202	155	221	-	(1,578)	-
Disposals	-	(11)	(512)	(41)	(113)	(677)
Balance at 31 December 2011	**665,232**	**75,101**	**64,469**	**840**	**4,234**	**809,876**
Depreciation and impairment losses						
Balance at 1 January 2010	79,884	46,107	38,876	732	-	165,599
Depreciation for the year	11,869	6,434	5,127	133	-	23,563
Net impairment losses	17,900	-	-	-	-	17,900
Disposals	-	(204)	(178)	(45)	-	(427)
Balance at 31 December 2010	109,653	52,337	43,825	820	-	206,635
Balance at 1 January 2011	109,653	52,337	43,825	820	-	206,635
Depreciation for the year	11,994	6,257	4,702	36	-	22,989
Net impairment losses	15,200	-	-	-	-	15,200
Disposals	-	(11)	(476)	(29)	-	(516)
Balance at 31 December 2011	**136,847**	**58,583**	**48,051**	**827**	**-**	**244,308**
Carrying amounts						
At 1 January 2010	581,347	27,276	24,687	141	2,765	636,216
At 31 December 2010	553,643	21,799	20,566	61	3,644	599,713
At 31 December 2011	**528,385**	**16,518**	**16,418**	**13**	**4,234**	**565,568**

The Company

	Plant and equipment €'000	Furniture, fixtures & fittings €'000	Motor vehicles €'000	Total €'000
Cost				
Balance at 1 January 2010	45	93	61	199
Additions	36	3	-	39
Disposals	-	-	(14)	(14)
Balance at 31 December 2010	81	96	47	224
Balance at 1 January 2011	81	96	47	224
Additions	9	3	-	12
Disposals	-	-	-	-
Balance at 31 December 2011	**90**	**99**	**47**	**236**
Balance at 1 January 2010	12	17	24	53
Depreciation for the year	10	9	11	30
Disposals	-	-	(10)	(10)
Balance at 31 December 2010	22	26	25	73
Balance at 1 January 2011	22	26	25	73
Depreciation for the year	14	10	10	34
Balance at 31 December 2011	**36**	**36**	**35**	**107**
Carrying amounts				
At 1 January 2010	33	76	37	146
At 31 December 2010	59	70	22	151
At 31 December 2011	**54**	**63**	**12**	**129**

14.1 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:

	Note	Recognised at 1 January 2010 €'000	Change €'000	Recognised at 31 December 2010 €'000
Hotel property				
Corinthia Hotel St George's Bay, Malta		153	-	153
Corinthia Hotel & Spa Lisbon		3,306	(2,400)	906
Corinthia Hotel Prague		21,747	-	21,747
Corinthia Hotel Tripoli		-	20,300	20,300
Corinthia Hotel Budapest		15,345	-	15,345
		40,551	17,900	58,451
Reported in income statement as reversal of impairment			(2,400)	
Reported in revaluation reserve	22		20,300	
			17,900	

	Note	Recognised at 1 January 2011 €'000	Change €'000	Recognised at 31 December 2011 €'000
Hotel property				
Corinthia Hotel St George's Bay, Malta		153	2,650	2,803
Corinthia Hotel & Spa Lisbon		906	-	906
Corinthia Hotel Prague		21,747	(4,487)	17,260
Corinthia Hotel Tripoli		20,300	-	20,300
Corinthia Hotel Budapest		15,345	4,334	19,679
Corinthia Hotel St Petersburg		-	12,703	12,703
		58,451	15,200	73,651
Reported in income statement as impairment loss			2,497	
Reported in revaluation reserve	22		12,703	
			15,200	

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 following pre-tax discount rates.

	2011 **%**	2010 %
Corinthia Hotel St George's Bay, Malta	**8.36**	8.39
Corinthia Hotel & Spa Lisbon	**7.95**	8.36
Corinthia Hotel Prague	**7.84**	8.54
Corinthia Hotel Tripoli	**11.57**	11.65
Corinthia Hotel Budapest	**9.12**	8.68
Corinthia Hotel St Petersburg	**10.35**	11.26

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.

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14.2 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 14.1) were also considered appropriate for the purpose of determining their fair value. The excess recorded in prior years is shown in note 22.

In arriving at the projected operating cash flows, a detailed analysis of the facilities and performance capabilities of the hotel properties, and their expectations 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.

14.3 Carrying amounts of hotel properties

Following the revision of the hotel property carrying amounts to reflect the outcome of the valuation updated at each reporting period, the carrying amount of each hotel property is as follows:

	2011 **€'000**	2010 €'000
Corinthia Hotel St George's Bay, Malta	**30,100**	32,910
Corinthia Hotel & Spa Lisbon	**84,807**	85,309
Corinthia Hotel Prague	**77,813**	76,418
Corinthia Hotel Tripoli	**137,062**	144,482
Corinthia Hotel Budapest	**92,400**	98,005
Corinthia Hotel St Petersburg	**141,426**	158,841
	563,608	595,965

14.4 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 €498.7 million.

14.5 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 29.

15 INVESTMENTS IN SUBSIDIARIES

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

	The Company	
	2011	2010
	€'000	€'000
Shares in subsidiary companies	**276,772**	276,995
Loans to subsidiary companies	**157,522**	164,773
	434,294	441,768

Subsidiary company	Registered office	Nature of business	% Ownership 2011	2010
Alfa Investimentos Turisticos Lda	Avenida Columbana Bordalo Pinheiro Lisboa 1099 - 031 Portugal	Owns and operates the Corinthia Hotel & Spa Lisbon Portugal	**100**	100
CHI Limited	1, Europa Centre, Floriana FRN 1400 Malta	Hotel management company	**70**	70
Corinthia Tripoli Towers Limited	22, Europa Centre Floriana FRN 1400 Malta	Owns and operates the Corinthia Hotel Tripoli and Commercial Centre, Libya	**100**	100
Five Star Hotels Limited	22, Europa Centre Floriana FRN 1400 Malta	Owns and operates the Corinthia Hotel St George's Bay Malta	**100**	100
IHI Benelux B.V.	Frederick Roeskestraat 123,1076 EE Amsterdam P.O. Box 72888 1070 AC Amsterdam, The Netherlands	Owns and operates the Corinthia Hotel St Petersburg Russian Federation through a branch in Russia	**100**	100
IHI Benghazi Limited	22, Europa Centre Floriana FRN 1400 Malta	Investment company	**75**	75
IHI Cyprus Limited	22, Europa Centre Floriana FRN1400 Malta	Investment company	**100**	100
IHI Hungary Zrt	Erzsebet Krt 43-49 H-1073, Budapest Hungary	Owns and operates the Corinthia Hotel Budapest Hungary	**100**	100
IHI Lisbon Limited	22, Europa Centre Floriana FRN 1400 Malta	Investment company holding an equity stake in Alfa Investimentos Turisticos Lda	**100**	100
IHI St Petersburg LLC	57, Nevskij Prospect St Petersburg 191025 Russian Federation	Investment company	**100**	100
IHI Towers s.r.o.	Kongresová 1655 / 1 1406 / 69 Praha 4 Czech Republic	Owns and operates the Corinthia Hotel Prague Czech Republic	**100**	100
IHI Zagreb d.d.	Centar Kaptol Nova Ves 11 10000 Zagreb Croatia	Investment company	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

15.1 Shares in subsidiary companies

	The Company	
	2011	2010
	€'000	€'000
At 1 January	**276,995**	297,533
Acquisition of equity	**-**	1
Decrease in fair value	**(223)**	(20,539)
At 31 December	**276,772**	276,995

15.2 Investment 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 12 to the financial statements.

15.3 Security

Shares in certain subsidiary companies are pledged in favour of the Group's banks as collateral for loans advanced. Refer to note 29 for details.

16 ASSOCIATES

16.1 Investments accounted for using the equity method

	The Group	
	2011	2010
	€'000	€'000
At 1 January	**135,694**	93,584
Additions	**-**	3,900
Share of results	**1,155**	(546)
Share of other comprehensive income	**(5,218)**	38,424
Exchange differences	**1,236**	432
Dividend received	**-**	(100)
At 31 December	**132,867**	135,694

16.2 Investments in associates

	The Company	
	2011	2010
	€'000	€'000
At 1 January	**83,108**	79,208
Additions	**-**	3,900
At 31 December	**83,108**	83,108

16.3 Associate companies

Company name	Registered office	Nature of business	% Ownership 2011	2010
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building, 6018, Larnaca, Cyprus	Investment company	**50**	50
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building, 6018, Larnaca, Cyprus	Investment company	**50**	50
Medina Towers J.S.C.	Tripoli Libya	Owns the Medina Towers project in Tripoli	**25**	25
NLI Holdings Limited	CTV House La Pouquelaye St Helier Jersey	Parent company of a group that owns the Corinthia Hotel London, and 10 Whitehall Place, London, UK	**50**	50
QPM Limited	22, Europa Centre Floriana FRN 1400 Malta	Project management	**20**	20

16.4 Summary of financial information of associate companies

	The Group	
	2011	2010
	€'000	€'000
Total assets	**558,089**	439,893
Total liabilities	**(293,123)**	(173,280)
Net assets	**264,966**	266,613
Revenue	**20,014**	1,937
Profit (loss) for the year	**1,752**	(881)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

17 LOANS RECEIVABLE

	The Group		The Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Non-current				
Group companies	**-**	-	**63,903**	115,602
Associate company	**29,450**	6,971	**29,450**	6,971
Total non-current loans receivable	**29,450**	6,971	**93,353**	122,573
Current				
Parent company	**11,500**	-	**11,500**	-
Total current loans receivable	**11,500**	-	**11,500**	-

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

The loan to the associate company is unsecured, bears interest at Libor + 2.25% and its repayment is subordinated. The loan to parent company is repayable within one year and bears interest at 5%.

18 INVENTORIES

	The Group	
	2011	2010
	€'000	€'000
Food and beverages	**866**	914
Consumables	**633**	581
Goods held for resale	**93**	56
Other	**3,790**	3,634
	5,382	5,185

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Trade receivables	**17,906**	11,426	**-**	-
Amounts owed by:				
Parent company	**2,589**	298	**2,149**	-
Subsidiary companies	**-**	-	**33,459**	25,165
Associate companies	**9,164**	4,462	**7,457**	4,112
Other related companies	**2,160**	3,015	**-**	37
Other debtors	**1,932**	2,773	**865**	2,835
Accrued income	**502**	282	**991**	850
Financial assets	**34,253**	22,256	**44,921**	32,999
Recoverable VAT on capital expenditure	**70**	-	**-**	-
Advance payments in respect of capital creditors	**909**	372	**-**	-
Prepayments	**1,329**	3,175	**82**	1,626
Total receivables - current	**36,561**	25,803	**45,003**	34,625

19.1 Impairment losses on trade receivables

The ageing of trade receivables at the reporting date was:

Gross amount	2011 €'000	2010 €'000
Not past due	**2,669**	2,221
Past due 0-30 days	**2,162**	1,736
Past due 31-120 days	**2,314**	4,847
Past due 121-360 days	**5,126**	2,903
More than one year	**9,136**	2,843
	21,407	14,550

Impaired amount	2011 €'000	2010 €'000
Past due 0-30 days	**(12)**	(27)
Past due 31-120 days	**(7)**	(110)
Past due 121-360 days	**(1,057)**	(857)
More than one year	**(2,425)**	(2,130)
	(3,501)	(3,124)
Net amount	**17,906**	11,426

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

	2011 €'000	2010 €'000
At 1 January	**3,124**	2,184
Impairment losses recognised	**703**	1,102
Impairment losses reversed	**(326)**	(162)
At 31 December	**3,501**	3,124

The impairment loss at period ends mainly relates to specific provisions for doubtful debtors that have been overdue for more than one year. Such balances are 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 are considered irrecoverable and 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.

20 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011 €'000	2010 €'000	**2011 €'000**	2010 €'000
Cash and bank balances:				
Current	**28,008**	26,675	**10,831**	5,082
Cash and cash equivalents in the balance sheet	**28,008**	26,675	**10,831**	5,082
Bank overdraft	**(1,766)**	(1,425)	**-**	-
Cash and cash equivalents in the statement of cash flows	**26,242**	25,250	**10,831**	5,082

The bank balances include amounts of €4.7 million (2010 - €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. A further €3.4 million (2010 - €3.3 million) is set aside by two subsidiary companies for debt servicing requirements and €1.4 million (2010 - €1 million) is set aside by another subsidiary for capital expenditure purposes.

21 SHARE CAPITAL

21.1 Authorised share capital

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

21.2 Issued share capital

	2011 €'000	2010 €'000
At 1 January	**554,238**	553,225
Bonus issue	**-**	1,764
Treasury shares	**-**	(751)
At 31 December	**554,238**	554,238

21.3 Bonus shares

During 2010, the shareholders approved the capitalisation of €1.764 million from the other reserve of the Company and to issue such number of fully paid up bonus shares of a nominal value of €1 each out of this reserve.

21.4 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.

22 REVALUATION RESERVE

	Note	Revaluation surplus €'000	Deferred taxation €'000	Bonus share issue €'000	Net €'000
At 1 January 2010		106,899	(28,319)	(21,074)	57,506
Revaluation of hotel property carried out at year end:					
Corinthia Hotel Tripoli		(20,300)	6,940	-	(13,360)
Corinthia Hotel London		41,211	(7,727)	-	33,484
		20,911	(787)	-	20,124
Bonus share issue	21.3	-	-	(1,764)	(1,764)
At 31 December 2010		127,810	(29,106)	(22,838)	75,866
Revaluation of hotel property carried out at year end:					
Corinthia Hotel St Petersburg		(12,703)	2,541	-	(10,162)
Corinthia Hotel London		(5,357)	1,004	-	(4,353)
		(18,060)	3,545	-	(14,515)
Transfer from accumulated losses		(8,321)	2,067	-	(6,254)
At 31 December 2011		**101,429**	**(23,494)**	**(22,838)**	**55,097**

23 TRANSLATION RESERVE

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

24 OTHER RESERVE

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

	The Company	
	2011 €'000	2010 €'000
Fair value gain on investments in subsidiary companies	**39,955**	40,100
Issue of bonus shares	**(22,838)**	(22,838)
Transfer of accumulated losses	**(9,313)**	(9,313)
	7,804	7,949

25 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.

NOTES TO THE FINANCIAL STATEMENTS
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26 ACCUMULATED LOSSES

The loss for the year has been transferred to accumulated losses as set out in the statement of changes in equity.

27 OTHER EQUITY COMPONENTS

The Group	**2011 €'000**	2010 €'000
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
Share of hedging reserve of associate company	**(3,118)**	(3,231)
	741	628

28 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 4.75% (2010 – 5.00%).

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

29 BANK BORROWINGS

	The Group		The Company	
	2011 €'000	2010 €'000	**2011 €'000**	2010 €'000
Bank overdraft	**1,766**	1,425	**-**	-
Bank loans	**230,321**	185,302	**9,900**	12,333
	232,087	186,727	**9,900**	12,333
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 – 5 years	**91,170**	72,092	**5,800**	6,400
Bank loans due later than 5 years	**115,557**	93710	**2,500**	3,500
	206,727	165,802	**8,300**	9,900
Current bank borrowings				
Bank overdraft	**1,766**	1,425	**-**	-
Bank loans due within 1 year	**23,594**	19,500	**1,600**	2,433
	25,360	20,925	**1,600**	2,433

Terms and repayment schedule

	Total €'000	Within 1 year €'000	Between 2-5 years €'000	After 5 years €'000	Security and nominal interest rate	Year of maturity
International Hotel Investments p.l.c.						
Bank loan I						
2011	**2,400**	**600**	**1,800**	**-**	General hypothec for €3.6 million over all Company assets present and future. General hypothecary guarantee over all Company assets present and future and special hypothecary guarantee over the Corinthia Hotel St George's Bay.	2015
2010	3,000	600	2,400	-		
					Bank euro base rate + 2.5%	
Bank loan II						
2011	**-**	**-**	**-**	**-**	First general hypothec for €1.66 million and third general hypothec for €9.5 million over all of the Company 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.	2011
2010	833	833	-	-		
					6 month Euribor + 1.5%	
Bank loan III						
2011	**7,500**	**1,000**	**4,000**	**2,500**	As for bank loan II	2019
2010	8,500	1,000	4,000	3,500	6 month Euribor + 1.5%	
Five Star Hotels Limited						
Bank overdraft						
2011	**683**	**683**	**-**	**-**	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.	On demand
2010	985	985	-	-		
					Bank euro base + 2.5%	
Bank loan						
2011	**3,760**	**792**	**2,968**	**-**	As for overdraft	2015
2010	4,512	753	3,421	338	Bank euro base rate + 2.5%	
Alfa Investimentos Turisticos Lda						
Bank loan I(a)						
2011	**21,659**	**1,720**	**8,062**	**11,877**	Secured by mortgages over the Corinthia Hotel & Spa Lisbon including land.	2022
2010	23,273	2,042	7,741	13,490		
Bank loan I(b)						
2011	**14,030**	**-**	**-**	**14,030**	Secured by mortgages over the Corinthia Hotel & Spa Lisbon including land.	2022
2010	14,030	-	-	14,030		
					Fixed at 6.24% up to April 2013	
Bank loan II						
2011	**1,187**	**550**	**637**	**-**	Secured by a second ranking mortgage over the Corinthia Hotel & Spa Lisbon including land and a blank bill of exchange.	2013-2015
2010	1,726	538	1,188	-		
					3 month Euribor + 1.75%	
Bank loan III						
2011	**344**	**-**	**344**	**-**	Secured by a second ranking mortgage over the Corinthia Hotel & Spa Lisbon including land and a blank bill of exchange.	2017
2010	-	-	-	-		
					3 month Euribor + 6%	
Bank overdraft						
2011	**1,083**	**1,083**	**-**	**-**	Promissory note and letter of comfort from parent company	On demand
2010	440	440	-	-	7.5% on 1 month Euribor + 4.95%	

Terms and repayment schedule ***(continued)***

	Total €'000	Within 1 year €'000	Between 2-5 years €'000	After 5 years €'000	Security and nominal interest rate	Year of maturity
IHI Benelux B.V.						
Bank loan						
2011	**49,995**	**900**	**18,190**	**30,905**	Secured over the Corinthia Hotel St Petersburg and adjacent commercial buildings. Subordination of loans due to the parent company and by a pledge on the comprehensive insurance policy.	2016
2010	-	-	-	-		
					3 month Euribor + 4.6%	
IHI Hungary Zrt.						
Bank loan						
2011	**35,283**	**1,887**	**8,906**	**24,490**	Secured by a mortgage over the Corinthia Hotel Budapest and by a security deposit over the shares of IHI Hungary Zrt and by cash collateral. In addition, IHI, CPHCL and Corinthia Investments Limited have provided additional financial guarantees 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.	2019
2010	37,047	1,765	8,345	26,937		
					3 month Euribor + 3.0% (composite rate)	
Corinthia Towers Tripoli Limited						
Bank loan I						
2011	**15,500**	**8,000**	**7,500**	**-**	Secured by a general hypothec over the land and buildings of the hotel property in Tripoli.	2012
2010	15,500	8,000	7,500	-		
					3 month Libor + 1.5%	
Bank loan II						
2011	**6,000**	**2,775**	**3,225**	**-**	Secured by a pledge on shares in Corinthia Towers Tripoli Limited.	2013
2010	7,250	2,000	5,250	-		
					3 month Euribor + 2.25%	
Bank loan III						
2011	**30,500**	**3,333**	**26,667**	**500**	Secured by a general hypothec over the land and buildings of the hotel property in Tripoli	2018
2010	25,500	-	23,333	2,167		
					3 month Euribor + 2.00%	
IHI Towers sro						
Bank loan						
2011	**42,162**	**2,037**	**8,870**	**31,255**	Secured by mortgages over the Corinthia Hotel Prague and by a pledge on shares, movables, bank accounts and insurance policy.	2020
2010	44,131	1,969	8,576	33,586		
					3 month Euribor + 1.45%	

30 BONDS

	2011 €'000	2010 €'000
Pre-euro bonds (previously Lm bonds)	**13,966**	13,924
Bond I	**8,070**	8,079
Bond II	**12,456**	12,438
Bond III	**34,527**	34,459
Bond IV	**24,667**	24,626
Non-current	**93,686**	93,526

30.1 Convertible bonds

	€'000
Proceeds from issue	12,283
Transaction costs	(367)
Net proceeds	11,916
Imputed interest and amortisation of transaction costs to 1 January 2009	263
Exchange differences	(636)
Conversion into shares	(50)
At 31 December 2009	11,493
Imputed interest and amortisation of transaction costs for 2010	104
Amount refunded on maturity	(11,597)
At 31 December 2010	-

(i) During 2000 the Company issued 50,000 bonds with a face value of Lm 100 each (equivalent to € 232.94), which, unless previously purchased and cancelled or converted in accordance with the terms of issue, were redeemable at par on 29 May 2010. Any bonds purchased by the issuing Company on the open market were cancelled. The Company reserved the right to purchase bonds on the open market without notice.

Bondholders were 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 was extinguished and released, and, in consideration and in exchange thereof, the Company issued fully paid up ordinary shares as provided in the terms and conditions of issue. A conversion of part of a bond was not allowed.

The bonds entitled the holders thereof to an original entitlement of 100 shares for every bond. In the event that upon conversion the conversion price was higher than the share issue price, and a bondholder wished to retain such original entitlement, such bondholder paid the cash difference as determined in accordance with the terms of the issue of the bonds. A bondholder may have elected not to pay such cash difference and in lieu thereof accepted the issue of a lower number of shares than his/her original entitlement. Shares could not be issued at below their nominal value.

A bondholder had the right to exercise the conversion option during the conversion period which commenced on 29 November 2005 and ended on 29 November 2009. In the case of bonds converted on any of the following conversion dates during any conversion term, the conversion price was determined in accordance with the arithmetic average of the daily trade weighted average price (TWAP) quoted by the Malta Stock Exchange during the six 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

The conversion periods elapsed in 2009.

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

(iii) Security

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

30.2 Pre-euro and euro bonds

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

	Year of issue	Nominal amount €'000	Rate of interest %	Maturity date	Redemption option period
Pre-euro bond	2003	14,018	6.30	15 February 2013	-
Bond I	2003	8,058	6.20-6.80	15 February 2013	-
Bond II	2006	12,500	6.50	27 March 2014	2012-2014
Bond III	2009	35,000	6.25	10 July 2019	2015-2019
Bond IV	2010	25,000	6.25	8 April 2020	2017-2020

In the case of bonds II, III and IV the Company has the right to redeem the bond or any part thereof at any time prior to the stated maturity date during the redemption option period.

(ii) Interest

Interest is payable annually in arrears on the due date.

(iii) Security

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

(iv) Sinking funds

The prospectuses for Bonds III and IV provide for the setting-up of sinking funds. In December 2011 the first deposit was made into such account administered by the appointed custodian.

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

	Pre-euro bond €'000	I €'000	II €'000	III €'000	IV €'000
At 1 January 2010	13,885	8,082	12,422	34,395	-
Proceeds from issue	-	-	-	-	25,000
Issue costs	-	-	-	-	(402)
Amortisation of transaction costs	39	(3)	16	64	28
At 31 December 2010	13,924	8,079	12,438	34,459	24,626
Amortisation of transaction costs	42	(9)	18	68	41
At 31 December 2011	**13,966**	**8,070**	**12,456**	**34,527**	**24,667**

31 OTHER INTEREST BEARING BORROWINGS

	The Group	
	2011	2010
	€'000	€'000
Amounts owed to:		
Parent company	**-**	5,684
Associate companies	**71**	43
Related companies	**351**	340
	422	6,067
Non-current liabilities		
Amounts owed to:		
Parent company	**-**	5,684
Current liabilities		
Amounts owed to:		
Associate companies	**71**	43
Related companies	**351**	340
	422	383

	The Company	
	2011	2010
	€'000	€'000
Non-current liabilities		
Amounts owed to:		
Parent company	**-**	5,684

The terms of the amounts owed are as follows:

	€'000	Interest	Repayable by
At 31 December 2011			
Associate company	**71**	3 month Euribor + 2.0%	On demand
Related companies	**351**	5.0%	On demand
	422		
At 31 December 2010			
Parent company	5,684	5.0%	Due by the end of 2012
Associate companies	43	3 month Euribor + 2.0%	On demand
Related companies	340	6.0%	On demand
	6,067		

None of the loans is secured.

32 DEFERRED TAXATION

	The Group		The Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Tax effect of temporary differences relating to:				
Excess of tax base over carrying amount of tangible fixed assets	**29,143**	27,209	**22**	28
Unrelieved tax losses and unabsorbed capital allowances	**(12,937)**	(9,492)	**-**	-
Investment in intangible asset	**6,502**	6,911	**-**	-
Investment in subsidiary	**5,150**	5,150	**26,664**	26,743
Investment in associate	**9,393**	9,603	**-**	-
Tax effect on revaluation of land and buildings	**37,639**	41,409	**-**	-
Tax effect on revaluation of investment property	**19,964**	18,885	**-**	-
Provision for exchange differences	**(999)**	(672)	**249**	(50)
Provision for doubtful debts	**(425)**	(367)	**-**	-
Derivatives	**(864)**	(976)	**-**	-
Accrued charges	**1,469**	1,554	**-**	-
	94,035	99,214	**26,935**	26,721
The movement can be analysed as follows:				
Movement for the year	**5,179**	3,063	**214**	7,252
Recognised directly in equity				
Deferred tax on revaluation of hotel property carried out at year end	**(3,287)**	137	**-**	-
Recognised in profit or loss	**1,892**	3,200	**214**	7,252

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:

	The Group	
	2011	2010
	€'000	€'000
Expiry		
2011	**-**	5,668
2012	**3,152**	3,152
2013	**2,520**	2,520
2014	**3,085**	3,085
2015	**3,375**	3,375
2016	**2,704**	2,704
2017	**1,703**	-
	16,539	20,504

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.

33 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Trade payables	**6,908**	7,117	**221**	694
Amounts owed to:				
Parent company	**1,298**	906	**34**	-
Subsidiary companies	**-**	-	**4,775**	2,163
Associate companies	**1,769**	761	**1,244**	614
Other related parties	**299**	486	**155**	119
Capital creditors	**742**	877	**-**	-
Other creditors	**1,917**	3,057	**177**	29
Accruals	**14,161**	11,400	**4,878**	5,388
Financial liabilities	**27,094**	24,604	**11,484**	9,007
Advance payments	**4,349**	4,452	**-**	-
Statutory liabilities	**939**	263	**235**	117
Total payables – current	**32,382**	29,319	**11,719**	9,124

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

34 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2011	2010
	€'000	€'000
Interest rate swaps:		
Non-current	**4,265**	4,697
	4,265	4,697

34.1 Terms

	The Group	
	2011	2010
	€'000	€'000
Notional amount:		
maturing in 2013	**14,030**	14,030
maturing in 2014	**36,391**	36,391

Interest rates:

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 quarter
Maturing in 2014	
Receive variable interest at the rate of	3 month Euribor
Pay fixed interest at the rate of	4.15% per annum

35 CASH FLOW ADJUSTMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Adjustments:				
Depreciation	**22,989**	23,563	**34**	30
Provision for doubtful debts	**377**	940	**-**	-
Fair value adjustment on derivative instruments	**(432)**	(216)	**-**	-
Loss on disposal of property, plant and equipment	**161**	65	**-**	4
Amortisation of intangible asset	**1,440**	1,167	**95**	-
Net impairment loss (reversal)	**2,497**	(2,400)	**-**	-
Fair value adjustment on investment in subsidiaries	**-**	-	**223**	20,539
Fair value adjustment on investment properties	**(5,448)**	(2,746)	**-**	-
Share of results of associate companies	**(1,155)**	546	**-**	-
Movement in reimbursement assets	**399**	340	**-**	-
Amortisation of transaction costs	**160**	248	**160**	248
Provision for charges	**-**	(66)	**-**	-
Interest receivable	**(790)**	(446)	**-**	-
Interest payable	**15,565**	14,386	**-**	-
Provision for exchange differences	**(853)**	-	**(853)**	-
	34,910	35,381	**(341)**	20,821

36 COMMITMENTS

	The Group	
	2011	2010
Capital expenditure		
Contracted for:		
Five Star Hotels Limited (Corinthia Hotel St.George's Bay, Malta)	**525**	-
Alfa Investimentos Turisticos Lda (Corinthia Hotel & Spa Lisbon)	**749**	-
IHI Benelux B.V. (Corinthia Hotel St. Petersburg)	**627**	-
IHI Towers sro (Corinthia Hotel Prague)	**832**	-
Corinthia Towers Tripoli Limited (Corinthia Hotel Tripoli)	**1,360**	1,000
Marina San Gorg Limited	**22,600**	-
NLI Holdings Limited	**-**	1,800
Medina Towers J.S.C.	**9,100**	-
	35,793	2,800
Authorised but not yet contracted for:		
IHI Benelux B.V. (Corinthia Hotel St. Petersburg)	**-**	10,000
IHI Hungary zrt (Corinthia Hotel Budapest)	**1,610**	800
IHI Towers sro (Corinthia Hotel Prague)	**-**	1,000
Corinthia Towers Tripoli Limited (Corinthia Hotel Tripoli)	**1,000**	1,500
IHI Benghazi Limited	**12,000**	12,000
Medina Towers J.S.C.	**11,400**	20,500
	26,010	45,800
	61,803	48,600

Operating leases

Non-cancellable operating lease rentals are as follows:

	2011 €'000	2010 €'000
Less than one year	**108**	108
Between two and five years	**440**	433
More than five years	**12,500**	13,021
	13,048	13,562

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 2011, €108,000 (2010 - €108,000) was recognised as an expense in the income statement in respect of operating leases.

37 CONTINGENT LIABILITIES

The Group and the Company do not have any contingent liabilities.

38 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 12, 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 15, 17, 19 and 33.

38.1 Related parties

	The Group		The Company	
	2011 €'000	2010 €'000	**2011 €'000**	2010 €'000
Revenue				
Services rendered to:				
Parent company	**757**	902	**600**	600
Fellow subsidiaries	**1,044**	1,180	**1,110**	1,135
Associate companies	**3,077**	1,187	**2,559**	1,168
	4,878	3,269	**4,269**	2,903
Direct costs				
Charged by:				
Parent company	**(70)**	(1,271)	**-**	-
Fellow subsidiaries	**-**	(45)	**-**	-
	(70)	(1,316)	**-**	-
Financing				
Interest receivable	**-**	-	**4,885**	4,147
Interest payable	**(275)**	(55)	**(327)**	(40)
	(275)	(55)	**4,558**	4,107
Income	**4,533**	1,898	**8,827**	7,010
Property, plant and equipment				
Capitalised construction and related services provided by associate companies	**-**	31	**-**	-
Intangible asset				
Purchase of brand from parent company	**-**	19,600	**-**	19,600

38.2 Transactions with key management personnel

In addition to the remuneration paid to the directors included in note 6, 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.

39 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 to are described below. See also note 39.4 for a summary of the Group's financial assets and liabilities by category.

39.1 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	
	2011 €'000	2010 €'000	**2011 €'000**	2010 €'000
Classes of financial assets – carrying amounts				
Reimbursement assets	**22,432**	22,831	**-**	-
Investments in subsidiaries	**-**	-	**276,772**	276,995
Long term loans	**29,450**	6,971	**250,875**	287,346
Short term loans	**11,500**	-	**11,500**	-
Trade and other receivables	**34,793**	22,256	**44,920**	32,999
Cash and cash equivalents	**28,008**	26,675	**10,831**	5,082
	126,183	78,733	**594,898**	602,422

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 19.1 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.

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 19.1 for further information on impairment of financial assets that are past due.

39.2 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 2011 the Group's financial liabilities including estimated interest payments are summarised below by contractual maturity:

The Group

	Current		Non-current	
31 December 2011	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Non-derivatives:				
Bank borrowings	15,759	19,000	123,590	131,664
Bonds	3,818	2,187	52,864	72,809
Parent company loan and other interest bearing borrowings	-	-	-	-
Bank overdraft	1,766	-	-	-
Trade and other payables	27,094	-	-	-
Derivatives	410	407	1,933	-
	48,847	21,594	178,387	204,473

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

	Current		Non-current	
31 December 2010	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Non-derivatives:				
Bank borrowings	15,216	12,510	99,182	114,401
Bonds	3,840	2,188	54,705	75,654
Parent company loan and other interest bearing borrowings	-	405	5,968	-
Bank overdraft	1,425	-	-	-
Trade and other payables	24,604	-	-	-
Derivatives	507	592	3,760	-
	45,592	15,695	163,615	190,055

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

The Company

	Current		Non-current	
31 December 2011	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Bank borrowings	1,016	997	6,870	2,698
Bonds	3,818	2,187	52,864	72,809
Trade and other payables	11,532	-	-	-
	16,366	3,184	59,734	75,507

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

	Current		Non-current	
31 December 2010	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Bank borrowings	1,473	1,449	7,569	3,757
Bonds	3,840	2,188	54,705	75,654
Other interest bearing borrowings	-	-	5,968	-
Trade and other payables	9,005	-	-	-
	14,318	3,637	68,242	79,411

39.3 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.

(i) 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 functional currency of group entities, the euro. The currencies giving rise to this risk are the Hungarian forint, the Russian rouble, the Czech crown, Libyan dinar and the Great Britain pound. 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 subsidiaries 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.

(ii) 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 were as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Fixed rate instruments				
Financial assets other than cash at bank:				
Loan receivable	**11,500**	-	**21,350**	8,800
Financial liabilities:				
Bonds	**(93,686)**	(93,526)	**(93,686)**	(93,526)
Parent company loan and other interest-bearing borrowings	**(351)**	(6,024)	**-**	(5,684)
	(82,537)	(99,550)	**(72,336)**	(90,410)
Variable rate instruments				
Financial assets other than cash at bank:				
Non-current -				
Loan to related company	**-**	-	**74,525**	106,803
Financial liabilities:				
Bank borrowings	**(232,087)**	(186,727)	**(9,000)**	(12,333)
Other interest bearing liabilities	**(71)**	(43)	**-**	-
	(232,158)	(186,770)	**65,525**	94,470

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.

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 results for the year to a reasonably possible change in interest rates of +/- 0.5%. These changes are considered to be reasonably possible based on observation of current 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		The Company	
	€'000	€'000	**€'000**	€'000
Interest payable -	+0.5%	-0.5%	+0.5%	-0.5%
31 December 2011	(824)	824	(58)	58
31 December 2010	(553)	553	(70)	70
Interest receivable -				
31 December 2011	105	(105)	370	(370)
31 December 2010	149	(149)	554	(554)

39.4 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at balance sheet date of the reporting periods under review may also be categorised as follows. See note 4.16 for explanations about how the category of financial instruments affects their subsequent measurement.

	The Group		The Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Non-current assets				
Investments at fair value through profit and loss	**-**	-	**276,772**	276,995
Reimbursement assets	**22,432**	22,831	**-**	-
Loans and receivables:				
Amounts due from group and related companies	**29,450**	6,971	**250,875**	287,346
	51,882	29,802	**527,647**	564,341
Loans and receivables:				
Amounts due from parent company	**11,500**	-	**11,500**	-
Trade receivables	**17,906**	11,426	**-**	-
Other receivables	**16,887**	10,830	**44,920**	32,999
Cash and cash equivalents	**28,008**	26,675	**10,831**	5,082
	74,301	48,931	**67,251**	38,081
Non-current liabilities				
Financial liabilities measured at amortised cost:				
Bank borrowings	**206,727**	165,802	**8,300**	9,900
Bonds	**93,686**	93,526	**93,686**	93,526
Other interest bearing borrowings	**-**	5,684	**-**	5,684
Derivatives	**4,265**	4,697	**-**	-
	304,678	269,709	**101,986**	109,110
Current liabilities				
Financial liabilities measured at amortised cost:				
Bank borrowings	**25,360**	20,925	**1,600**	2,433
Other interest bearing borrowings	**422**	383	**-**	-
Trade payables	**6,908**	7,117	**269**	694
Other payables	**6,025**	6,087	**6,385**	2,925
Accruals	**14,161**	11,400	**4,878**	5,388
	52,876	45,912	**13,132**	11,440

39.5 Financial instruments measured at fair value

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

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

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

The financial assets and liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

Level 2	**2011**	2010
	€'000	€'000
Liabilities		
Interest rate swaps	**(4,265)**	(4,697)

Measurement of fair value

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

a) Interest rate swap agreements
Where derivatives are traded either on exchanges or liquid over-the-counter markets the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, eg market exchange and interest rates (level

b) Derivatives entered into by the Group are included in level 2 and consist of interest rate swap agreements.

There have been no transfers into or out of level 2 in the reporting period under review.

40 ULTIMATE CONTROLLING PARTY

The Group's ultimate parent company is CPHCL, the registered office of which is 22, Europa Centre, Floriana FRN 1400, Malta.

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

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

independent auditor's report

Grant Thornton

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Report on the financial statements

We have audited the accompanying consolidated financial statements of International Hotel Investments p.l.c. and the individual Company financial statements for the year ended 31 December 2011 set out on pages FS 13 to FS 64, which comprise the Group and Company income statements, the Group statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies 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 audit opinion.

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Opinion

In our opinion, the Group's consolidated financial statements and the Company's financial statements give a true and fair view of their financial position as at 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386.

Report on other legal and regulatory requirements

We also have responsibilities:

- under the Companies Act, Cap 386 to report to you if, in our opinion:
  - the information given in the directors' report is not consistent with the financial statements,
  - the Company has not kept proper accounting records,
  - the Company's financial statements are not in agreement with the accounting records,
  - we have not received all the information and explanations we require for our audit,
  - 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.
- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON
Certified Public Accountants

29 March 2012

Certified Public Accountants
Member firm of Grant Thornton International Ltd.

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