INTERNATIONAL HOTEL INVESTMENTS p.l.c.

CONTENTS

ANNUAL REPORT & FINANCIAL STATEMENTS 2012

INTRODUCTION

Musician's Penthouse Terrace – Corinthia Hotel London

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 2012, IHI acquired the Marina Hotel (Malta).

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 QP Mnagement 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 (LAFICO), 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.

THE IHI GROUP

International Hotel Investments p.l.c.

100% — CHI
Hotel operator

20% — QP Management
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 & Spa	152 bedrooms
Corinthia Hotel Khartoum	230 bedrooms
Corinthia Hotel Taormina	180 bedrooms (under development)
Ramada Plaza Tunisia	309 bedrooms
Aquincum Hotel Budapest	310 bedrooms
Panorama Hotel Prague	440 bedrooms
MANAGED BEDROOMS	**1,621 bedrooms**
OWNED & MANAGED BEDROOMS	**4,523 bedrooms**

BOARD OF DIRECTORS

front row – left to right

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.

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

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.

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

Joseph Fenech, Managing Director, enjoys an acknowledged reputation in the hotel business, having been intimately involved in the Corinthia Group's expansion and financial development over the past 31 years.

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.

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. Mr Naudi is also the CEO of CHI Hotels & Resorts, IHI's operating company.

ALFRED PISANI – CHAIRMAN & CEO

Dear Shareholders,

2012 was a daunting year all around us but a good year for IHI.

I am writing this from the relative security of Malta's resilient economy. Many of you will share my satisfaction at improved year-on-year earnings, more so because this performance has been achieved notwithstanding the fact that many of the larger countries in which we operate suffered a contraction in economic activity throughout 2012. Some countries even had to slash national expenditure under stringent terms to benefit from EU-funded bailouts with others taking pre-emptive austerity measures to fend off potential financial upheavals.

Despite these bleak economic conditions all around us – and equally dampened enthusiasm in several of our key source markets – IHI still increased overall revenues by 13.8% to €118.6 million and EBITDA by 23.9% to €27.7 million in 2012.

Our improved year-on-year operating performance is noteworthy mostly for the reasons that have contributed to this growth in 2012, of which I will highlight three in particular, each of which signals longevity to this positive trend, independently of the eventual general global economic recovery.

Firstly, we are getting better at running our hotels. We now do this more profitably, and generate more revenue from new markets and new sources of business as our Corinthia Brand gains global recognition.

Secondly, our hotel in London has turned an important operating profit in its first full year of activity, with further growth ahead as the operation gains a solid reputation among the leading luxury hotels worldwide.

Thirdly, Libya is returning to growth and stability, and our hotel and commercial centre remain at the hub of the country's economic renewal.

I will elaborate on these contributors to our growth later on in this message, but first let me address the general strategy of IHI.

Our company is built on two pillars:

The first is that we are in the real estate business, focusing on the development of hotels and commercial properties. We buy and develop hotel and commercial properties at good prices and in great locations. Our slogan is "we do not buy trophy hotels, we create trophy hotels".

The second pillar is the business of operating hotels, through our fully-owned company, CHI Limited (CHI). This is a business in itself, generating fee income purely from the services given without the need for capital investment, and a business which can grow on a global scale independently of IHI's funding capabilities. These two pillars support each other and for the growth to continue both need to be resilient.

The first pillar sees us developing hotels and here we make sure we buy well, usually in circumstances such as complex debt restructuring or privatisations, that allow us to purchase property at below-market prices.

We also develop well, with an in-house capability to maintain full control over the development costs and processes. This means we complete our projects at prices that are significantly lower than what others would be willing to pay for similar projects. This aspect of our business is what drives the development gains in the value of our hotels.

Anyone in the property business will agree that returns in this sector are generated not so much through operating income, but more importantly by the added value of the development and then selling at the right time. At some point, therefore, and sooner rather than later, we shall be able to crystallise some of these property gains into tangible income. This will consequently enable us to give dividends to our shareholders as we sell off one or two of our hotels, whilst retaining the right to manage these hotels through CHI, thus ensuring that we continue reaping a good long-term return through management fee income, whilst also retaining our Corinthia flag flying over these properties.

It is also important to note that we have typically funded at least 50% of all of our projects via bank debt, which is paid back principally from the hotels' operating income. This means that over time the added net value of our hotels – and not just our equity injection – will become fully attributable to our shareholders. Since inception, besides the €555 million raised in equity from shareholders to invest in our eight hotels, IHI has also taken out €508 million in loans and bonds to support the end financing of our projects. Out of this indebtedness, we have already paid back €184 million in principal apart from the yearly interest, from cash flows generated in operations, resulting in an outstanding debt balance in 2012 of €324 million. That portion of the loans paid back over the years is now added value attributable to shareholders, paid for by the hotel operations in which we have invested and not by the shareholders. In any case, the time to sell some assets is nearing for IHI, as our hotels establish themselves in their respective markets and valuations get to levels where it is in our interest to sell some of them.

This year we shall give priority to the disposal of the residences in London adjoining our hotel. Here, we have just completed the construction and fit-out of the 12 apartments, which are serviced by the hotel and have direct access to our spa. They are being positioned at the high-end of London's residential market, which is attracting interest and demand from buyers from all over the world. All work is complete, and marketing agents have been nominated, with a view to commencing sales in the coming months. However, we are also conscious that high-end residential property in London is constantly rising in value, so time has played in our favour.

Likewise, as indicated earlier, we shall not stop solely with the sale of our London apartments since we are also taking steps to prepare for the sale of other non-hotel assets, namely the commercial centre in St Petersburg, where we have 12,507m^2 of retail and commercial office areas, located in a stand-alone property adjoining our hotel. This process will commence later this year. Sales from non-core assets as well as income from future sales of some hotels will generate substantial income streams to IHI and a significant amount of these funds will be made available for distribution to shareholders.

In the meantime, as we have been building and developing our hotels, we are also in parallel strengthening our Second Pillar, which is the business of operating hotels under the Corinthia Brand, through our wholly-owned company, CHI. Further on I am describing the work that has gone into the structuring of Corinthia Hotels into a world-class operating company. Coupled with the visibility of the brand afforded by our flagship hotel in London, we believe we are at the threshold of a new era for Corinthia Hotels, one in which we shall be offering our services to manage hotels developed by other investors, and for which we shall generate income to IHI without necessarily having to fork out funds, as is the case when we build our own hotels.

Nonetheless, we still believe that we require presence in another two or three of the world's major cities, such as New York and Paris before we can ensure that our Corinthia Brand is internationally recognised. Until we achieve this recognition, our own funding will be necessary to gain entry in these major cities. To this end, we are seeking new equity investors in IHI to join us at shareholder level to fund these new projects. And here too, we will act as real estate developers and seek to generate capital gains in these new investments. However, the spin-off from such new investments will not only be the added value gains in our new projects but, equally, the exposure and income which will subsequently be generated for our management company, CHI.

Real estate and hotel operations are the two pillars of our business and, on both counts, our results in 2012 demonstrate their combined contribution to our performance. This did not happen by chance, but as I did refer earlier, a number of contributors created this growth in our hotel performance.

As a start, we increased our shareholding in our operating company CHI by acquiring the 30% of the shareholding which formerly belonged to a US-based hotel company. Thanks to the terms agreed at the time of their original entry into CHI, the buy-back provisions of that agreement allowed us to take back these shares at a nominal consideration. This was at a fraction of the price at which we had sold the shares in 2006. We immediately appointed a new board of directors and senior team, and embarked on a strategy to focus **Firstly** on quality in our service to our customers, **Secondly** on driving revenue from new markets and higher-paying customers and, **Finally**, on efficiencies in managing costs.

Our focus has been mainly on quality, that is, establishing standards and procedures for every aspect of our service to guests, which are being rolled out beyond 2012 and into this year, backed by training programmes for our frontline and back-of-house personnel. We have couched our drive on standards within a framework of family-inspired values with which we wish our Corinthia Brand to be associated – The Spirit of Corinthia. This is our strategy for the human dimension of our business, for each of the 2,147 employees of the IHI group, and this includes our London property, who every day must make it their mission to fulfil their duties to the best of their abilities.

We have also embarked on a major revenue drive, tapping new sources and adopting new tools in driving income. We continue to cherish the relationships we have built over many decades with the major suppliers in our industry including tour operators. But most importantly, we have embraced the opportunities of the digital age and reached out directly to customers all over the world via our own websites. Bookings emanating from our websites do not entail any commissions, and we have nurtured new relationships with online booking engines and travel advisors, thus ensuring that we are truly a brand of the future. We have also upgraded all our technology to make it easier for our own direct customers, as well as for business providers, to channel bookings and make reservations.

The outcome of the above is that in 2012, 20% of the room revenue in our hotels was driven by the efforts of CHI through our own distribution system and via our own direct marketing. You will remember that we set up our system two years ago, before which these percentages would have been practically nil. In two to three years' time, we aim that up to 40% of our income will be driven from our own sources, as a brand, over and above the marketing efforts made by our hotel general managers and their own sales teams in their local hotel markets. In support of this, we have organised our PR departments, our presence on the major channels of social media, and generally how we present ourselves, and our hotels, to the world at large. There is much yet to achieve in this area of revenue, but the foundations that have been laid are sound and are already giving results.

Finally, we are introducing various cost rationalisation measures. We have an efficiency unit at our head office which is focusing on making savings generally across the group. This includes purchasing certain operating items in bulk for all our hotels, adopting energy-saving techniques and technology, and supporting our hotel general managers in identifying efficiencies through appropriate payroll strategies.

All these parallel efforts at Corinthia Hotels have been at the core to increasing our market share and improved year-on-year performance, in many of our hotels, in spite of contracting volumes of business in the cities in which these hotels operate. This was the case especially, in Prague, Budapest and St Petersburg, where our revenues increased by 6.2% and our operating profits by 12.5% and this notwithstanding the declining tourist demand in these three cities at the upscale category.

2012 was the first full year of business for our hotel in London, where we have developed a flagship property that has established itself among the best in the world of global luxury. The hotel, which is 50% owned by IHI, enjoys some of the finest rooms and suites, as well as restaurants and meeting facilities that are at the very forefront of London's offering. Operating profit in our first full year in business was €9.8 million and this is expected to grow further as the hotel gains its fair market share in a competitive environment. In fact, when our hotel succeeds in achieving parity with our peers in room rates and occupancy levels, the operating profit should stabilise at around €30 million annually.

Whitehall Suite - Corinthia Hotel London

The hotel has also added a new dimension to our company, bestowing a high-end visibility to our Corinthia Brand in what is a global gateway city. This visibility allows us to forge new relations not only within the travel community but, equally as important, with investors, banks and other hotel owners who have started to request the services of our management company to operate their properties as Corinthia Hotels. The opportunity to manage hotels for third parties is a business in itself which may, over the years, even become the main pillar of our business.

2012 has seen a return to stability and growth in our neighbouring country Libya, with which Malta, and indeed Corinthia, has a shared history of trade, business and relations at all levels of society. Many of you will have shared our concern as the revolution unfolded in Libya throughout 2011, since our hotel and adjoining commercial centre are located right at the heart of Tripoli, but we have been fortunate to survive the events of 2011 untouched. Indeed, we are more than happy to have had the honour of staying open for business every day, not missing one day of operation throughout that dark period.

This commitment to Libya is appreciated all around, as evidenced by the unfolding business opportunities that are being presented to us to participate in the future development of the country. For example, our plans to develop a hotel, residences and commercial centre in Benghazi, Libya's second city, are now fully back on track, perfectly timed to coincide with the increased importance being accorded to this city. Permits are in hand and site preparation works will commence later this year as and when financing for the project is secured. Benghazi will be another winner for IHI.

Likewise, the Medina Tower, Tripoli, a forty storey high-rise multi-use development, in which we have a 25% shareholding, has progressed to the stage where site preparations are in hand. We believe that this development of residential apartments, offices, one floor dedicated to meeting rooms, restaurants and a spa as well as a shopping mall over three floors, all supported by underground parking, will be another successful project. This will be a unique development in the new Libya which should give us a healthy return on our investment.

Dear Shareholders, may I, in conclusion, confirm my confidence in our future path based on our dual strategy to realise the gains in value we have made over the years through the sale of hotels and other real estate developments, and to continue to build a hotel management business off the back of these investments. It is my belief that beyond our own direct investment in real estate asssets, managing hotels for third parties will become of greater importance to the IHI group in the years to come.

Once again, thank you all for your unbending support to the company, even in the toughest of days. Together with our prudent board of directors backed up by a strong management team, we are confident that IHI is delivering value in our assets, and that the months ahead will represent a fruitful outcome to all of you who have supported the company over the years.

Alfred Pisani
Chairman and Chief Executive Officer

Corinthia Hotel London

JOSEPH FENECH – MANAGING DIRECTOR

2012 has been a relatively good year for the Group on both the acquisition and development front as also on the operational side and in assessing this year's performance, I would term it as a year of consolidation. In the year under review we have acquired the Marina Hotel, an adjoining property to the Corinthia Hotel St George's Bay in St Julians, Malta. Economies of scale are expected to be achieved in the years to come in the joint operation of both properties. Furthermore, we have completed the luxury apartments in London and these are now being actively promoted for sale in 2013.

2012 has also been the first full year of operation of the Corinthia Hotel London and the operating results achieved have been indeed encouraging. This property has already established itself as a landmark luxury hotel in the British capital and current indicators show that further improvements in performance are expected in the years to come, as this property moves towards its stabilised level of performance.

After some years of reduced economic activity, the Russian Federation is fast gaining momentum and other than improved performance in the hotel operation, this has also translated into encouraging results being achieved in 2012 in the leasing of the commercial buildings adjoining the Corinthia Hotel in St Petersburg. We have entered into medium term leases with two of the major banks in Russia's second major city and this augurs well to attracting other blue chip companies in the months to come to take up further leases in this commercial centre.

Following the revloution in Libya in 2011, the country is fast moving towards stability. Whilst there has been an increased level of economic activity in 2012, further growth is expected ahead. In anticipation of future increases in demand, during 2012 the interiors of the Corinthia Hotel Tripoli were fully refurbished whilst the various food and beverage outlets available in the hotel were also opened to provide a wider choice of services.

The austerity measures introduced in a number of Eurozone countries continued to have their toll in certain countries where the Group owns and operates hotels. In particular, these measures were hard felt in Portugal and Hungary where, besides the negative impact on the respective economic activity, a higher risk premium attributed to these countries impacted the valuation of the Group's properties.

REVIEW OF INCOME AND COMPREHENSIVE INCOME STATEMENT

	2012 € million	2011 € million
Revenues	**118.57**	104.22
Direct costs	**(63.55)**	(53.86)
Marketing, administrative & other costs	**(27.29)**	(27.98)
Earnings before interest, tax & depreciation (EBITDA)	**27.73**	22.38
Depreciation and amortization	**(24.21)**	(24.43)
Net revaluation adjustments	**(3.65)**	2.94
Share of profit from associated companies	**4.97**	1.16
Net financing costs	**(15.77)**	(13.46)
Other expenses	**(0.45)**	(0.40)
Loss before taxation	**(11.38)**	(11.81)
Tax income	**0.95**	1.08
	(10.43)	(10.73)
Net revaluation of hotel properties, translation difference and hedging reserve through comprehensive income statement	**8.32**	(13.40)
Total comprehensive (expense) income for year	**(2.11)**	(24.13)

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

We have witnessed increases in revenues in all IHI hotels in 2012 save for the property in Lisbon, which as detailed earlier is suffering from the austerity measures affecting the country. The same can more or less be said for the performance at EBITDA level for every hotel property, with the most notable increase being registered in the St Petersburg property.

Revenue increases have also been significant in the Tripoli hotel, although these are still far off from the levels registered in the pre-revolution years. However a substantial part of these increased revenues were taken up by increased costs, on account of the opening of a number of food and beverage outlets during the course of 2012 and increased payroll costs arising in consequence of the introduction of a five-day week coupled with a revision of salaries at the lower grades.

Overall, there has been an improvement of more than €5.35 million in EBITDA which in percentage terms represents a significant 24% increase over the results achieved in 2011. Part of this increase is attributable to the performance of the Marina Hotel which is being accounted and consolidated in the Group's results for the first time in 2012. However, as intimated earlier, generally there were across the board improvements in performance in most of the Group's properties, much of which are attributable to the higher rates being achieved through the in-house developed reservation and distribution system.

DEPRECIATION AND AMORTISATION

The depreciation charge for the year under review, at €24.21 million is marginally below the depreciation charge of the year before, notwithstanding the fact that this year there is the additional depreciation charge for the Marina Hotel. It is heartening to note that for the first time in a number of years, EBITDA is exceeding the depreciation charge, principally on account of year-on-year increases in the EBITDA.

It is also worth noting that although very significant as a charge, depreciation does not have any impact on the cash position of the Group.

REVALUATION ADJUSTMENTS

Property revaluation adjustments feature in both the Income Statement and the Comprehensive Income Statement. Adjustments to the Income Statement represent movement in the values of investment properties (like the Commercial Centres in Tripoli and St Petersburg) and impairment adjustments or reversals thereof on hotel properties. Conversely, adjustments to the Comprehensive Income Statement represent increases in values, or reversals thereof *vis-a-vis* the book value of each hotel property.

It will be noted that there is a net impairment in this year's income statement of €3.65 million, which contrasts with an uplift of €2.94 million registered the year before. The net revaluation impairment for 2012 represents an improvement in the value of the Commercial premises in St Petersburg, on account of the increased lease income streams which was partly offset by a further impairment in the valuation of the hotel properties mainly in Lisbon and Budapest on account of the countries' increased borrowing costs and associated risks.

On the other hand, there has been a significant uplift in the hotels' value through the Comprehensive iIncome Statement. Here again, this reflects the combined net effect of a positive uplift in the value of our 50% share in the Corinthia London hotel property and a reduction in the value of the St Petersburg property.

SHARE OF PROFIT FROM ASSOCIATED COMPANIES

The Corinthia Hotel London registered an operating profit for the year under review of €9.59 million which compares very well with an operating loss of €5.54 million registered in 2011. However, since IHI's equity stake in this property is 50% this investment is treated as an associate and its results are included in this line item. While these positive operational results in London were impacted by substantial charges for depreciation and finance costs, the value of the Residences improved by €31.9 million (2011: €37.6 million), resulting in a net contribution to IHI's Income Statement of €5.3 million (2011: €1.0 million).

NET FINANCE COSTS

At €15.77 million, net finance costs are €2.31 million higher than the corresponding figure incurred in the previous year. Most of this increase relates to the interest cost on a €50 million loan taken on the St Petersburg property in December 2011. Whilst this facility was utilised in December 2011, its interest cost in that year was minimal whilst in 2012 there was a full year's interest charge.

Notwithstanding the higher net interest cost year-on-year, it is worth mentioning that the EBITDA cover to net interest cost improved from 1.66 times in 2011 to 1.76 times in 2012.

It is also worth mentioning that in December 2012, the Group managed to issue a new bond for €20 million to replace a bond of €22.5 million maturing in February 2013. Other than the savings that will be achieved in view of the reduced level of debt, it is also worth mentioning that the new bond carries a lower interest margin than the maturing bond, thus resulting in further savings in interest costs in 2013.

BALANCE SHEET REVIEW

Our Balance Sheet has continued to strengthen with total assets now standing at €1,089 million at year end, an increase of €21.85 million over the corresponding figure the year before.

We have continued to retain a prudent debt to equity ratio, the more so in these difficult times of austerity. Our indebtedness, in terms of bank borrowings and corporate bonds, stands at €329 million and is close to the level of indebtedness a year earlier.

The key movements in our Balance Sheet in the year under review were the following:

- A decrease of €10 million in the value of our property, plant and equipment in view of the depreciation charge for the year, net of the acquisition cost of the Marina Hotel.
- The share of associates increased by €34.6 million on account of the profits and property uplift in London and the increase of €9.1 million investment in Medina Tower.
- A reduction of €11.6 million in cash and bank balances as further funds were deployed for the London development, a project that is now complete.
- An increase of €16 million by way of a loan provided by Corinthia related to the acquisition of the Marina hotel.

Royal Penthouse - Corinthia Hotel London

CONCLUSION

We are now in the fourth year since the onset of the financial crisis. This was followed by one of the worst economic crisis witnessed in more than a century, particularly in Europe. In spite of these economic uncertainties, we have managed to weather the storm well, as reflected in the results achieved this year.

Although the current period of economic instability is not yet over, we are seeing encouraging signs of recovery, and if not necessarily in 2013, there should be an improvement in the European economies in the following year. Libya, which has historically been one of our main pillars from a profitability point of view, is equally heading towards stronger business development and one is hopeful that there will be increased economic activity in the second half of 2013.

We are well poised to benefit from this upturn, as in difficult times we have managed our resources well and whilst maintaining high standards, we contained our base cost to below industry norms always adopting a 'hands on' approach in managing each line item of expenditure.

Our primary objective in 2013 will be to sell the London residences with a view of realising the capital gain achieved on this investment, reduce the level of indebtedness on this project as also be able to distribute dividends from the remaining cash released from this investment. Towards the end of 2013, we will be also refinancing the hotel loan on the London property and here again we expect to release further shareholders' equity with a view of strengthening and consolidating further our cash flow position.

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

Joseph Fenech
Managing Director

Writer's Penthouse – Corinthia Hotel London

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

DIRECTORS' AND OTHER STATUTORY REPORTS & FINANCIAL STATEMENTS 2012

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 2012.

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 2012.

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 Andrew Watson	
Mr Hamza Mustafa	
Mr Simon Naudi	
Dr Joseph J Vella	
Mr Frank Xerri de Caro	
Mr Michael Beckett	
Mr Nagmeddin Hemali Mokhtar	

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 marked 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.

Auditor

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

Approved by the board of directors on 4 April 2013 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 4 April 2013 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 auditor.

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 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 Nagmeddin Mokhtar, Dr Joseph J Vella, Mr Simon Naudi, Mr Andrew Watson, Mr Hamza Mustafa, Mr Frank Xerri de Caro and Mr Michael Beckett lapsed at the Annual General Meeting held on 31 May 2012, 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 Nagmeddin Mokhtar	2
Mr Hamza Mustafa	4
Mr Andrew Watson	2
Dr Joseph J Vella	4
Mr Frank Xerri de Caro	4
Mr Michael Beckett	4

Principle 6: Information and professional development

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

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 six 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 2012, 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, Mr Eugenio Privitelli and Mr Paul Bugeja as members. The committee reports directly to the directors of the Company. In 2012, 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 blackout periods prior to the issue of the Company's interim and annual financial information during which they may not trade in the Company's shares.

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 4 April 2013 and signed on its behalf by:

Frank Xerri de Caro
Director and Chairman of Audit Committee

Joseph J Vella
Director

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 2012:

	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 4 April 2013 .

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 4 April 2013 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

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 2012 including those for membership of board committees and other subsidiary boards are:

	€
Mr Alfred Pisani	41,929
Mr Joseph Fenech	53,940
Mr Simon Naudi	31,000
Mr Hamza Mustafa	12,000
Mr Andrew Watson	12,000
Dr Joseph J Vella	52,000
Mr Frank Xerri de Caro	77,000
Mr Michael Beckett	57,200
Mr Nagmeddin H.Mokhtar	12,000

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

Remuneration of executive directors and senior executives

In 2012 the remuneration of executive directors and senior executives of the Company and its subsidiaries amounted to €3 million.

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

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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 auditor 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

4 April 2013

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

FINANCIAL STATEMENTS 2012

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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, Cap 386 (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, Cap 386 .

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 4 April 2013 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

Year ended 31 December 2012

	Notes	**2012** €'000	2011 €'000
Revenue	6	**118,567**	104,223
Direct costs		**(63,554)**	(53,863)
		55,013	50,360
Marketing costs		**(4,664)**	(5,624)
Administrative expenses		**(23,070)**	(22,219)
Other expenses		**446**	(139)
		27,725	22,378
Depreciation and amortisation		**(24,208)**	(24,429)
Increase in fair value of investment property	14	**4,154**	5,448
Net impairment losses on hotel properties	15.1	**(7,796)**	(2,497)
Results from operating activities	7	**(125)**	900
Share of profit from equity accounted investments	17	**4,970**	1,155
Finance income	9	**1,616**	1,826
Finance costs	9	**(18,399)**	(15,725)
Net fair value gain on interest rate swaps		**1,009**	432
Movement in reimbursement assets	13	**(454)**	(399)
Loss before tax		**(11,383)**	(11,811)
Tax income	10	**950**	1,079
Loss for the year		**(10,433)**	(10,732)
Attributable to:			
Owners of the parent		**(10,263)**	(10,398)
Non-controlling interest		**(170)**	(334)
		(10,433)	(10,732)
Loss per share	11	**(0.02)**	(0.02)

STATEMENT OF COMPREHENSIVE INCOME - THE GROUP

Year ended 31 December 2012

	Notes	2012 €'000	2011 €'000
Loss for the year		**(10,433)**	(10,732)
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Impairment of hotel properties	23	**(10,889)**	(12,703)
Share of other comprehensive income (expense) of equity accounted investments			
- Impairment of hotel property	23	**18,456**	(5,357)
Items that will be reclassified subsequently to profit or loss:			
Translation difference		**1,270**	1,236
Share of other comprehensive income of equity accounted investments			
- Hedging reserve		**1,239**	139
Income tax relating to components of other comprehensive income	10.2	**(1,752)**	3,287
Other comprehensive income (expense) for the year, net of tax		**8,324**	(13,398)
Total comprehensive expense for the year		**(2,109)**	(24,130)
Attributable to:			
Owners of the parent		**(1,939)**	(23,796)
Non-controlling interest		**(170)**	(334)
		(2,109)	(24,130)

BALANCE SHEET – THE GROUP

Year ended 31 December 2012

	Notes	2012 €'000	2011 €'000
ASSETS			
Non-current			
Intangible assets	12	**46,095**	47,415
Reimbursement assets	13	**23,449**	22,432
Investment property	14	**191,393**	187,239
Property, plant and equipment	15	**555,482**	565,568
Investments accounted for using the equity method	17	**167,441**	132,867
Loan receivable	18	**43,450**	29,450
Cash held by trustee	31	**2,223**	-
		1,029,533	984,971
Current			
Inventories	19	**5,294**	5,382
Loan receivable	18	**-**	11,500
Trade and other receivables	20	**36,997**	36,561
Current tax assets		**436**	407
Cash and cash equivalents	21	**16,423**	28,008
		59,150	81,858
Total assets		**1,088,683**	1,066,829
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the parent:			
Share capital	22	**554,238**	554,238
Revaluation reserve	23	**60,272**	55,097
Translation reserve	24	**1,379**	347
Reporting currency conversion difference	26	**443**	443
Accumulated losses	27	**(17,824)**	(14,171)
Other equity components	28	**1,748**	741
		600,256	596,695
Non-controlling interest		**-**	5,920
Total equity		**600,256**	**602,615**
LIABILITIES			
Non-current			
Borrowings	30	**205,563**	206,727
Bonds	31	**91,343**	93,686
Other interest bearing borrowings	32	**16,089**	-
Taxation		**236**	200
Deferred tax liabilities	33	**93,900**	94,035
Provision for charges		**206**	206
Derivatives	35	**3,048**	4,265
		410,385	399,119
Current			
Borrowings	30	**26,716**	25,360
Bonds	31	**5,744**	-
Other interest bearing borrowings	32	**516**	422
Trade and other payables	34	**38,118**	32,382
Current tax liabilities		**6,740**	6,931
Derivatives	35	**208**	-
		78,042	65,095
Total liabilities		**488,427**	464,214
Total equity and liabilities		**1,088,683**	1,066,829

The financial statements on pages FS-13 to FS-64 were approved by the board of directors, authorised for issue on 4 April 2013 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 2012

	Share capital €'000	Revaluation reserve €'000	Translation reserve €'000	Reporting currency conversion difference €'000	Accumulated losses €'000	Other equity components €'000	Total attributable to owners €'000	Non-controlling interest €'000	Total equity €'000
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
Balance at 1 January 2012	**554,238**	**55,097**	**347**	**443**	**(14,171)**	**741**	**596,695**	**5,920**	**602,615**
Loss for the year	-	-	-	-	**(10,263)**	-	**(10,263)**	**(170)**	**(10,433)**
Other comprehensive income	-	**6,285**	**1,032**	-	-	**1,007**	**8,324**	-	**8,324**
Total comprehensive expense	-	**6,285**	**1,032**	-	**(10,263)**	**1,007**	**(1,939)**	**(170)**	**(2,109)**
Transfer on acquisition of non-controlling interest	-	-	-	-	**5,500**	-	**5,500**	**(5,500)**	-
Payment to non-controlling interest	-	-	-	-	-	-	-	**(250)**	**(250)**
Transfer to accumulated losses	-	**(1,110)**	-	-	**1,110**	-	-	-	-
Balance at 31 December 2012	**554,238**	**60,272**	**1,379**	**443**	**(17,824)**	**1,748**	**600,256**	**-**	**600,256**

STATEMENT OF CASH FLOWS – THE GROUP

Year ended 31 December 2012

	Notes	2012 €'000	2011 €'000
Loss before tax		**(11,383)**	(11,811)
Adjustments	36	**40,866**	34,910
Working capital changes:			
Inventories		**283**	(197)
Trade and other receivables		**(2,051)**	(11,670)
Advance payments		**233**	(103)
Trade and other payables		**3,018**	3,482
Cash from operating activities		**30,966**	14,611
Tax paid		**(821)**	(181)
Net cash from operating activities		**30,145**	14,430
Investing activities			
Payments to acquire property, plant and equipment		**(8,742)**	(4,180)
Payments to acquire investment property		**-**	(86)
Payments to acquire intangible asset		**(172)**	(6,523)
Acquisition of subsidiary, net of cash acquired	5	**(4,255)**	-
Investment in associate		**(9,100)**	-
Interest received		**1,082**	514
Net cash used in investing activities		**(21,187)**	(10,275)
Financing activities			
Bank finance advanced		**14,500**	55,344
Repayment of bank borrowings		**(18,983)**	(10,325)
Loan repaid by (advanced to) parent company		**11,500**	(11,500)
Loans advanced to associate		**(13,772)**	(21,626)
Net proceeds from bond issue		**3,230**	-
Interest paid		**(18,089)**	(15,056)
Transfer of cash to trustee	31	**(2,223)**	-
Net cash used in financing activities		**(23,837)**	(3,163)
Net (decrease) increase in cash and cash equivalents		**(14,879)**	992
Cash and cash equivalents at beginning of year	21	**26,242**	25,250
Cash and cash equivalents at year end	21	**11,363**	26,242

STATEMENT OF COMPREHENSIVE INCOME - THE COMPANY

Year ended 31 December 2012

	Notes	2012 €'000	2011 €'000
Interest receivable and similar income		**8,787**	11,093
Interest payable and similar charges		**(8,773)**	(8,208)
Administrative expenses		**(5,220)**	(6,387)
Revaluation to fair value of investments in subsidiaries	16.1	**(6,433)**	(223)
Loss before tax	7	**(11,639)**	(3,725)
Tax income (expense)	10	**3,007**	(520)
Loss for the year		**(8,632)**	(4,245)
Other comprehensive income		**-**	-
Total comprehensive income		**(8,632)**	(4,245)
Loss per share	11	**(0.02)**	(0.01)

BALANCE SHEET – THE COMPANY

Year ended 31 December 2012

	Notes	2012 €'000	2011 €'000
ASSETS			
Non-current			
Intangible asset	12	**19,840**	19,814
Property, plant and equipment	15	**140**	129
Investments in subsidiaries	16	**440,996**	434,294
Investments in associates	17	**92,208**	83,108
Loans receivable	18	**108,502**	93,353
Cash held by trustee	31	**2,223**	-
		663,909	630,698
Current			
Trade and other receivables	20	**43,406**	45,003
Loans receivable	18	**-**	11,500
Cash and cash equivalents	21	**6,272**	10,831
		49,678	67,334
Total assets		**713,587**	698,032
EQUITY			
Share capital	22	**554,238**	554,238
Other reserve	25	**3,623**	7,804
Reporting currency conversion difference	26	**443**	443
Accumulated losses	27	**(11,150)**	(6,699)
Total equity		**547,154**	555,786
LIABILITIES			
Non-current			
Borrowings	30	**11,200**	8,300
Bonds	31	**91,343**	93,686
Other interest bearing borrowings	32	**16,089**	-
Deferred tax liabilities	33	**23,750**	26,935
		142,382	128,921
Current			
Borrowings	30	**2,100**	1,600
Bonds	31	**5,744**	-
Current tax liability		**303**	6
Trade and other payables	34	**15,904**	11,719
		24,051	13,325
Total liabilities		**166,433**	142,246
Total equity and liabilities		**713,587**	698,032

The financial statements on pages FS-13 to FS-64 were approved by the board of directors, authorised for issue on 4 April 2013 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 2012

	Share capital €'000	Other reserve €'000	Reporting currency conversion difference €'000	Accumulated losses €'000	Total equity €'000
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
Balance at 1 January 2012	**554,238**	**7,804**	**443**	**(6,699)**	**555,786**
Loss for the year	**-**	**-**	**-**	**(8,632)**	**(8,632)**
Transfer from / to accumulated losses	**-**	**(4,181)**	**-**	**4,181**	**-**
Balance at 31 December 2012	**554,238**	**3,623**	**443**	**(11,150)**	**547,154**

STATEMENT OF CASH FLOWS – THE COMPANY

Year ended 31 December 2012

	Notes	2012 €'000	2011 €'000
Loss before tax		**(11,639)**	(3,725)
Working capital changes:	36	**6,241**	(341)
Trade and other receivables		**1,597**	1,121
Trade and other payables		**4,185**	2,595
Cash used in operating activities		**384**	(350)
Income tax refund (paid)		**119**	(4)
Net cash from (used in) operating activities		**503**	(354)
Investing activities			
Payments to acquire property, plant and equipment		**(36)**	(104)
Payments to acquire intangible asset		**(172)**	(5,684)
Acquisition of subsidiary		**(5,600)**	-
Investment in associate		**(9,100)**	-
Net loans advanced to (repaid by) subsidiary and associate companies		**(6,061)**	25,824
Net cash (used in) from investing activities		**(20,969)**	20,036
Financing activities			
Bank finance advanced		**5,000**	-
Repayment of bank borrowings		**(1,600)**	(2,433)
Loans repaid by (advanced to) parent company		**11,500**	(11,500)
Proceeds from bond issue		**3,230**	-
Transfer of cash to trustee		**(2,223)**	-
Net cash from (used in) financing activities		**15,907**	(13,933)
Net (decrease) increase in cash and cash equivalents		**(4,559)**	5,749
Cash and cash equivalents at beginning of year	21	**10,831**	5,082
Cash and cash equivalents at year end	21	**6,272**	10,831

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) as issued by the International Accounting Standards Board (IASB) 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

Adoption of 'Presentation of Items of Other Comprehensive Income' (Amendments to IAS 1)

The Group has early adopted 'Presentation of Items of Other Comprehensive Income' (Amendments to IAS 1). The Amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012 and require entities to group items presented in other comprehensive income (OCI) into those that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. The existing option to present items of OCI either before tax or net of tax remains unchanged; however, if the items are presented before tax, then the Amendments to IAS 1 require the tax related to each of the two groups of OCI to be shown separately.

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 except for the Amendment to IAS 1 noted above in 3.1.

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 2015)

  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 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed.

  Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and the IFRS has been adopted by the European Union.

- **Consolidation standards**

  A package of new consolidation standards is effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. Management has not yet completed its assessment of 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. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Group's existing investees at 31 December 2012.

Transition guidance for IFRS 10 and 12

Subsequent to issuing the new standards the IASB made some changes to the transitional provisions in IFRS 10 and IFRS 12. The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also makes changes to IFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

The new guidance is also effective for annual periods on or after 1 January 2013, subject to adoption by the European Union.

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

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 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Group's consolidated financial statements.

- **Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)**

  The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:
  - the meaning of 'currently has a legally enforceable right of set-off'
  - that some gross settlement systems may be considered equivalent to net settlement.

  The Amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

- **Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)**

  Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

- **Annual Improvements 2009-2011**

  The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Group are summarised below:

  Clarification of the requirements for opening statement of financial position:
  - clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
  - addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

  Clarification of the requirements for comparative information provided beyond minimum requirements:
  - clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
  - requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

  The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013, subject to adoption by the European Union. Management does not anticipate a material impact on the Group's consolidated financial statements from these Amendments.

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 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'.

IAS 1 requires two comparative periods to be presented for the statement of financial position in certain circumstances. The Group has reclassified other comprehensive income in accordance with the revision of IAS 1 (refer to 3.1) but since there is no impact on the balance sheets, a further comparative period has not been presented.

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 2012. Subsidiaries are all entities over which the Group has power to control the financial and operating policies. The Company obtains and exercises control through voting rights. All subsidiaries have a reporting date of 31 December.

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

Profit or loss 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, presented as part of equity, 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. 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.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures 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.

4.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the rate of interest on bank borrowings. Other borrowing costs are expensed in the period in which they are incurred and recognised in 'finance costs'.

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 are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

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 at the time the right to receive payment is established.

4.9 Operating 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.

The brand represents the purchase consideration paid for the acquisition of the "Corinthia" brand name. It does not have a finite life and is measured at cost less accumulated impairment losses.

Other intangible assets, including operating contracts, 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 life of the intangible asset, other than goodwill, from the date they are available for use as follows:

	Years
- Operating contracts	20
- Others	3

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 equipmen	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 remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement 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 values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

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 'direct costs' respectively.

4.15 Impairment testing of goodwill, the brand 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 which is the higher of fair value less costs to sell and value in use. To determine the value in use, 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. Cash flows and discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset-specific risk factors (see notes 12 and 15).

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 substantially all 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 (FVTPL);
- held-to-maturity (HTM) investments; and
- available-for-sale (AFS) financial assets.

The Group does not own any HTM investments or AFS investments.

All financial assets except for those at FVTPL 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 FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL 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 FVTPL 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 FVTPL, 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 FVTPL.

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

Derivative financial instruments are accounted for at FVTPL, except for derivatives designed as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. 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 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 other comprehensive income 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. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

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 income (expense) recognised in profit or loss comprises the sum of deferred tax and current tax not recognised directly in other 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 investments 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).

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 23).

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the translation reserve (see note 24). This applies to the Group's investment in its associate NLI Holdings Limited.

Gains and losses on certain financial instruments are included in other reserve (see note 25).

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 26).

Accumulated losses include all current and prior period losses less retained profits (see note 27).

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 28).

All transactions with owners of the parent are recorded separately within equity.

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 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

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

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 (2011: nil). If the independent valuer's discount rate was increased by 1% the valuation would decrease by approximately €9 million and the valuation would still be higher than the carrying amount.

The Group has incurred an impairment loss of €18.7 million in 2012 (2011: €15.2 million) on its hotel properties to reduce the carrying amount to their recoverable amounts (see note 15.1). If the independent valuer's discount rate was increased by 1% a further impairment loss of €90 million (2011: €70 million) would have to be recognised, of which €38 million (2011: €30 million) would be written off against reserves and €52 million (2011: €40 million) in profit or loss.

Business combinations

Management uses valuation techniques in determining the fair value of various elements of a business combination (see note 4.4).

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 15. Uncertainties in these estimates relate to technical obsolescence, that may change the utility of certain software and IT equipment.

Fair value of financial assets at FVTPL

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 property

At each reporting date investment property is revalued by independent valuers. The Group has recognised fair value adjustments to investment property of €4.2 million (2011: €5.5 million) (see note 14). 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 €4.3 million (2011: €5.2 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.

An operating segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from that of other segments. Each hotel is considered to be an operating segment.

Hotel ownership, development and operations is the dominant source 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) of each hotel.

The Group is not required to report a measure of total assets and liabilities for each reportable segment since such amounts are not regularly provided to the chief operating decision maker. However, in accordance with IFRS 8, non-current assets (other than financial instruments, investments accounted for using the equity method and deferred tax assets) are divided into geographical areas in note 6.

5 ACQUISITIONS

5.1 Marina San Gorg Limited

On 1 January 2012, the Group acquired 100% of the equity instruments of Marina San Gorg Limited, the owner and operator of the Marina Hotel in St George's Bay, Malta, from CPHCL .

The details of the business combination are as follows:

	€'000
Property, plant and equipment	23,000
Reimbursement asset (refer to note 13)	1,471
Deferred tax assets	151
Inventories	195
Trade and other receivables	1,681
Cash at bank	195
Trade and other payables	(2,725)
Bank borrowings	(1,379)
Shareholder's loans taken over	(12,175)
Net identifiable assets and liabilities	10,414
Consideration	10,414

Marina San Gorg Limited contributed a loss for the year of €727,524 to the Group's results for the year ended 31 December 2012.

5.2 CHI Limited

During the year the company acquired the 30% non-controlling interest in CHI Limited for a consideration of €250,000.

5.3 Payment to acquire subsidiaries

	€'000
Marina San Gorg Limited	
Consideration for shares	10,414
Adjustment for loan	12,175
Cash acquired	(195)
Parent loan outstanding (note 32)	(16,089)
	6,305
Less advance payment in 2011	(2,300)
Amount paid in 2012	4,005
CHI Limited	
Consideration and amount paid in 2012	250
Total payment as per cash flow	**4,255**

6 SEGMENT REPORTING

Information about reportable segments

Hotels	Malta		Portugal		Hungary		Russia		Prague		Libya		Total	
	2012 €'000	2011 €'000	**2012 €'000**	2011 €'000	**2012 €'000**	2011 €'000	**2012 €'000**	2011 €'000	**2012 €'000**	2011 €'000	**2012 €'000**	2011 €'000	**2012 €'000**	2011 €'000
Segment revenue	**17,851**	10,648	**16,179**	18,692	**18,070**	17,387	**17,645**	15,427	**17,017**	16,834	**16,536**	13,373	**103,298**	92,361
EBITDA	**2,422**	1,112	**2,438**	4,146	**4,655**	4,347	**4,995**	3,871	**2,552**	2,280	**4,191**	3,780	**21,253**	19,536
Depreciation and amortisation	**(1,530)**	(1,120)	**(3,514)**	(3,954)	**(2,069)**	(1,968)	**(4,532)**	(4,586)	**(3,123)**	(3,318)	**(8,010)**	(8,090)	**(22,778)**	(23,036)
(Impairments) reversals	**(1,887)**	(2,650)	**(6,402)**	-	**(3,022)**	(4,334)	**-**	-	**3,515**	4,487	**-**	-	**(7,796)**	(2,497)
Segment profit (loss)	**(995)**	(2,658)	**(7,478)**	192	**(436)**	(1,955)	**463**	(715)	**2,944**	3,449	**(3,819)**	(4,310)	**(9,321)**	(5,997)
Non-current assets	**264,222**	210,183	**78,315**	80,043	**87,700**	92,400	**214,400**	225,226	**79,420**	77,813	**236,409**	241,479	**960,466**	933,144
Consolidation adjustments													**(55)**	(55)
													960,411	933,089

Entity wide disclosure

	Total	
	2012 €'000	2011 €'000
Hotel segment revenue	**103,298**	92,361
Rental income from investment property	**9,505**	7,195
Hotel management company revenue	**9,192**	6,089
Holding company revenue	**5,135**	5,334
Elimination of intra group revenue	**(8,103)**	(6,756)
Consolidation adjustments	**(460)**	-
Group revenue	**118,567**	104,223
Hotel segment loss	**(9,321)**	(5,997)
Net rental income from investment property	**8,727**	6,261
Change in fair value of investment property	**4,154**	5,448
Unallocated items	**(1,674)**	(3,539)
Depreciation	**(117)**	(132)
Amortisation	**(1,313)**	(1,261)
Consolidation adjustments	**(581)**	120
	(125)	900
Share of profit from equity accounted investments	**4,970**	1,155
Finance income	**1,616**	1,826
Finance costs	**(18,399)**	(15,725)
Net fair value gain on interest rate swap	**1,010**	432
Movement in reimbursement assets	**(455)**	(399)
Loss for the year	**(11,383)**	(11,811)

7 RESULTS FROM OPERATING ACTIVITIES

Results from operating activites are after the following charges:

	2012 €'000	2011 €'000
The Group		
Directors' remuneration	**600**	600
Loss on disposal of property, plant and equipment	**186**	161
Operating lease costs	**137**	125
Auditor's remuneration	**278**	265
Cost of sales	**8,353**	7,445

	2012 €'000	2011 €'000
The Company		
Directors' remuneration	**600**	600
Depreciation of property, plant and equipment	**25**	34
Amortisation of intangible asset	**146**	95
Auditor's remuneration	**31**	29

8 PERSONNEL EXPENSES

	The Group		The Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Wages and salaries	**30,329**	25,282	**1,588**	1,369
Social security contributions	**4,468**	3,989	**32**	32
Other staff costs	**3,882**	2,981	**23**	28
	38,679	32,252	**1,643**	1,429
Weekly average number of employees:	**No.**	No.	**No.**	No.
Management and administrative	**390**	319	**21**	21
Operating	**1,510**	1,393	**-**	-
	1,900	1,712	**21**	21

9 FINANCE INCOME AND FINANCE COSTS

	The Group	
	2012	2011
Finance income:	€'000	€'000
Interest receivable on:		
Loans advanced to related companies	**823**	298
Other balances	**12**	275
Bank deposits	**247**	217
Exchange difference	**534**	1,036
Finance income	**1,616**	1,826
Finance costs:		
Interest payable on:		
Bank borrowings	**(11,080)**	(9,141)
Bonds	**(6,012)**	(5,994)
Loans advanced by parent company and its subsidiaries	**(780)**	(382)
Capital and other creditors	**(49)**	(48)
Amortisation of bond issue costs	**(171)**	(160)
Exchange difference	**(307)**	-
Finance costs	**(18,399)**	(15,725)

10 TAX INCOME (EXPENSE)

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

	The Group		The Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Current taxation	**(786)**	(813)	**(178)**	(306)
Deferred taxation (note 33)	**1,736**	1,892	**3,185**	(214)
	950	1,079	**3,007**	(520)

10.1 Tax income (expense) reconciliation

	The Group		The Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Loss before tax	**(11,383)**	(11,811)	**(11,639)**	(3,725)
Income tax using the Company's domestic tax rate	**3,984**	4,134	**4,074**	1,304
Effect of income subject to foreign/different tax rates	**(681)**	(1,095)	**-**	5
Non-tax deductible expenses	**(864)**	(444)	**(1,072)**	(1,834)
Current year losses for which no deferred income is recognised	**(727)**	(451)	**-**	-
Effect of other consolidation adjustments	**478**	(668)	**-**	-
Change in unrecognised temporary differences	**(1,240)**	(397)	**5**	5
Tax income (expense)	**950**	1,079	**3,007**	(520)

10.2 Tax recognised in other comprehensive income (expense)

	The Group	
	2012 €'000	2011 €'000
Tax effect on:		
Revaluation of hotel properties (note 23)	**(1,282)**	3,545
Fair value adjustment on hedging instruments	**(232)**	(26)
Exchange translation difference	**(238)**	(232)
	(1,752)	3,287

11 LOSS PER SHARE

The calculation of loss per share is based on the net loss for the year attributable to ordinary shareholders and the number of ordinary shares outstanding during the year of 554,238,573.

12 INTANGIBLE ASSETS

	The Group				
	Goodwill	Brand	Operating contracts	Others	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2011	24,841	19,600	23,334	217	67,992
Acquisitions	-	-	-	839	839
At 31 December 2011	24,841	19,600	23,334	1,056	68,831
At 1 January 2012	24,841	19,600	23,334	1,056	68,831
Acquisitions	-	-	-	172	172
At 31 December 2012	**24,841**	**19,600**	**23,334**	**1,228**	**69,003**
Amortisation					
At 1 January 2011	15,114	-	4,862	-	19,976
Amortisation for the year	-	-	1,167	273	1,440
At 31 December 2011	15,114	-	6,029	273	21,416
At 1 January 2012	15,114	-	6,029	273	21,416
Amortisation for the year	-	-	1,167	325	1,492
At 31 December 2012	15,114	-	7,196	598	22,908
Carrying amount					
At 1 January 2011	9,727	19,600	18,472	217	48,016
At 31 December 2011	9,727	19,600	17,305	783	47,415
At 31 December 2012	**9,727**	**19,600**	**16,138**	**630**	**46,095**

	The Company		
	Brand	Others	Total
	€'000	€'000	€'000
Cost			
At 1 January 2011	19,600	217	19,817
Acquisitions	-	92	92
At 31 December 2011	19,600	309	19,909
At 1 January 2012	19,600	309	19,909
Acquisitions	-	172	172
At 31 December 2012	**19,600**	**481**	**20,081**
Amortisation			
At 1 January 2011	-	-	-
Amortisation for the year	-	95	95
At 31 December 2011	-	95	95
At 1 January 2012	-	95	95
Amortisation for the year	-	146	146
At 31 December 2012	**-**	**241**	**241**
Carrying amounts			
At 1 January 2011	19,600	217	19,817
At 31 December 2011	19,600	214	19,814
At 31 December 2012	**19,600**	**240**	**19,840**

Goodwill

For the purpose of impairment testing of the goodwill arising on the acquisition of CHI Limited ("CHI"), the directors have relied on the expert opinion of an independent valuer. 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").

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 was subject to an adjustment following a similar valuation exercise based on 2010 figures.

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

The value of the brand was tested together with CHI for any impairment. This valuation confirmed that there was no impairment.

Operating contracts

These contracts represent the assumed value attributable to the operation of hotel properties which arose on the acquisition of CHI in 2007.

The contracts were tested for impairment in conjunction with goodwill above and CHI. This valuation confirmed that there was no impairment.

Key assumptions

CHI Limited

Value in use was determined by an independent valuer by discounting the forecast future cash flows generated by CHI for a five year explicit period 2013 – 2017.

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 86% of the total revenue in the explicit period (2011 – 76%);
- revenue from other properties is assumed to increase by 5% per annum on 2013 budget (2011 – 5% on 2012 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 and Ramada are assumed to remain unchanged at current levels;
- inflationary growth in operating expenses on 2013 budget is assumed to be 2% (2011 – 2% on 2012 budget); and
- a pre-tax discount rate of 14.34% was applied to the operating projections of CHI (2011 – 15.91%), based on a debt to equity ratio of 30:70.

This valuation confirmed that there was no impairment.

Others

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

13 REIMBURSEMENT ASSETS

	The Group	
	2012	2011
	€'000	€'000
At 1 January	**22,432**	22,831
Additions (note 5.1)	**1,471**	-
Change in fair value	**(454)**	(399)
At 31 December	**23,449**	22,432

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.

On the sale of its shares in Marina San Gorg Limited ("MSG"), CPHCL provided a tax indemnity to IHI. The sales contract was exempt from taxation on the basis that share capital of MSG was transferred rather than the hotel property. Should IHI dispose of the hotel property, it may become liable to tax that it would not have become liable to pay had CPHCL transferred the hotel property as opposed to the transfer of the issued share capital. The indemnity agreement provides that in this event, CPHCL will indemnify against any tax which IHI may incur or sustain up to a maximum of €4.77 million. The indemnity shall automatically expire on 13 February 2019.

14 INVESTMENT PROPERTY

	The Group	
	2012	2011
	€'000	€'000
At 1 January	**187,239**	181,705
Additions (a)	**-**	86
Change in fair value (b)	**4,154**	5,448
At 31 December	**191,393**	187,239

a) There were no additions in 2012. Additions of €86,000 in 2011 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 €4.2 million (2011 - €5.6 million), relying on the expert opinion of Colliers International, an independent firm of estate valuers and consultants. The valuation of the investment property in Lisbon gave rise to a lower value than previously recorded of €46,000 (2011 - €166,000), based on the expert opinion of CPU, an independent firm of consultants.

In 2012 and 2011, the directors have relied on the expert opinion of external professional valuers and retained the current value of the Commercial Centre in Tripoli. The fair value of the parcel of land adjacent to the Commercial Centre was also retained.

c) All investment property is hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in note 30.

d) Rental income earned by the Group for the period from investment property amounted to €9.5 million (2011 - €7.2 million) and direct expenses to €0.8 million (2011 - €0.9 million).

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

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings	Plant and equipment	Furniture, fixtures & fittings	Motor vehicles	Assets in the course of construction	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cost/revalued amount						
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)
At 31 December 2011	665,232	75,101	64,469	840	4,234	809,876
At 1 January 2012	665,232	75,101	64,469	840	4,234	809,876
Acquisition of subsidiary	21,915	4,794	7,277	33	-	34,019
Additions	389	972	775	151	6,214	8,501
Reallocations	1,208	310	99	-	(1,617)	-
Disposals	-	(927)	(22)	-	-	(949)
At 31 December 2012	**688,744**	**80,250**	**72,598**	**1,024**	**8,831**	**851,447**
Depreciation and impairment losses						
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)
At 31 December 2011	136,847	58,583	48,051	827	-	244,308
At 1 January 2012	136,847	58,583	48,051	827	-	244,308
Acquisition of subsidiary	-	4,286	6,709	24	-	11,019
Depreciation for the year	12,244	6,015	4,419	38	-	22,716
Net impairment losses	18,685	-	-	-	-	18,685
Disposals	-	(756)	(7)	-	-	(763)
At 31 December 2012	**167,776**	**68,128**	**59,172**	**889**	**-**	**295,965**
Carrying amounts						
At 1 January 2011	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
At 31 December 2012	**520,968**	**12,122**	**13,426**	**135**	**8,831**	**555,482**

The Company

	Plant and equipment €'000	Furniture, fixtures & fittings €'000	Motor vehicles €'000	Total €'000
Cost				
At 1 January 2011	81	96	47	224
Additions	9	3	-	12
At 1 December 2011	90	99	47	236
At 1 January 2012	90	99	47	236
Additions	26	-	10	36
At 31 December 2012	**116**	**99**	**57**	**272**
Depreciation				
At 1 January 2011	22	26	25	73
Depreciation for the year	14	10	10	34
At 31 December 2011	36	36	35	107
At 1 January 2012	36	36	35	107
Depreciation for the year	5	10	10	25
At 31 December 2012	**41**	**46**	**45**	**132**
Carrying amounts				
At 1 January 2011	59	70	22	151
At 31 December 2011	54	63	12	129
At 31 December 2012	**75**	**53**	**12**	**140**

15.1 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 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 reversal of impairment			2,497	
Reported in revaluation reserve	23		12,703	
			15,200	

	Note	Recognised at 1 January 2012 €'000	Change €'000	Recognised at 31 December 2012 €'000
Hotel property				
Corinthia Hotel St George's Bay, Malta		2,803	-	2,803
Corinthia Hotel & Spa Lisbon		906	6,402	7,308
Corinthia Hotel Prague		17,260	(3,515)	13,745
Corinthia Hotel Tripoli		20,300	-	20,300
Corinthia Hotel Budapest		19,679	3,022	22,701
Corinthia Hotel St Petersburg		12,703	10,889	23,592
Marina Hotel St George's Bay, Malta		-	1,887	1,887
		73,651	18,685	92,336
Reported in income statement as impairment loss			7,796	
Reported in revaluation reserve	23		10,889	
			18,685	

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.

	2012 %	2011 %
Corinthia Hotel St George's Bay, Malta	**8.15**	8.36
Corinthia Hotel & Spa Lisbon	**8.10**	7.95
Corinthia Hotel Prague	**7.66**	7.84
Corinthia Hotel Tripoli	**11.30**	11.57
Corinthia Hotel Budapest	**8.82**	9.12
Corinthia Hotel St Petersburg	**9.64**	10.35

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.

The value of the Marina Hotel was based on its market value.

15.2 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:

Hotel property	2012 €'000	2011 €'000
Corinthia Hotel St George's Bay, Malta	**29,661**	30,100
Corinthia Hotel & Spa Lisbon	**77,125**	84,807
Corinthia Hotel Prague	**79,420**	77,813
Corinthia Hotel Tripoli	**131,509**	137,062
Corinthia Hotel Budapest	**87,700**	92,400
Corinthia Hotel St Petersburg	**126,400**	141,426
Marina Hotel St George's Bay, Malta	**21,000**	-
	552,815	563,608

15.3 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 €475.1 million (2011: €498.7 million).

15.4 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 30.

16 INVESTMENTS IN SUBSIDIARIES

	The Company 2012 €'000	The Company 2011 €'000
Shares in subsidiary companies	**281,003**	276,772
Loans to subsidiary companies	**159,993**	157,522
	440,996	434,294

Subsidiary company	Registered office	Nature of business	% Ownership 2012	% Ownership 2011
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	**100**	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	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	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
Marina San Gorg Limited	22, Europa Centre Floriana FRN 1400 Malta	Owns and operates the Marina Hotel St George's Bay, Malta	**100**	-

16.1 Shares in subsidiary companies

	The Company	
	2012	2011
	€'000	€'000
At 1 January	**276,772**	276,995
Acquisition of equity	**10,664**	-
Decrease in fair value	**(6,433)**	(223)
At 31 December	**281,003**	276,772

During the year the Company acquired 100% of the equity of MSG for €10.414 million and the 30% non-controlling interest in CHI for €250,000.

16.2 Investments in subsidiaries at FVTPL

The fair values of the investments of IHI in its subsidiaries, accounted for at FVTPL, 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 indemnities granted by CPHCL, details of which are set out in note 13 to the financial statements.

16.3 Security

Shares in certain subsidiary companies are pledged in favour of the Group's banks as collateral for loans advanced. Refer to note 30 for details.

17 INVESTMENTS IN ASSOCIATES

17.1 Investments accounted for using the equity method

	The Group	
	2012	2011
	€'000	€'000
At 1 January	**132,867**	135,694
Additions	**9,100**	-
Share of results	**4,970**	1,155
Share of other comprehensive income	**19,695**	(5,218)
Translation differences	**1,271**	1,236
Dividend received	**(462)**	-
At 31 December	**167,441**	132,867

17.2 Investments in associates

	The Company	
	2012	2011
	€'000	€'000
At 1 January	**83,108**	83,108
Additions	**9,100**	-
At 31 December	**92,208**	83,108

During the year the Company invested a further €9.1 million in its associate Medina Towers J.S.C.

17.3 Associate companies

Company name	Registered office	Nature of business	% Ownership 2012	% Ownership 2011
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**50**	50
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	Investment company	**50**	50
Medina Towers J.S.C.	Suite 107, Tower 2 Tripoli Tower Tripoli Libya	Owns the Medina Towers Project in Tripoli	**25**	25
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

17.4 Gross aggregate amounts of financial information of associate companies

	The Group	
	2012	2011
	€'000	€'000
Total assets	**680,536**	558,089
Total liabilities	**(309,576)**	(293,123)
Net assets	**370,960**	264,966
Revenue	**49,080**	1,937
Profit (loss) for the year	**9,248**	(881)

18 LOANS RECEIVABLE

	The Group		The Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Non-current				
Group companies	**-**	-	**65,052**	63,903
Associate company	**43,450**	29,450	**43,450**	29,450
Total non-current loans receivable	**43,450**	29,450	**108,502**	93,353
Current				
Parent company	**-**	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 3% and is subordinated to bank debt (2011: interest at Libor + 2.25%).

The loan to the parent company is unsecured, repayable within one year and bears interest at 5%

19 INVENTORIES

	The Group	
	2012	2011
	€'000	€'000
Food and beverages	**941**	866
Consumables	**581**	633
Goods held for resale	**26**	93
Other	**3,746**	3,790
	5,294	5,382

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Trade receivables	**14,661**	17,906	**-**	-
Amounts owed by:				
Parent company	**560**	2,589	**-**	2,149
Subsidiary companies	**-**	-	**31,897**	33,459
Associate companies	**13,028**	9,164	**9,881**	7,457
Other related companies	**3,412**	2,160	**3**	-
Other debtors	**1,161**	1,932	**142**	865
Accrued income	**1,420**	502	**1,388**	991
Financial assets	**34,242**	34,252	**43,311**	44,921
Recoverable VAT on capital expenditure	**110**	70	**-**	-
Advance payments in respect of capital creditors	**1,314**	909	**-**	-
Prepayments	**1,331**	1,329	**95**	82
Total receivables - current	**36,997**	36,561	**43,406**	45,003

20.1 Impairment losses on trade receivables

The ageing of trade receivables at the reporting date was:

	2012	2011
Gross amount	**€'000**	€'000
Not past due	**2,004**	2,669
Past due 0-30 days	**2,276**	2,162
Past due 31-120 days	**3,556**	2,314
Past due 121-360 days	**2,327**	5,126
More than one year	**9,859**	9,136
	20,022	21,407

	2012	2011
Impaired amount	**€'000**	€'000
Past due 0-30 days	**-**	(12)
Past due 31-120 days	**(629)**	(7)
Past due 121-360 days	**(1,081)**	(1,057)
More than one year	**(3,651)**	(2,425)
	(5,361)	(3,501)
Net amount	**14,661**	17,906

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

	2012	2011
	€'000	€'000
At 1 January	**3,501**	3,124
Impairment losses acquired	**459**	-
Impairment losses recognised	**1,432**	703
Impairment losses reversed	**(31)**	(326)
At 31 December	**5,361**	3,501

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 were unsecured.

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

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

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

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	The Group		The Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Cash and bank balances:				
Current	**16,423**	28,008	**6,272**	10,831
Cash and cash equivalents in the balance sheet	**16,423**	28,008	**6,272**	10,831
Bank overdraft	**(5,060)**	(1,766)	**-**	-
Cash and cash equivalents in the statement of cash flows	**11,363**	26,242	**6,272**	10,831

The bank balances include amounts of €3.4 million (2011 - €3.4 million) set aside by two subsidiary companies for debt servicing requirements and €0.9 million (2011 - €1.4 million) set aside by another subsidiary for capital expenditure purposes.

In 2011 an amount of €4.7 million was set aside for the purposes of a Development Fund in accordance with the provisions of the subscription for shares agreement in a group company. In 2012 the Group acquired the non-controlling interest and the conditions set out in the subscription agreement no longer apply.

22 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

The issued share capital consists of 554,238,573 ordinary shares of €1 each, fully paid up.

	2012	2011
	€'000	€'000
At 1 January and 31 December	**554,238**	554,238

22.3 Shareholder rights

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

23 REVALUATION RESERVE

	Revaluation surplus	**Deferred taxation**	**Bonus share issue**	**Net**
	€'000	€'000	€'000	€'000
At 1 January 2011	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 to accumulated losses	(8,321)	2,067	-	(6,254)
At 31 December 2011	101,429	(23,494)	(22,838)	55,097
At 1 January 2012	101,429	(23,494)	(22,838)	55,097
Revaluation of hotel property carried out at year end:				
Corinthia Hotel St Petersburg	(10,889)	2,178	-	(8,711)
Corinthia Hotel London	18,456	(3,460)	-	14,996
	7,567	(1,282)	-	6,285
Transfer to accumulated losses	(1,500)	390	-	(1,110)
At 31 December 2012	**107,496**	**(24,386)**	**(22,838)**	**60,272**

24 TRANSLATION RESERVE

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

25 OTHER RESERVE

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

	The Company	
	2012	2011
	€'000	€'000
Fair value gain on investments in subsidiary companies	**35,774**	39,955
Issue of bonus shares	**(22,838)**	(22,838)
Transfer of accumulated losses	**(9,313)**	(9,313)
	3,623	7,804

26 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.

27 ACCUMULATED LOSSES

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

28 OTHER EQUITY COMPONENTS

The Group	2012 €'000	2011 €'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	**(2,111)**	(3,118)
	1,748	741

29 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 4.86% (2011 – 4.75%).

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.

30 BANK BORROWINGS

	The Group		The Company	
	2012 €'000	2011 €'000	**2012 €'000**	2011 €'000
Bank overdraft	**5,060**	1,766	**-**	-
Bank loans	**227,219**	230,321	**13,300**	9,900
	232,279	232,087	**13,300**	9,900
Comprising:				
Non-current bank borrowings				
Bank loans due within 2 – 5 years	**95,738**	91,170	**9,700**	5,800
Bank loans due later than 5 years	**109,825**	115,557	**1,500**	2,500
	205,563	206,727	**11,200**	8,300
Current bank borrowings				
Bank overdraft	**5,060**	1,766	**-**	-
Bank loans due within 1 year	**21,656**	23,594	**2,100**	1,600
	26,716	25,360	**2,100**	1,600

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

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						
2012	**1,800**	**600**	**1,200**	**-**	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
2011	3,000	600	2,400	-	Bank euro base rate + 2.5%	
Bank loan II						
2012	**5,000**	**500**	**4,500**	**-**	As for bank loan I	2019
2011	-	-	-	-	6 month Euribor + 3.0%	
Bank loan III						
2012	**6,500**	**1,000**	**4,000**	**1,500**	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.	2019
2011	7,500	1,000	4,000	2,500	6 month Euribor + 1.5%	
Five Star Hotels Limited						
Bank overdraft						
2012	**1,886**	**1,886**	**-**	**-**	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
2011	683	683	-	-	Bank euro base + 2.5%	
Bank loan						
2012	**2,968**	**792**	**2,176**	**-**	As for overdraft	2015
2011	3,760	792	2,958	-	Bank euro base rate + 2.5%	
Alfa Investimentos Turisticos Lda						
Bank loan I(a)						
2012	**19,940**	**1,720**	**8,815**	**9,405**	Secured by mortgages over the Corinthia Hotel & Spa Lisbon including land.	2022
2011	21,659	1,720	8,062	11,877	3 month Euribor + 1.25%	
Bank loan I(b)						
2012	**14,030**	**-**	**-**	**14,030**	Secured by mortgages over the Corinthia Hotel & Spa Lisbon including land.	2022
2011	14,030	-	-	14,030	Fixed at 6.24% up to April 2013, at which point it will be merged with Loan I(a)	
Bank loan II						
2012	**637**	**325**	**312**	**-**	Secured by a second ranking mortgage over the Corinthia Hotel & Spa Lisbon including land and a blank bill of exchange.	2013-2015
2011	1,187	550	637	-	3 month Euribor + 1.75%	
Bank loan III						
2012	**1,115**	**124**	**743**	**248**	Secured by a second ranking mortgage over the Corinthia Hotel & Spa Lisbon including land and a blank bill of exchange.	2017
2011	344	-	344	-	3 month Euribor + 6.0%	
Bank overdraft						
2012	**1,283**	**1,283**	**-**	**-**	Promissory note and letter of comfort from parent company.	On demand
2011	1,083	1,083	-	-	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						
2012	**49,095**	**2,700**	**23,040**	**23,355**	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.	2018
2011	49,995	900	18,190	30,905		
					3 month Euribor + 4.6%	
IHI Hungary Zrt.						
Bank loan						
2012	**33,396**	**2,013**	**12,273**	**19,110**	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
2011	35,283	1,887	8,906	24,490		
					3 month Euribor + 2.9% (composite rate)	
Corinthia Towers Tripoli Limited						
Bank loan I						
2012	**7,500**	**7,500**	**-**	**-**	Secured by a general hypothec over the land and buildings of the hotel property in Tripoli.	2013
2011	15,500	8,000	7,500	-		
					3 month Libor + 1.5%	
Bank loan II						
2012	**4,000**	**2,000**	**2,000**	**-**	Secured by a pledge on shares in Corinthia Towers Tripoli Limited.	2014
2011	6,000	2,775	3,225	-		
					3 month Euribor + 3.5%	
Bank loan III						
2012	**40,000**	**-**	**26,667**	**13,333**	Secured by a general hypothec over the land and buildings of the hotel property in Tripoli	2018
2011	30,500	3,333	26,667	500		
					3 month Euribor + 2.0%	
IHI Towers sro						
Bank loan						
2012	**40,126**	**2,107**	**9,175**	**28,844**	Secured by mortgages over the Corinthia Hotel Prague and by a pledge on shares, movables, bank accounts and insurance policy.	2020
2011	42,162	2,037	8,870	31,255		
					3 month Euribor + 1.45%	
Marina San Gorg Limited						
Bank overdraft						
2012	**371**	**371**	**-**	**-**	General hypothec over assets belonging to Marina San Gorg Limited supported by a special hypothec and privilege over the leasehold land and buildings and a pledge over the company's comprehensive insurance policies.	2020
Bank loan						
2012	**1,112**	**275**	**837**	**-**	As per overdraft	2020
					Bank base rate + 2.50%	
CHI Limited						
Bank overdraft						
2012	**1,520**	**1,520**	**-**	**-**	Secured by a general hypothec over the company's assets and by a guarantee given by IHI and CPHCL	On demand
2011	380	380	-	-		
					Bank base rate + 1.50% and 1 month Euribor + 4.0%	

31 BONDS

	2012 €'000	2011 €'000
Pre-euro bond (previously Lm bond)	**4,054**	13,966
Bond I	**1,690**	8,070
Bond II	**12,475**	12,456
Bond III	**34,600**	34,527
Bond IV	**24,711**	24,667
Bond V	**19,557**	-
	97,087	93,686
Non-current	**91,343**	93,686
Current	**5,744**	-
	97,087	93,686

31.1 Pre-euro and euro bonds

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

	Year of issue	Nominal amount on issue €'000	Rate of interest %	Maturity date	Redemption option period
Pre-euro bond	2003	14,300	6.30	15 February 2013	-
Bond I	2003	8,000	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
Bond V	2012	20,000	5.80	21 December 2021	-

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) Cash held by trustee

The prospectus for bonds III, IV and V provides for the setting up of a sinking fund for the repayment of the bonds on maturity. During the year, the Company deposited the required instalments of €2.2 million in an account administered by a trustee.

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

	Pre-euro bond €'000	I €'000	II €'000	III €'000	IV €'000	V €'000
At 1 January 2011	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	-
Transfer	(9,957)	(6,370)	-	-	-	16,327
Proceeds from issue	-	-	-	-		3,673
Issue costs	-	-	-	-		(443)
Amortisation of transaction costs	45	(10)	19	73	44	-
At 31 December 2012	**4,054**	**1,690**	**12,475**	**34,600**	**24,711**	**19,557**

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

32 OTHER INTEREST BEARING BORROWINGS

	The Group	
	2012	2011
	€'000	€'000
Amounts owed to:		
Parent company	**16,089**	-
Associate companies	**122**	71
Related companies	**394**	351
	16,605	422
Non-current liabilities		
Amounts owed to:		
Parent company	**16,089**	-
Current liabilities		
Amounts owed to:		
Associate companies	**122**	71
Related companies	**394**	351
	516	422

The carrying amount of other interest bearing borrowings is considered a reasonable approximation of fair value.

	The Company	
	2012	2011
	€'000	€'000
Non-current liabilities		
Amounts owed to:		
Parent company	**16,089**	-

The terms of the amounts owed are as follows:

	€'000	Interest	Repayable by
At 31 December 2012			
Parent company	**16,089**	5.0%	Due by the end of 2014
Associate companies	**122**	3 month Euribor + 2.0%	On demand
Related companies	**394**	6.0%	On demand
	16,605		
At 31 December 2011			
Associate companies	71	3 month Euribor + 2.0%	On demand
Related companies	351	5.0%	On demand
	422		

None of the loans is secured.

33 DEFERRED TAXATION

	The Group		The Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Tax effect of temporary differences relating to:				
Excess of tax base over carrying amount of tangible fixed assets	**28,362**	29,143	**23**	22
Unrelieved tax losses and unabsorbed capital allowances	**(14,800)**	(12,937)	**(1,122)**	-
Investment in intangible asset	**6,094**	6,502	**-**	-
Investment in subsidiary	**5,150**	5,150	**24,412**	26,664
Investment in associate	**14,714**	9,393	**-**	-
Tax effect on revaluation of land and buildings	**32,794**	37,639	**-**	-
Tax effect on revaluation of investment property	**20,792**	19,964	**-**	-
Provision for exchange differences	**479**	(999)	**437**	249
Provision for doubtful debts	**(426)**	(425)	**-**	-
Derivatives	**(634)**	(864)	**-**	-
Accrued charges	**1,375**	1,469	**-**	-
	93,900	94,035	**23,750**	26,935
The movement can be analysed as follows:				
Movement for the year	**135**	5,179	**3,185**	(214)
Arising on business combination	**(151)**	-	**-**	-
Recognised directly in equity:				
Deferred tax on items recognised in other comprehensive income (note 10.2)	**1,752**	(3,287)	**-**	-
Recognised in profit or loss	**1,736**	1,892	**3,185**	(214)

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	
	2012	2011
	€'000	€'000
Expiry		
2012	**-**	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**	1,703
2018	**2,745**	-
	16,132	16,539

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.

34 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Trade payables	**9,741**	6,908	**893**	221
Amounts owed to:				
Parent company	**2,494**	1,298	**1,055**	34
Subsidiary companies	**-**	-	**7,058**	4,775
Associate companies	**1,993**	1,769	**1,376**	1,244
Other related parties	**576**	299	**190**	155
Capital creditors	**903**	742	**-**	-
Other creditors	**2,529**	1,917	**61**	177
Accruals	**14,151**	14,161	**5,040**	4,878
Financial liabilities	**32,387**	27,094	**15,673**	11,484
Advance payments	**4,588**	4,349	**-**	-
Statutory liabilities	**1,143**	939	**231**	235
Total payables – current	**38,118**	32,382	**15,904**	11,719

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

35 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2012	2011
	€'000	€'000
Interest rate swaps:		
Current	**208**	-
Non-current	**3,048**	4,265
	3,256	4,265

35.1 Terms

	The Group	
	2012	2011
	€'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

36 CASH FLOW ADJUSTMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Adjustments:				
Depreciation	**22,716**	22,989	**25**	34
Allowance for trade receivables	**1,401**	377	**-**	-
Fair value adjustment on derivative instruments	**(1,010)**	(432)	**-**	-
Loss on disposal of property, plant and equipment	**186**	161	**-**	-
Amortisation of intangible assets	**1,492**	1,440	**146**	95
Net impairment loss on hotel properties	**7,796**	2,497	**-**	-
Fair value adjustment on investment in subsidiaries	**-**	-	**6,433**	223
Fair value adjustment on investment property	**(4,154)**	(5,448)	**-**	-
Share of results of associate companies	**(4,970)**	(1,155)	**-**	-
Movement in reimbursement assets	**455**	399	**-**	-
Amortisation of transaction costs	**171**	160	**171**	160
Interest receivable	**(1,082)**	(790)	**-**	-
Interest payable	**18,092**	15,565	**-**	-
Provision for exchange differences	**(227)**	(853)	**(534)**	(853)
	40,866	34,910	**6,241**	(341)

37 COMMITMENTS

	The Group	
	2012	2011
	€'000	€'000
Contracted for:		
Five Star Hotels Limited (Corinthia Hotel St.George's Bay, Malta)	**525**	525
Alfa Investimentos Turisticos Lda (Corinthia Hotel & Spa Lisbon)	**435**	749
IHI Benelux B.V. (Corinthia Hotel St. Petersburg)	**832**	627
IHI Hungary zrt (Corinthia Hotel Budapest)	**373**	-
IHI Towers sro (Corinthia Hotel Prague)	**-**	832
Corinthia Towers Tripoli Limited (Corinthia Hotel Tripoli)	**100**	1,360
Medina Towers J.S.C.	**-**	9,100
Marina San Gorg Limited (Marina Hotel St George's Bay, Malta)	**200**	22,600
	2,465	35,793
Authorised but not yet contracted for:		
IHI Benelux B.V. (Corinthia Hotel St. Petersburg)	**1,250**	-
IHI Hungary zrt (Corinthia Hotel Budapest)	**2,500**	1,610
Corinthia Towers Tripoli Limited (Corinthia Hotel Tripoli)	**-**	1,000
IHI Benghazi Limited	**12,000**	12,000
Medina Towers J.S.C.	**11,400**	11,400
	27,150	26,010
	29,615	61,803

Operating leases

Non-cancellable operating lease rentals are as follows:

	2012 €'000	2011 €'000
Less than one year	**137**	108
Between two and five years	**565**	440
More than five years	**15,731**	12,500
	16,433	13,048

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

During the year ended 2012, €137,000 (2011 - €108,000) was recognised as an expense in the income statement in respect of operating leases.

38 CONTINGENT LIABILITIES

The Company, together with a related company, is a co-defendant in court proceedings against them for unpaid professional fees. The Company's share of this claim is estimated at €0.8 million. The Company believes that it has a strong defence in respect of this claim, which it is vigorously defending in court. Court proceedings are still at an early stage and therefore a possible outcome cannot be foreseen.

39 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 13, 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 16,18, 20, 32 and 34.

39.1 Related parties

	The Group		The Company	
	2012 €'000	2011 €'000	**2012 €'000**	2011 €'000
Revenue				
Services rendered to:				
Parent company	**783**	757	**600**	600
Fellow subsidiaries	**1,460**	1,044	**1,113**	1,110
Associate companies	**4,224**	3,077	**1,695**	2,559
	6,467	4,878	**3,408**	4,269
Direct costs				
Charged by:				
Parent company	**(70)**	(70)	**-**	-
Financing				
Interest receivable	**823**	298	**3,003**	4,885
Interest payable	**(780)**	(382)	**(697)**	(327)
	43	(84)	**2,306**	4,558
Income	**6,440**	4,724	**5,714**	8,827

39.2 Transactions with key management personnel

In addition to the remuneration paid to the directors included in note 7, 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.

40 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 40.4 for a summary of the Group's financial assets and liabilities by category.

40.1 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	
	2012 €'000	2011 €'000	**2012 €'000**	2011 €'000
Classes of financial assets – carrying amounts				
Reimbursement assets	**23,449**	22,432	**-**	-
Investments in subsidiaries	**-**	-	**281,003**	276,772
Long term loans	**43,450**	29,450	**268,495**	250,875
Cash held by trustee	**2,223**	-	**2,223**	-
Short term loans	**-**	11,500	**-**	11,500
Trade and other receivables	**34,242**	34,252	**43,311**	44,921
Cash and cash equivalents	**16,423**	28,008	**6,272**	10,831
	119,787	125,642	**601,304**	594,899

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 20.1 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 20.1 for further information on impairment of financial assets that are past due.

40.2 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 2012 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Group

	Current		Non-current	
31 December 2012	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Non-derivatives:				
Bank borrowings	17,710	15,217	129,767	120,077
Bonds	9,395	3,348	32,953	93,703
Parent company loan and other interest bearing borrowings	-	1,246	16,893	-
Bank overdraft	5,060	-	-	-
Trade and other payables	32,387	-	-	-
Derivatives	988	780	780	-
	65,540	20,591	180,393	213,780

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

	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
Bank overdraft	1,766	-	-	-
Trade and other payables	27,094	-	-	-
Derivatives	410	407	1,933	-
	48,847	21,594	178,387	204,473

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 2012	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Bank borrowings	1,231	1,228	11,405	1,588
Bonds	9,395	3,348	32,953	93,703
Other interest bearing borrowings	-	804	16,893	-
Trade and other payables	15,673	-	-	-
	26,299	5,380	61,251	95,291

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

	Current		Non-current	
31 December 2012	**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	11,484	-	-	-
	16,318	3,184	59,734	75,507

40.3 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.

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	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Fixed rate instruments				
Financial assets other than cash at bank:				
Loan receivable	**43,450**	11,500	**54,450**	21,350
Financial liabilities:				
Bonds	**(97,087)**	(93,686)	**(97,087)**	(93,686)
Parent company loan and other interest-bearing borrowings	**(16,483)**	(351)	**(16,089)**	-
	(70,120)	(82,537)	**(58,726)**	(72,336)
Variable rate instruments				
Financial assets other than cash at bank:				
Non-current -				
Loan to related company	**-**	-	**54,052**	74,525
Financial liabilities:				
Bank borrowings	**(232,279)**	(232,087)	**(13,300)**	(9,000)
Other interest bearing liabilities	**(122)**	(71)		-
	(232,401)	(232,158)	**40,752**	65,525

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 2012	**(1,000)**	**1,000**	**(55)**	**55**
31 December 2011	(824)	824	(58)	58
Interest receivable -				
31 December 2012	**60**	**(60)**	**270**	**(270)**
31 December 2011	105	(105)	370	(370)

40.4 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	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Non-current assets				
Investments at fair value through profit and loss	**-**	-	**281,003**	276,772
Reimbursement assets	**23,449**	22,432	**-**	-
Loans and receivables:				
Amounts due from group and related companies	**43,450**	29,450	**268,495**	250,875
Cash held by trustee	**2,223**	-	**2,223**	-
	69,122	51,882	**551,721**	527,647
Current assets				
Amounts due from parent companies	**-**	11,500	**-**	11,500
Trade receivables	**14,661**	17,906	**-**	-
Other receivables	**19,581**	16,346	**43,311**	44,921
Cash and cash equivalents	**16,423**	28,008	**6,272**	10,831
	50,665	73,760	**49,583**	67,252
Non-current liabilities				
Financial liabilities measured at amortised cost:				
Bank borrowings	**205,563**	206,727	**11,200**	8,300
Bonds	**91,343**	93,686	**91,343**	93,686
Other interest bearing borrowings	**16,089**	-	**16,089**	-
Derivatives	**3,048**	4,265	**-**	-
	316,043	304,678	**118,632**	101,986
Current liabilities				
Financial liabilities measured at amortised cost:				
Bank borrowings	**26,716**	25,360	**2,100**	1,600
Bonds	**5,744**	-	**5,744**	-
Other interest bearing borrowings	**516**	422	**-**	-
Trade payables	**9,741**	6,908	**893**	221
Other payables	**8,495**	6,025	**9,740**	6,385
Accruals	**14,151**	14,161	**5,040**	4,878
Derivatives	**208**	-	**-**	-
	65,571	52,876	**23,517**	13,084

40.5 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 hierarchies as follows:

	Level 2		**Level 3**	
	The Group		**The Company**	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Assets				
Investments in subsidiaries (a)	**-**	-	**281,003**	276,772
Liabilities	**-**	-	**-**	-
Interest rate swaps (b)	**(3,256)**	(4,265)	**-**	-

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) Investments in subsidiaries

The fair values of investments in subsidiaries have been determined by reference to the fair values of the underlying properties or enterprise value as outlined in note 16.2. Movements in level 3 are as indicated in note 16.1

b) 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 2). 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.

41 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

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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 2012 set out on pages FS-13 to FS-64, which comprise the Group income statement, the Group and Company statements 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.

Auditor's 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 2012, 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

4 April 2013

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

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