INTERNATIONAL HOTEL INVESTMENTS p.l.c.

annual report
& financial statements 2010

contents

introduction

International Hotel Investments p.l.c. (IHI) was launched as a publicly-traded company in 2000 by Corinthia Palace Hotel Company Limited of Malta (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 (Russia), St George's Bay (Malta) and in London (United Kingdom).

In 2007, IHI welcomed Istithmar Hotels of Dubai as another major, strategic shareholder in the Company. IHI is proud to bring together such an esteemed group of committed and strong shareholders.

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

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

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

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

Wyndham Hotels Group is one of three principal divisions of Wyndham Worldwide, the others being RCI Global Vacation Network and Wyndham Vacation Ownership. Wyndham Worldwide is listed on the New York stock exchange.

Wyndham Hotels Group encompasses more than 7,200 franchised and managed hotels and 606,000 hotel rooms worldwide, operating under one or the other of WHG's several renowned brands, including Wyndham, Ramada, Days Inn, Howard Johnson and Super 8.

In Europe, Africa and the Middle East, WHG operates hotels under the Wyndham and Ramada Plaza brands in EMEA by way of CHI Limited, the joint venture with IHI.

THE IHI GROUP

General Public

Corinthia

Istithmar

Wyndham Hotels Group

30%

70%

CHI
Multi-brand hotel operator

Corinthia Hotel Prague
Panorama Hotel, Prague
Corinthia Hotel Budapest
Ramada Plaza, Budapest
Corinthia Hotel Tripoli
Corinthia Hotel Lisbon
Corinthia Hotel London
Marina Hotel, Malta
Corinthia Hotel St George's Bay
Corinthia Palace Hotel & Spa, Malta
Corinthia Hotel St Petersburg
Ramada Plaza Tunis
Ramada Hotels and Suites, Sharjah
Ramada Plaza, Naama Bay, Sharm El Sheikh
Corinthia Burj, Khartoum
Ramada Plaza, Blondan, Syria *(opening 2011)*
Ramada Hotel & Suites, Jumeirah Beach, Dubai *(opening 2011)*
Corinthia Taormina Golf Resort *(opening 2012)*
Wyndham Catania Golf Resort *(opening 2012)*
Ramada Hotel, Lekki, Lagos *(opening 2012)*
Ramada Hotel & Suites, Izmir *(opening 2013)*
Wyndham Hotel Cardiff *(opening 2013)*
Corinthia Budapest Gate & Residences *(opening 2013)*

QPM
Project Management Company

Owned Hotels
IHI-owned properties

Corinthia Hotel Budapest
Corinthia Hotel Lisbon
Corinthia Hotel St George's Bay
Corinthia Hotel Prague
Corinthia Hotel & Commercial Centre, St Petersburg
Corinthia Hotel & Commercial Centre, Tripoli
Corinthia Hotel & Residences London

board of directors

left to right

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

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

Ibrahim Zletni, who joined the Board in 2008 is Chairman and CEO of Libyan Foreign Investment Company. He has considerable experience in the banking field, having worked with British Arab Commercial Bank in London, and with the Libyan Foreign Bank.

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

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.

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.

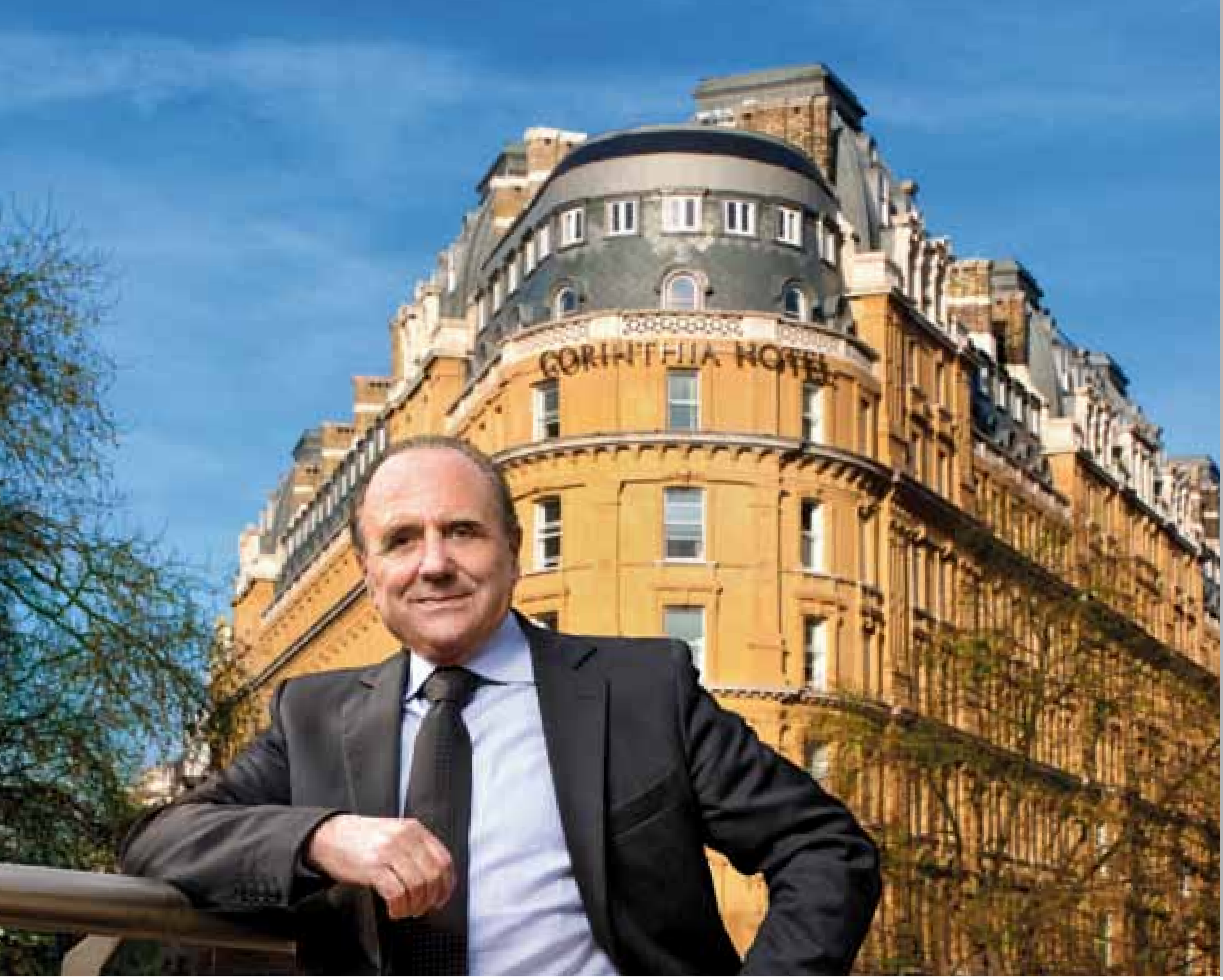
Frank Xerri de Caro joined the Board of IHI in 2005, having previously been the CEO of Bank of Valletta p.l.c., besides serving on the boards of directors of several major financial, banking and insurance institutions. He is also the Chairman of the IHI Audit Committee.

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.

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.

chairman's statement

for the year ended 31 December 2010



Dear Shareholders,

It is my pleasure to present you with the annual report of IHI covering our business activities in 2010.

Overall, the Company has gained in strength throughout the year under review. Each of our owned hotels, with one exception, delivered improved performances over the previous year. This is not only the result of moderate signs of economic recovery in our key markets. More so, it is the result of a general consolidation of our hotel management business through our acquisition of full ownership to the Corinthia Hotels brand and the concurrent implementation of a strategy to establish Corinthia's own global reservations and marketing systems.

As we move forward, I am confident that our hotels will confirm their status at the top end of their respective markets not only because we have developed attractive properties, but more so because our Corinthia brand, our global marketing activity, and above all, our personalized style of family-inspired values in the delivery of service, will continue to add value and single out our hotels from a competitive field dominated by corporate-style hotel chains.

We must continue to focus on what sets our Company to be what it is today, namely we are developers, we are owners and we are operators. We will no doubt, under the right market conditions, continue to buy properties for redevelopment into luxury hotels in our hands-on style, and in the process deliver capital value gains as we have repeatedly done in all our hotels. However, buying well and developing soundly means nothing without the ability to be successful in operating these properties. In this we are advantaged by our relatively small size as a collection of hotels, which allows us to be nimble, to build up state-of-the-art technology in our marketing systems, and to remain close to each member of our staff worldwide in sharing what we term as 'the spirit of Corinthia', symbolized by honest, committed and discreet service in our hotels.

The Company and our Corinthia Hotels brand stand at the threshold of a new future. In 2010, we advanced significantly towards completion of our landmark hotel in London, most surely what will become one of the finest grand hotels ever developed in this city of global recognition. As I write, we are putting the final touches to this remarkable development, and already the media and trade are showing positive recognition of this formidable achievement.

This development will have a profound impact on IHI on two counts.

Firstly, the economics of this investment are particularly rewarding. We have spent in the region of £300 million in acquiring the freehold to two adjoining historic properties right at the heart of London and the total redevelopment of the two sites. This total cost, when compared to other similar projects in the city, emphasises our ability to buy well, and to develop well, negotiating well and counting every penny, so to speak, without ever cutting corners, to achieve nothing but the best. The project has featured the redevelopment of over 42,000 square metres of floor areas into a 294-bedroom grand hotel, a destination spa and 12 ambassadorial residential apartments for eventual sale. At current market valuations, with hotels in London being sold or developed in excess of £1.5 million per bedroom, and with prices of residential real estate at the luxury end of the market superseding pre-crises levels, this means that we have here created significant capital value far exceeding our investment.

Entrance to Corinthia Hotel London on Whitehall Place

Secondly, the hotel itself is quite simply the first grand hotel to be developed in many decades in London. Our bedrooms are the largest in their category in the city, averaging 45 square metres. Our signature suites are particularly special, ranging up to 490 square metres, and each individually designed over a duplex arrangement on two floors, serviced by their own private lifts and terraces affording spectacular views of the sights of London. Our bars and restaurants, our spa and our public areas have already been hailed as the next major destination hubs in the city. IHI has led this development, and you should be rightly proud of being part of this accomplishment. Our Corinthia Hotels brand is now positioned at the top end of what is one of the world's most important cities, giving major visibility to our name. This will have significant positive implications for all our other Corinthia Hotels around Europe and the Middle East. Many of you have already had the opportunity to visit the hotel during our pre-opening phase some weeks ago, but to all others, I urge you to visit and stay at our hotel where you will see for yourself all that has been achieved in this property.

Dear Shareholders, the year under review and the early months of 2011 have not been without their challenges. Indeed, other than our London development, a big focus of our activity as I write is concentrated on our business activity in our neighbouring Libya. In 2010, our Tripoli hotel was severely impacted by a visa dispute between Libya and the Schengen area countries which for several weeks restricted movements into Libya. The financial results for 2010 are principally the result of a mixed bag of improved performance in all our other hotels, offset by the downturn of business in Tripoli.

Likewise, in the early months of 2011, we have had to manage the consequences of the internal conflicts which have arisen in Libya. Our Tripoli hotel has been, for the past seven years providing substantial profits year in, year out, occupying the most important position in the city. However, I am saddened to witness the ongoing developments in the country and I sincerely augur that a peaceful solution to the internal conflicts is achieved sooner than later, in the best interests of its people. What is sure however, is that the country remains an important neighbour to Malta, with immense natural resources, a unique coastline and climate, and that, therefore, IHI, with our long history of investment and business in Libya, is best poised to play a major role in the renewed economic development of the country which is sure to happen, hopefully not in the not too distant future.

Bassoon


Massimo Restaurant & Oyster Bar

Meanwhile, our hotel in Tripoli has continued trading throughout the past weeks of turmoil, no doubt at a reduced level of occupancy, as we continue to have guests in the hotel including members of the international media stationed in Tripoli. Of course, we have released most of our expatriate staff, at immense cost, but a core nucleus of Corinthia personnel has stayed in the hotel, including several Maltese executives, who I wish to publicly thank for their unbending loyalty and commitment to the Company.

Dear Shareholders, in July last year, we had called you to an extraordinary general meeting to authorise the Board to issue up to 150 million new shares and to authorise the approval of a new Memorandum and Articles of Association. Both these items were the culmination of a lengthy exercise which we had embarked on together with our advisors in advance of a secondary listing on the London Stock Exchange. Considerable work had been undertaken in this direction and a full prospectus was prepared. Private road shows were undertaken with financial investors, in London and in the Middle East. Notwithstanding, the financial markets remained subdued throughout 2010 and listings on the London Stock Exchange were far and few between. On this account, our investment bankers recommended to launch the second listing in London towards the end of 2011, this also having the added benefit of our London hotel being completed and up and running by then. We considered their advice and agreed to this strategy. Work on preparing the Company for a second listing is proceeding well.

Part of this process has been the strengthening of our Board of Directors, and here I wish to formally welcome Michael Beckett, of the United Kingdom, as a full member of our Board. Mr Beckett brings to the Company extensive experience in the London and global business community. He is currently Chairman of Thomas Cook, a major company listed on the London Stock Exchange and a director of other international corporations. Mr Beckett now chairs our Nominations and Remuneration Committee and also sits on our Audit Committee.

Dear Shareholders, looking towards the future we note that the tough economic climate that we experienced over the last three years promises to improve and bring about better opportunities in most of the markets where we operate. We have weathered the worst of the storm and we are well positioned both with our landmark hotel properties and our management company to make the most of this situation and advance our profitability. No doubt, we are in a capital-intensive business, with each of our hotels costing tremendous sums of money, with at least half of which borrowed from our banks. Our operating profits are therefore burdened with significant charges of depreciation and loan repayments. As we pay down debt, and as we improve our hotel operational performances, the margins for profits will increase no doubt, giving rise to dividend opportunities. On the other hand, we must be appreciative of the reality that our seven hotels are today worth far more than what they have cost us to achieve and that we trade in full knowledge that our assets carry good value.

I would like to conclude by thanking my fellow Directors on the Board as well as all the executives and employees for their total support and commitment. I would also wish to thank you - our Shareholders - for continuing to support the Company. Like us, I am sure that each of you shares our pride in flying the Corinthia flag in several important cities.

Thank you.

Alfred Pisani
Chairman and Chief Executive Officer

Night view from the Corinthia Hotel London

managing director's report

for the year ended 31 December 2010

The year under review has been, for the second year in succession, a challenging year as the Eurozone economies, which are the main feeder markets for our hotel properties, continued to struggle as they were faced with spiralling fuel costs and high unemployment levels. This bleak economic background adversely affected the leisure industry particularly in the meetings, incentives and corporate segments, as large organizations cut down on their operating costs.

It is, however, encouraging to note that in the second semester we started witnessing a recovery in the hospitality industry through higher room occupancies. It must, however, be pointed out that during a typical period of economic recovery it is normal for occupancies to improve first followed by increases in rates once a consistent level of occupancy is achieved. However, I will dwell on this in greater detail later on in my review.

Reception area - ESPA Life at Corinthia

Review of Income and Comprehensive Income Statement

The Income Statement of the Group is summarized as follows:

	2010 €million	2009 €million
Revenues	**101.84**	103.32
Direct costs	**(52.51)**	(48.18)
Marketing, administrative and other costs	**(26.47)**	(23.51)
Earnings before interest, tax and depreciation (EBITDA)	**22.86**	31.63
Depreciation and amortization	**(24.73)**	(24.78)
Net revaluation uplifts/share of results of associates	**4.60**	4.21
Net finance costs including interest rate swaps	**(13.81)**	(12.12)
Other expenses	**(0.34)**	(0.51)
Loss before taxation	**(11.42)**	(1.57)
Tax expense	**(1.65)**	(0.05)
Loss after tax	**(13.07)**	(1.62)
Net revaluation of hotel properties through comprehensive income statement	**18.42**	0.26
Total comprehensive income/(loss) for year	**5.35**	(1.36)

In interpreting these results, it is important to focus on turnover levels, operating costs, net finance costs and revaluation uplifts. An analysis of these key components of the Income Statement is essential to better understand the nature of our business which mainly consists of the acquisition and development of hotel properties, arranging their financing and subsequently operating them through the Group's hotel management arm, CHI.

EBITDA

As highlighted in the introduction to my report, the hospitality industry started showing signs of recovery in the second semester of the year under review. This was most notable in two of our hotel properties, those located in Lisbon and St Petersburg which registered an increase in turnover of Euro 3.60 million and Euro 3.85 million respectively. This increased activity was all spurred by higher occupancies in consequence of which there was a corresponding increase in direct operating costs.

Conversely, revenues in our Tripoli hotel property decreased by Euro 8.50 million, firstly on account of a curtailment of travel to Libya from the main EU countries as a result of the dispute on the Schengen visas, and secondly from increased competition without a proportionate increase in demand. Most of the reduction in revenue was room rate related and accordingly there was no corresponding decrease in operating costs. It is evident that with the increase in room stock that occurred during the course of 2010, unless there is a corresponding growth in demand we shall not be able to command the premium rates that we used to achieve up to 2009.

Whilst one expected to see diminishing returns from the Tripoli property in view of increased competition, in the medium term this shortfall should be more than compensated by the results of other hotel properties across Europe notably St Petersburg, Lisbon, Budapest, Prague, Malta and as from the second semester of 2011, London. The diversification of the Group's asset base between regions, business segments and asset mix has served us well in the past and should equally continue to serve us in the future in the current difficult economic environment.

One may also note that there has been an increase of nearly Euro 3.00 million in marketing, administrative and other expenses in the year under review when compared to 2009. This increase is the result of the incidence of increased property taxes on our property in St Petersburg once the tax holiday on the payment of such taxes expired on the redevelopment of the two adjoining properties, increases in the provision for bad debts on amounts receivable from government bodies in Libya, and the partial write-off of costs relating to a planned IPO in a foreign jurisdiction. Substantial work in this regard was carried out during the course of 2010 but the Company was eventually advised to defer this listing to a later date by which time the Corinthia Hotel London would have been successfully launched whilst hopefully markets internationally would also have continued recovering.

Depreciation and amortization

The depreciation charge for the year under review, at Euro 24.73 million is in line with the provision made the year before. This is a very significant amount and accounts for nearly 24% of the total revenue generated by the Group. Although this charge does not impact the cash flow position of the Group, it does reflect the high asset base which has now exceeded the Euro one billion mark.

Revaluation adjustments

A few years back a decision was taken to revalue on an annual basis the Group's hotel properties and its investment properties (commercial centres in Tripoli and St Petersburg and the residential apartments in London) and to measure such values against the respective net book values. Movements in values on investment properties, whether these relate to uplifts or impairments, are reflected in the Income Statement whilst movements in hotel values to the degree that these represent a reduction to book value are charged to the Income Statement and conversely any uplift up to the amount previously impaired is likewise reflected in the Income Statement. Any further increases above the book value on hotel assets are reflected in the Comprehensive Income Statement.

During the year under review this valuation exercise was also carried out, with the main difference from earlier valuations being that the gearing ratio adopted in discounting future income streams to present day value was reduced from 55:45 between debt to equity to 50:50. This change in the funding assumption, which on a like-for-like basis resulted in a significant reduction in the measurement of our assets, was deemed appropriate by the independent valuers in view of the current economic difficulties experienced internationally where it was felt that it is now no longer conducive to achieve funding for hotel assets beyond the 50:50 debt to equity ratio.

Notwithstanding this change in policy and the consequential reduction in value of the assets, it is heartening to note that this year not only did we not suffer any significant impairment in our asset base but actually managed to register an increase in value. This increase is attributable to two main factors: firstly our ability to acquire good projects and secondly to develop them wisely, as is the case with the development of our hotel in London where an uplift in value is being recognized in the year under review. On this property alone we registered an increase in value, net of tax of Euro 38.30 million for our 50% share in this investment. We also managed to reverse a prior year impairment of Euro 2.40 million on our hotel property in Lisbon which signifies the positive prospects for this hotel property in the foreseeable future. Moreover, the hotels' cash flow projections indicate that the economic recession has bottomed out and the expectation is for continued and sustained future growth.

The only exception to this general positive outlook was the property in Tripoli which has not only registered a drop in its operating performance during the year under review but also in its future expectations measured against such expectations a year ago. The valuation of this property has this year resulted in a reduction in value of Euro 20.30 million but there were significant past uplifts in values to absorb this impairment without affecting the Income Statement.

Net finance costs

Net finance costs include both interest receivable and interest payable, apart from movements relating to interest rate swaps. Net finance costs increased by Euro 1.69 million during the year under review compared to the cost incurred in 2009.

Interest receivable in 2010 amounted to Euro 0.67 million and is Euro 1.46 million lower than the interest earned in 2009. It will be noted however that the cash and bank balances (net of bank overdraft balances) at the end of each respective Balance Sheet date were Euro 25.25 million and Euro 48.25 million and the utilization of the cash balances between the two Balance Sheet dates, principally for investment purposes on the London development, was the main reason for the reduced income from the placement of excess funds on deposit.

Equally, interest payable was Euro 2.09 million higher in 2010 than the corresponding figure in 2009. The increased interest cost was in consequence of the higher interest cost incurred on the issue of a corporate bond for Euro 35 million in April 2010, the proceeds of which were partly utilized to repay an existing bank loan and to repay a maturing bond, with the balance used for the Group's general funding requirements. Additionally, new loan facilities for Euro 25.50 million were also secured in 2010. Against this higher level of indebtedness, however, apart from the repayment of a maturing bond and the full repayment of a bank loan on the St Petersburg property, in 2010 there were also scheduled repayments of loans of Euro 18.18 million on our existing hotel assets.

Whilst, as noted above, interest receivable dropped and interest payable increased in the year under review, the measurement of the interest rate swap instruments, measured to fair value, resulted in a gain of Euro 0.22 million. This figure contrasts sharply with the loss of Euro 1.60 million incurred in 2009 and reflects the market expectation of future increases in the Euribor rate and the unwinding effect of interest rate swaps over time.

Balance Sheet review

In reviewing the Balance Sheet at Group level one will note that for the third year running the total assets exceed the Euro one billion mark and as at 31st December 2010 stand at Euro 1.05 billion. In a difficult period of economic uncertainties, we have retained a prudent approach to our funding patterns. Approximately 60% of our Balance Sheet is funded by shareholders' funds in the form of equity and reserves. The remaining 40% mainly represents corporate bonds and bank borrowing with maturity terms commensurate with the Group's earning capacity, and deferred tax that has accumulated over the years on property uplifts.

During the year under review, a new bond for Euro 25.00 million was raised at a coupon rate of 6.25% maturing between 2017-2020. The proceeds of this bond were utilized to repay a maturing bond of Euro 11.58 million and the balance of a bank loan on our St Petersburg properties amounting to Euro 13.69 million.

The original loan of Euro 65.00 million on the Corinthia Hotel in Tripoli has now reduced to Euro 15.50 million through scheduled semi-annual payments that have been effected over the years. In view of the significant value of this hotel property and the adjoining commercial centre, it was felt appropriate to refinance this loan with the same lender. During the second half of the year under review, a new loan facility for Euro 40.00 million was concluded, out of which Euro 25.50 million were utilized by the end of the year.

Apart from the increased indebtedness of Euro 25.50 million on the Tripoli hotel property, there were no additional bank borrowings in 2010. On the other hand, scheduled repayments on the various loans taken by the Company and its subsidiaries amounted to Euro 18.18 million. This means that between the two Balance Sheet dates, the level of indebtedness only increased marginally by Euro 7.32 million.

During the year under review, the Group progressed significantly on the redevelopment of its joint venture project in London which by year end was nearing its final stages of completion. The investment, in terms of Group funding, was rather small as the majority of the funds used in the reconstruction and fit-out of the hotel and adjoining residential apartments were drawn from a syndicated bank loan facility concluded in April 2009.

The first tranche of Euro 3.90 million as part of our 25% equity participation in the Medina Towers development in Tripoli was also subscribed in 2010. Part of these funds was utilized to pay for professional fees leading to planning application for this development, which approval has now been secured.

Towards year end, the Company also acquired the Corinthia brand from its parent company, Corinthia Palace Hotel Company Limited at a cost of Euro 19.60 million on the basis of an independent valuation carried out by PricewaterhouseCoopers. The Board of Directors considered it appropriate to acquire the Corinthia brand in view of its objective to grow it internationally with the opening of the Corinthia Hotel London and other similar high profile hotels in key capitals across Europe. In acquiring the brand, the Company will also benefit from royalty fees which, on a stabilized year of operation would amount to around Euro 1.50 million and that prior to such acquisition were being paid to the previous owner of the brand.

Conclusion

The year under review has been a challenging one principally on account of the economic recession in Europe, which is considered to be the main feeder market for the Group's hotel properties. 2010 has also been impacted by decreased profitability from the hotel in Tripoli principally on account of the Schengen visa issue referred to earlier.

Early signs of recovery were witnessed in the second half of 2010 and we have seen a continuation of this recovery cascading also over the first quarter of 2011. Regrettably, however, the recent political unrest in Libya has adversely affected our business activity in that country. Although we remain operational, albeit at reduced level commensurate with the demand, this situation will impact our performance for 2011. In these circumstances, we remain vigilant on maximizing our opportunities in other destinations where the Group's hotels are located and this geographical spread should give us the ability to weather this unexpected development.

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

Joseph Fenech
Managing Director


CORINTHIA
HOTELS

CORINTHIA
HOTEL
LONDON

Early in 2008, IHI and its principal shareholders, acquired two adjoining landmark properties in Westminster from The Crown Estate, one of which formerly known as the Metropole Building and the other being 10 Whitehall Place. The two adjoining properties occupy an entire block, facing Northumberland Avenue, Whitehall Place and Scotland Yard Road.

Developed in the late 19th century as the Metropole Hotel, but later used by the Ministry of Defence since the mid-1930s, the Metropole Building and its adjoining 10 Whitehall Place have since been re-developed into London's premier luxury hotel, a destination spa and 12 ambassadorial residences.

The hotel features 294 luxury bedrooms averaging 45 square metres each, a historic ballroom together with conference and meeting facilities, two restaurants and a destination bar. The hotel will also have London's largest luxury suites ranging from 80 to 500 square metres including seven magnificent turret suites on two floors with private lifts and terraces affording views of London all round.

CORINTHIA
HOTEL
BUDAPEST

The Corinthia Hotel Budapest is a landmark, deluxe property, originating in the grand architectural epoch of the late 19th century. The hotel was acquired by IHI as a vacant building in April 2000 and subsequently demolished to make way for a 60,000m^2 reconstruction that retained the historic façade and the 19th century classical ballroom.

Today, the hotel consists of 414 executive bedrooms, as well as support facilities. These include extensive conference facilities covering 3,600m^2 of meeting and exhibition areas; the fully restored 19th century ballroom; 26 luxury apartments; a multi-storey 260-vehicle carpark and coach park; a spectacular 19th century spa, a nightclub; various restaurants and dining outlets. The hotel was officially opened in April 2003.

CORINTHIA
HOTEL
ST PETERSBURG

The 285-room five-star Corinthia Hotel St Petersburg, Russia, was acquired by IHI in January 2002. The hotel is located on the main boulevard, Nevskij Prospekt in the city centre.

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

Furthermore, in 2009, the property was further expanded by developing two large adjacent sites on either side of the hotel, which had also been acquired by IHI at the time of the hotel acquisition. One building includes a convention centre plus 105 additional executive bedrooms bringing the total inventory to 400 keys. The other building comprises a 12,000m^2 mixed-use commercial centre featuring a retail mall and offices for rent to third parties.

CORINTHIA
HOTEL
LISBON

The high-rise Corinthia Hotel Lisbon was acquired by IHI in August 2001 and subsequently shut down in February 2003 to make way for a thorough refurbishment and upgrade to five-star status.

The renovated hotel was re-opened in May 2004 and now comprises 517 bedrooms, a 280-cover main restaurant, a 120-cover Portuguese restaurant and a lobby bar. The hotel has a 2,000m^2 spa and fitness facility – the largest in the city.

Above all, the hotel is fully equipped for the meetings, conference and incentive markets. Its 3,000m^2 allocated to state-of-the-art meeting facilities make it the largest conference hotel in Lisbon, able to handle 1,400 delegates at any given time, supported by a 24th floor executive lounge affording spectacular views of Lisbon, complete with boardrooms, executive check-in, dining and business facilities.

CORINTHIA
HOTEL
ST GEORGE'S BAY, MALTA

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

This hotel was the first IHI acquisition, having been taken over soon after the company's inception in 2000. The 250-room hotel is particularly geared for the leisure and conference markets, with extensive meeting facilities and a private beach lido serviced by several restaurants and dining venues. The hotel's lobby, public areas and bedrooms have been fully refurbished in 2006.

CORINTHIA
HOTEL
TRIPOLI

The Corinthia Hotel Tripoli and Commercial Centre is the landmark development in downtown Tripoli, located right at the heart of the city's commercial and historic districts, overlooking both the Medina and the Mediterranean Sea. The property was inaugurated in 2003.

The hotel component is housed in two, spectacular concave towers, and is one of the most deluxe and up-market accommodation facilities available in the City, having 300 executive rooms and suites, as also an array of conference, banqueting and food outlets.

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

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

CORINTHIA
HOTEL
PRAGUE

The Corinthia Hotel Prague was acquired by IHI in 2007. The hotel is a landmark high-rise 550-room property overlooking the city's historic centre, and adjoining the national congress hall of the Czech Republic.

The property is one of the leading hotels in the country, and has been fully refurbished over the past years.

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

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

directors' and other statutory reports & financial statements 2010

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 2010.

Principal activities

International Hotel Investments p.l.c. carries on the business of an investment company in connection with the ownership, development and operation of hotels, leisure facilities, other activities related to the tourism industry and commercial centres. The Company 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 2010.

Bonus shares

The Extraordinary General Meeting held on 27 August 2010 approved a resolution to issue four fully paid-up bonus shares for every hundred ordinary shares in issue as at 31 December 2009 excluding the holding of Corinthia Palace Hotel Company Limited and Istithmar Hotels FZE. 1,764,268 bonus shares were issued and allotted.

Purchase of own shares

The resolution approving the above bonus share issue also approved the purchase of shares so issued for eventual cancellation. 751,338 shares were purchased in 2010 and cancelled on 8 February 2011.

Future developments

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

Going concern

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

Board of directors

Mr Alfred Pisani	(Chairman and Chief Executive Officer)
Mr Joseph Fenech	(Managing Director)
Mr Ibrahim Zletni	
Mr Andrew Watson	
Mr Hamza Mustafa	
Mr Simon Naudi	
Dr Joseph J Vella	
Mr Frank Xerri de Caro	
Mr Michael Beckett	(appointed on 23 July 2010)
Mr Binod Narasimhan	(resigned on 21 May 2010)

Principal risks and uncertainties faced by the Group

The Group started trading in 2000, undertaking a strategy of rapid expansion. The Group's business is reliant on hotel properties and operations which are seasonal in nature. The hotel industry globally is characterised by strong and increasing competition. Many of the Group's current and potential competitors may have longer operating histories, bigger name recognition, larger customer bases and greater financial and other resources than the companies within the Group.

The Group's major operations are located in stable economies. The Group also owns certain subsidiaries that have operations situated in emerging markets. Emerging markets present different economic and political conditions from those of the more developed markets and present less social, political and economic stability. Businesses in emerging markets may not be operating in a market-oriented economy as known in other developed markets. One such market is Libya, where the Group owns the Corinthia Hotel Tripoli and Commercial Centre, which is at present undergoing a period of uncertainty (see note 40).

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

Reserves

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

Auditors

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

Approved by the board of directors on 30 March 2011 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 subsidiaries included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and position of the Company and its subsidiaries together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the board of directors on 30 March 2011 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing Director

DIRECTORS' STATEMENT OF COMPLIANCE

with the Code of Principles of Good Corporate Governance

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

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

Compliance

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

The board

1. The board

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

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

The board is made up as follows:

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

Non-executive directors	*Date of first appointment*
Mr Ibrahim Zletni	25 August 2008
Mr Andrew Watson	15 May 2008
Mr Hamza Mustafa	5 February 2009
Dr Joseph J. Vella	29 March 2000
Mr Frank Xerri de Caro	2 July 2004
Mr Binod Narasimhan	17 December 2009 (resigned 21 May 2010)
Mr Michael Beckett	23 July 2010

Mr Alfred Fabri is secretary to the board of directors.

In accordance with the requirements of the Articles of Association, the term of office of the following directors: Mr Alfred Pisani, Mr Joseph Fenech, Mr Ibrahim Zletni, Dr Joseph J. Vella, Mr Simon Naudi, Mr Andrew Watson, Mr Hamza Mustafa, and Mr Frank Xerri de Caro, lapsed at the Annual General Meeting held on 23 July 2010, at which date they were re-appointed for a further term. The same Annual General Meeting also appointed Mr Michael Beckett as director.

2. Chairman and Chief Executive Officer

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

3. Composition of the board

The non-executive directors constitute a majority on the board and their main functions is 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.

4. The responsibilities of the board

The board carries out its responsibilities of accountability, monitoring, strategy formulation and policy development.

- *An audit committee has been established in terms of Listing Rules 5.115 to 5.132.*

The primary objective of the audit committee is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee, set up in 2002, is made up of 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 nine times. The internal and external auditors were invited to attend these meetings.

The audit committe comprises of Mr Frank Xerri de Caro, a non-executive director, as chairman, Mr Joseph Fenech, Dr Joseph J.Vella and Mr Michael Beckett as members and the company secretary, Mr Alfred Fabri is secretary to the committee.

The board of directors, in terms of Listing Rule 5.115, 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 2010, 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 C. Caruana as member. The committee reports directly to the directors of the Company. In 2010, 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.

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 in terms of Code provision 5.2 is as follows:

Mr Alfred Pisani	4
Mr Joseph Fenech	4
Mr Ibrahim Zletni	4
Mr Hamza Mustafa	2
Mr Andrew Watson	4
Mr Simon Naudi	4
Dr Joseph J Vella	4
Mr Frank Xerri de Caro	4
Mr Binod Narasimhan	0 (resigned 21 May 2010)
Mr Michael Beckett	2 (appointed 23 July 2010)

6. Information and professional development

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

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.

8. Nominations and remuneration committee

The function of this committee is to propose the appointment and 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 is 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.

There are no loans outstanding by the Company to any of its directors, nor any guarantees issued for their benefit by the Company. For the financial year ended 31 December 2010, the Group paid an aggregate of €599,000 to its directors as board members of the Company, and in certain cases, as board members of its subsidiaries and committees.

The Articles of Association set out that the maximum limit of aggregate emoluments of the directors is to be established by the shareholders in Annual General Meeting. The Annual General Meeting held on 28 May 2009 increased the aggregate amount of emoluments to directors to a maximum of €600,000 per annum. Within this limit, the directors have the power to fix their remuneration levels. The Company has adopted a practice whereby the executive directors vote at meetings deciding the remuneration packages of the non-executive directors, from which the latter abstain.

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 issued three newsletters in the course of the year to its shareholders and has invested considerable time and effort in setting up and maintaining the Company's website and making it user-friendly, with a section dedicated specifically to investors.

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

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

10. Institutional shareholders

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

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.

Approved by the board of directors on 30 March 2011 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 2010:

	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 30 March 2011.

Pursuant to Listing Rule 5.64.7
Share option agreement between shareholders

On 22 April 2010, two of the Company's shareholders, Corinthia Palace Hotel Company Limited (CPHCL) and the Libyan Foreign Investment Company (LFICO) entered into an agreement whereby half the direct shareholding held by LFICO is on option to CPHCL. As a result of this agreement 5.51% of the share capital of the Company held by LFICO cannot be transferred to any third party other than to CPHCL. This restriction is valid until October 2011.

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 appointment of directors. 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, Cap 386 of the Laws of Malta, the Company may by extraordinary resolution at a general meeting alter or add to its Memorandum or Articles of Association.

Pursuant to Listing Rule 5.64.9
Board member powers

The powers of directors are outlined in article 12 of the Articles of Association.

Statement by the directors pursuant to Listing Rule 5.70.1

Pursuant to Listing Rule 5.70.1 the nature and details of any material contracts to which the Company, or any of its subsidiaries, was party to and in which anyone of the directors had a direct or indirect interest therein are disclosed in the notes to the financial statements.

Pursuant to Listing Rule 5.70.2
Company secretary and registered office

Alfred Fabri
22 Europa Centre, Floriana FRN 1400, Malta

Signed on behalf of the board of directors on 30 March 2011 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing director

Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

T (+356) 21320134
F (+356) 21331161
www.gtmalta.com

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

Listing Rules 5.94 and 5.97 issued by the Listing Authority, require the directors of International Hotel Investments p.l.c (the"Company") to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the"statement of compliance"), and the effective measures they have taken to ensure compliance with these Principles.

Our responsibility, as auditors of the Company, is laid down by Listing Rule 5.98 which requires us to include a report on this statement of compliance.

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

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

In our opinion, the statement of compliance set out on pages FS 5 to FS 7 provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority.

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

30 March 2011

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

financial statements 2010

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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, 1995 (the "Act") requires the directors of International Hotel Investments p.l.c. (the "Company") to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company and the Group as at the end of the financial period and of the profit or loss of the Company and the Group for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union.

In preparing those financial statements, the directors are required to:

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

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

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

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

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

Signed on behalf of the board of directors on 30 March 2011 by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing director

Year ended 31 December 2010

	Notes	**2010 €'000**	2009 €'000	2008 €'000
Revenue	**5**	**101,843**	103,320	127,966
Direct costs		**(52,509)**	(48,184)	(57,449)
		49,334	55,136	70,517
Marketing costs		**(5,296)**	(4,441)	(5,059)
Administrative expenses		**(21,142)**	(19,118)	(21,524)
Other expenses		**(35)**	48	(570)
		22,861	31,625	43,364
Depreciation and amortisation		**(24,730)**	(24,779)	(22,664)
Impairment of goodwill	11	**-**	-	(15,114)
Increase in fair value of investment property	13	**2,746**	12,064	26,253
Net impairment reversals (losses) on hotel properties	14.1	**2,400**	(22,334)	3,543
Results from operating activities	6	**3,277**	(3,424)	35,382
Share of results from equity accounted investments	16	**(546)**	14,483	622
Finance income	8	**607**	2,071	5,512
Finance costs	8	**(14,634)**	(12,590)	(15,854)
Net fair value gain (loss) on interest rate swaps		**216**	(1,604)	(3,294)
Movement in reimbursement assets		**(340)**	(505)	(81)
(Loss) profit before tax		**(11,420)**	(1,569)	22,287
Tax expense	9	**(1,651)**	(47)	(8,284)
(Loss) profit for the year		**(13,071)**	(1,616)	14,003
Attributable to:				
Owners		**(12,531)**	(1,620)	13,602
Non-controlling interest		**(540)**	4	401
		(13,071)	(1,616)	14,003
Earnings per share	10	**(0.02)**	(0.00)	0.03

STATEMENT OF COMPREHENSIVE INCOME - THE GROUP

Year ended 31 December 2010

	Notes	**2010 €'000**	2009 €'000	2008 €'000
(Loss) profit for the year		**(13,071)**	(1,616)	14,003
Other comprehensive income:				
Revaluation of hotel properties	14.1	**(20,300)**	2,671	36,320
Translation difference		**432**	74	-
Share of other comprehensive income of equity accounted investments		**38,427**	(1,192)	-
Income tax relating to components of other comprehensive income	9.2	**(137)**	(1,297)	(11,790)
Other comprehensive income for the year, net of tax		**18,422**	256	24,530
Total comprehensive income (expense) for the year		**5,351**	(1,360)	38,533
Attributable to:				
Owners		**5,891**	(1,364)	38,132
Non-controlling interest		**(540)**	4	401
		5,351	(1,360)	38,533

BALANCE SHEET – THE GROUP

Year ended 31 December 2010

	Notes	**2010 €'000**	2009 €'000	2008 €'000
ASSETS				
Non-current				
Intangible assets	11	**48,016**	29,366	30,533
Reimbursement assets	12	**22,831**	23,171	23,676
Investment property	13	**181,705**	178,876	149,349
Property, plant and equipment	14	**599,713**	636,216	674,538
Investments accounted for using the equity method	16	**135,694**	93,584	44,391
Loan receivable	17	**6,971**	-	-
		994,930	961,213	922,487
Current				
Inventories	18	**5,185**	5,201	4,877
Trade and other receivables	19	**25,803**	20,521	24,127
Current tax assets		**669**	359	1,235
Cash and cash equivalents	20	**26,675**	50,386	69,908
		58,332	76,467	100,147
Total assets		**1,053,262**	1,037,680	1,022,634
EQUITY AND LIABILITIES				
Equity				
Equity attributable to owners:				
Share capital	21	**554,238**	553,225	553,213
Revaluation reserve	22	**75,866**	57,506	56,132
Translation reserve	23	**(657)**	(994)	(1,068)
Other reserve	24	**-**	-	378
Reporting currency conversion difference	25	**443**	443	443
(Accumulated losses) retained earnings	26	**(10,027)**	2,157	3,399
Other equity components	27	**628**	3,014	4,206
		620,491	615,351	616,703
Non-controlling interest		**6,254**	7,394	7,390
Total equity		**626,745**	**622,745**	**624,093**
LIABILITIES				
Non-current				
Borrowings	29	**165,802**	159,979	182,240
Bonds	30	**93,526**	68,784	45,591
Other interest bearing borrowings	31	**5,684**	-	290
Taxation		**-**	3,362	2,110
Deferred tax liabilities	32	**99,214**	102,277	102,669
Provision for charges		**206**	272	435
Derivatives	34	**4,697**	4,913	3,309
		369,129	339,587	336,644
Current				
Borrowings	29	**20,925**	33,821	20,026
Bonds	30	**-**	11,493	-
Other interest bearing borrowings	31	**383**	293	835
Trade and other payables	33	**29,319**	29,149	40,182
Current tax liabilities		**6,761**	592	854
		57,388	75,348	61,897
Total liabilities		**426,517**	414,935	398,541
Total equity and liabilities		**1,053,262**	1,037,680	1,022,634

The financial statements on pages FS 13 to FS 65 were approved by the board of directors, authorised for issue on 30 March 2011 and signed on its behalf by:

Alfred Pisani
Chairman and Chief Executive Officer

Joseph Fenech
Managing director

Year ended 31 December 2010

	Share capital €'000	Revaluation reserve €'000	Translation reserve €'000	Other reserve €'000	Reporting currency conversion difference €'000	(Accumulated losses) retained earnings €'000	Other equity components €'000	Total attributable to owners €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2008	537,099	47,715	(1,068)	1,382	443	(11,207)	4,206	578,570	6,989	585,559
Profit for the year	-	-	-	-	-	13,602	-	13,602	401	14,003
Other comprehensive income	-	24,530	-	-	-	-	-	24,530	-	24,530
Total comprehensive income	-	24,530	-	-	-	13,602	-	38,132	401	38,533
Issue of bonus shares	16,113	(16,113)	-	-	-	-	-	-	-	-
Conversion of bonds	1	-	-	-	-	-	-	1	-	1
Transfer from accumulated losses	-	-	-	(1,004)	-	1,004	-	-	-	-
Balance at 31 December 2008	553,213	56,132	(1,068)	378	443	3,399	4,206	616,703	7,390	624,093
Balance at 1 January 2009	553,213	56,132	(1,068)	378	443	3,399	4,206	616,703	7,390	624,093
Loss for the year	-	-	-	-	-	(1,620)	-	(1,620)	4	(1,616)
Other comprehensive income		1,374	74	-	-	-	(1,192)	256		256
Total comprehensive expense	-	1,374	74	-	-	(1,620)	(1,192)	(1,364)	4	(1,360)
Conversion of bonds	12	-	-	-	-	-	-	12	-	12
Transfer to accumulated losses	-	-	-	(378)	-	378	-	-	-	-
Balance at 31 December 2009	553,225	57,506	(994)	-	443	2,157	3,014	615,351	7,394	622,745
Balance at 1 January 2010	**553,225**	**57,506**	**(994)**	**-**	**443**	**2,157**	**3,014**	**615,351**	**7,394**	**622,745**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(12,531)**	**-**	**(12,531)**	**(540)**	**(13,071)**
Other comprehensive income	**-**	**20,124**	**337**	**-**	**-**	**-**	**(2,039)**	**18,422**	**-**	**18,422**
Total comprehensive income	**-**	**20,124**	**337**	**-**	**-**	**(12,531)**	**(2,039)**	**5,891**	**(540)**	**5,351**
Issue of bonus shares	**1,764**	**(1,764)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(751)**	**-**	**-**	**-**	**-**	**-**	**-**	**(751)**	**-**	**(751)**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(600)**	**(600)**
Transfer to accumulated losses	**-**	**-**	**-**	**-**	**-**	**347**	**(347)**	**-**	**-**	**-**
Balance at 31 December 2010	**554,238**	**75,866**	**(657)**	**-**	**443**	**(10,027)**	**628**	**620,491**	**6,254**	**626,745**

Year ended 31 December 2010

	Notes	2010 €'000	2009 €'000	2008 €'000
(Loss) profit before tax		**(11,420)**	(1,569)	22,287
Adjustments	35	**35,381**	34,533	21,206
Working capital changes:				
Inventories		**17**	(325)	76
Trade and other receivables		**(7,584)**	641	(8,666)
Advance payments		**343**	(356)	(684)
Trade and other payables		**4,598**	(6,038)	14,286
Cash from operating activities		**21,335**	26,886	48,505
Tax paid		**(2,315)**	(76)	(4,291)
Net cash from operating activities		**19,020**	26,810	44,214
Investing activities				
Payments to acquire property, plant and equipment		**(6,269)**	(24,020)	(60,001)
Payments to acquire intangible asset		**(14,133)**	-	-
Acquisition of subsidiary, net of cash acquired		**(1)**	(970)	-
Acquisition of associate		**(3,900)**	(35,926)	(43,163)
Interest received		**516**	1,236	9,623
Net cash used in investing activities		**(23,787)**	(59,680)	(93,541)
Financing activities				
Purchase of treasury shares		**(751)**	-	-
Bank finance advanced		**25,500**	10,000	48
Repayment of bank borrowings		**(31,866)**	(20,586)	(16,517)
Loans repaid to parent company and its subsidiary companies		**-**	-	(14,017)
Loan advanced to associate		**(6,971)**	-	-
Proceeds from issue of bonds		**24,598**	34,395	-
Repayment of bonds		**(11,597)**	-	-
Interest paid		**(16,550)**	(12,582)	(16,003)
Dividend to non-controlling interest in subsidiary company		**(600)**	-	-
Net cash (used in) from financing activities		**(18,237)**	11,227	(46,489)
Net decrease in cash and cash equivalents		**(23,004)**	(21,643)	(95,816)
Cash and cash equivalents at beginning of year		**48,254**	69,897	165,713
Cash and cash equivalents at year end	20	**25,250**	48,254	69,897
Non-cash transactions				
Issue of bonus shares		**1,764**	-	16,113
Conversion of bonds into shares		**-**	12	-

Year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Interest receivable and similar income		**9,411**	8,846
Interest payable and similar charges		**(8,469)**	(5,609)
Administrative expenses		**(4,730)**	(3,286)
Revaluation to fair value of investments in subsidiaries		**(20,539)**	(13,720)
Other operating charges		**(161)**	802
Loss before tax	6	**(24,488)**	(12,967)
Tax income	9	**6,812**	4,297
Loss for the year		**(17,676)**	(8,670)
Earnings per share	10	**(0.03)**	(0.02)

Year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
ASSETS			
Non-current			
Intangible asset	11	**19,817**	-
Property, plant and equipment	14	**151**	146
Investments in subsidiaries	15	**441,768**	487,971
Investments accounted for using the equity method	16	**83,108**	79,208
Loans receivable	17	**122,573**	97,313
		667,417	664,638
Current			
Trade and other receivables	19	**34,625**	22,558
Current tax assets		**295**	-
Cash and cash equivalents	20	**5,082**	25,090
		40,002	47,648
Total assets		**707,419**	712,286
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**554,238**	553,225
Other reserve	24	**7,949**	23,063
Reporting currency conversion difference	25	**443**	443
Other equity components	27	**-**	347
(Accumulated losses) retained earnings	26	**(2,599)**	1,380
Total equity		**560,031**	578,458
Liabilities			
Non-current			
Borrowings	29	**9,900**	12,333
Bonds	30	**93,526**	68,784
Other interest bearing borrowings	31	**5,684**	-
Deferred tax liabilities	32	**26,721**	33,973
		135,831	115,090
Current			
Borrowings	29	**2,433**	2,433
Bonds	30	**-**	11,493
Current tax liability		**-**	105
Trade and other payables	33	**9,124**	4,707
		11,557	18,738
Total liabilities		**147,388**	133,828
Total equity and liabilities		**707,419**	712,286

The financial statements on pages FS 13 to FS 65 were approved by the board of directors, authorised for issue on 30 March 2011 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 2010

	Share capital €'000	Other reserve €'000	Reporting currency conversion difference €'000	Other equity components €'000	(Accumulated losses) retained earnings €'000	Total equity €'000
Balance at 1 January 2009	553,213	32,359	443	347	754	587,116
Loss for the year	-	-	-	-	(8,670)	(8,670)
Conversion of bonds	12	-	-	-	-	12
Transfer from other reserve	-	(9,296)	-	-	9,296	-
Balance at 31 December 2009	553,225	23,063	443	347	1,380	578,458
Balance at 1 January 2010	553,225	23,063	443	347	1,380	578,458
Loss for the year	-	-	-	-	(17,676)	(17,676)
Bonus share issue	1,764	(1,764)	-	-	-	-
Treasury shares	(751)	-	-	-	-	(751)
Transfer from/to accumulated losses	-	(13,350)	-	(347)	13,697	-
Balance at 31 December 2010	**554,238**	**7,949**	**443**	**-**	**(2,599)**	**560,031**

STATEMENT OF CASH FLOWS – THE COMPANY

Year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Loss before tax		**(24,488)**	(12,967)
Adjustments	35	**20,821**	14,079
Working capital changes:			
Trade and other receivables		**(517)**	(8,979)
Trade and other payables		**1,848**	6,354
Cash used in operating activities		**(6,032)**	(1,513)
Income tax paid		**(127)**	(64)
Net cash used in operating activities		**(6,159)**	(1,577)
Investing activities			
Payments to acquire property, plant and equipment		**(34)**	(35)
Payments to acquire intangible asset		**(14,133)**	-
Acquisition of subsidiary		**(1)**	(970)
Acquisition of associate		**(3,900)**	(35,926)
Net loans advanced to subsidiary and associate companies		**404**	(22,211)
Dividend from subsidiary company		**1,000**	-
Interest received		**161**	545
Net cash used in investing activities		**(16,503)**	(58,597)
Financing activities			
Purchase of treasury shares		**(751)**	-
Bank finance advanced		**-**	10,000
Repayment of bank borrowings		**(2,433)**	(1,933)
Proceeds from bond issue		**24,598**	34,395
Repayment of bonds		**(11,597)**	-
Interest paid		**(7,163)**	(4,139)
Net cash from financing activities		**2,654**	38,323
Net decrease in cash and cash equivalents		**(20,008)**	(21,851)
Cash and cash equivalents at beginning of year		**25,090**	46,941
Cash and cash equivalents at year end	20	**5,082**	25,090
Non-cash transactions			
Issue of bonus shares		**1,764**	-
Conversion of bonds into shares		**-**	12

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

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2010.

- IFRS 3 *Business Combinations (Revised 2008)*
- IAS 27 *Consolidated and Separate Financial Statements (Revised 2008)*
- *Improvements to IFRSs 2009*

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

Adoption of IFRS 3 Business Combinations (Revised 2008)
The revised standard on business combinations (IFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in IFRS 3R are as follows:

- acquisition-related costs of the combination are recorded as an expense in the income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised only once its payment was probable and changes were recognised as an adjustment to goodwill.
- the measurement of assets acquired and liabilities assumed at their acquisition-date fair values is retained. However, IFRS 3R includes certain exceptions and provides specific measurement rules.

The Group did not undertake any business acquisitions during 2010 and therefore the changes did not have any impact on the accounting treatment of business combinations. Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
The adoption of IFRS 3R required that the revised IAS 27 (IAS 27R) is adopted at the same time. IAS 27R introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. These changes are applied prospectively. During the current period, the Group had no transactions with non-controlling interests.

Adoption of Improvements to IFRSs 2009 (Issued in April 2009)
The Improvements to IFRSs 2009 made several minor amendments to IFRSs. The only amendment relevant to the Group relates to IAS 17 *Leases*. The amendment requires that leases of land are classified as finance or operating by applying the general principles of IAS 17. Prior to this amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases requires reclassification.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

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

Annual Improvements 2010 (effective from 1 July 2010 and later)
The IASB has issued *Improvements to IFRS 2010* (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after the 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the Group's financial statements.

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

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

4 SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

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

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

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

4.2 Presentation of financial statements

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

IAS 1 requires two comparative periods to be presented for the balance sheet in certain circumstances. The Group has elected to provide the additional comparatives in all circumstances to maintain a more consistent presentation each year.

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 2010. Subsidiaries are all entities over which the Group has power to control the financial and operating policies. The Company obtains and exercises control through voting rights. All subsidiaries have a reporting date of 31 December.

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

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

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

4.4 Business combinations

Prior to 1 January 2010, business combinations of entities or businesses not under common control were dealt with by the purchase method, now called the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired business, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary were included in the consolidated balance sheet at their fair values, which were also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill was stated after separating out the identifiable intangible assets. Goodwill represented the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. If the acquisition cost was less than the fair value of the Group's share of identifiable net assets of the acquired subsidiary at date of acquisition, the gain on acquisition was recognised immediately in profit or loss.

For business combinations after 1 January 2010, refer to note 3.1.

4.5 Investments in associates

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

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

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

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

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

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

4.6 Borrowing costs

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

4.7 Foreign currency translation

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

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

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

4.8 Revenue

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

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

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

Rental income from operating leases of the Group's investment properties is recognised on a systematic basis over the lease term.

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

4.9 Lease payments

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

4.10 Operating expenses

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

4.11 Retirement benefit costs

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

4.12 Intangible assets

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

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

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

4.13 Property, plant and equipment

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

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

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

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

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

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

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

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

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss for the year.

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

4.14 Investment property

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

Property that is being constructed for use as an investment property is now included with investment property following the adoption of the amendments in *Annual Improvements 2008*.

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

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

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

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

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

Cash-generating units to which goodwill has been allocated are tested for impairment at least on an annual basis. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. Cash flows and discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, see notes 11 and 14.

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

4.16 Financial instruments

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

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

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

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

Financial assets and liabilities are measured subsequently as described below.

Financial assets

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

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

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

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

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

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

Loans and receivables

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

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

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

Financial assets at fair value through profit or loss

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

Investments in subsidiaries are presented in the Company's balance sheet as financial assets at fair value through profit or loss at inception.

Financial liabilities

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

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

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

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

Derivative financial instruments

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

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

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

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

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

Convertible bonds

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

4.17 Inventories

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

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

4.18 Income taxes

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

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

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

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

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

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

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

4.19 Cash and cash equivalents

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

4.20 Equity and reserves

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

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

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

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

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

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

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

4.21 Provisions, contingent liabilities and contingent assets

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

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

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

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

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. In a business combination contingent liabilities are recognised on the acquisition date when there is a present obligation that arises from past events and the fair value can be measured reliability, even if the outflow of economic resources is not probable. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

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

4.22 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

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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

Impairment

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

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

In the case of goodwill no impairment loss has been registered in the year under review (2009: nil, 2008: €15.1 million). If the independent valuer's discount rate was increased by 1% the valuation would decrease by approximately €2 million and the valuation would still be higher than the carrying amount.

The Group has incurred an impairment loss of €20.3 million in 2010 (2009: €29.7 million) on its hotel properties to reduce the carrying amount to their recoverable amounts (see note 14.3). If the independent valuer's discount rate was increased by 1% a further impairment loss of €60.5 million would have to be recognised, of which €31.2 million would be written off against reserves and €29.3 million in profit or loss.

Useful lives of depreciable assets

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

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

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

Income taxes

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

Investment properties

At each reporting date investment properties are revalued by independent valuers based either on management's estimates of expected future cash flows or market values. The Group has recognised fair value adjustments to investments property of €2.7 million (2009 - €12.1 million, 2008 - €26.2 million). When based on management's estimates 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 €6 million.

4.24 Segment reporting

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

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

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

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

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

5 SEGMENT REPORTING

Information about reportable segments

Hotels	Malta			Portugal			Hungary			Russia			Czech Republic			Libya			Total		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
	€'000	€'000	€'000	**€'000**	€'000	€'000	**€'000**	€'000	€'000	**€'000**	€'000	€'000	**€'000**	€'000	€'000	**€'000**	€'000	€'000	**€'000**	€'000	€'000
Segment revenue	**9,885**	9,413	11,425	**15,793**	12,197	17,808	**15,331**	15,424	21,999	**12,934**	9,085	13,020	**14,273**	13,788	19,019	**23,873**	32,399	35,898	**92,089**	92,306	119,169
EBITDA	**1,182**	1,138	1,689	**3,408**	1,572	4,159	**3,525**	4,023	5,997	**2,115**	830	3,461	**1,034**	1,200	3,601	**10,612**	15,870	17,968	**21,876**	24,633	36,875
Depreciation and amortisation	**(1,453)**	(1,455)	(1,418)	**(4,024)**	(3,936)	(3,696)	**(1,995)**	(3,143)	(3,197)	**(4,526)**	(3,386)	(2,187)	**(3,401)**	(3,561)	(3,516)	**(8,082)**	(8,041)	(7,390)	**(23,481)**	(23,522)	(21,404)
(Impairments) reversals	**-**	1,784	(1,234)	**2,400**	(2,500)	12,844	**-**	(7,938)	-	**-**	-	-	**-**	(13,680)	(8,067)	**-**	-	-	**2,400**	(22,334)	3,543
Segment profit (loss)	**(271)**	1,467	(963)	**1,784**	(4,864)	13,307	**1,530**	(7,058)	2,800	**(2,411)**	(2,556)	1,274	**(2,367)**	(16,041)	(7,982)	**2,030**	7,829	10,578	**295**	(21,223)	19,014

Entity wide disclosure

	Total		
	€'000	€'000	€'000
Segment revenue	**92,089**	92,306	119,169
Rental income from investment property	**6,574**	6,597	6,476
Hotel management company revenue	**4,364**	5,893	9,252
Holding company revenue	**5,116**	4,129	2,001
Elimination of intra group revenue	**(4,087)**	(5,605)	(8,932)
Consolidation adjustments	**(2,213)**	-	-
Group revenue	**101,843**	103,320	127,966
Segment profit (loss)	**295**	(21,223)	19,014
Net rental income from investment property	**6,098**	6,226	6,139
Change in fair value of investment property	**2,746**	12,064	26,253
Unallocated items	**(2,396)**	766	350
Depreciation	**(86)**	(90)	(93)
Amortisation	**(1,167)**	(1,167)	(1,167)
Impairment of goodwill	**-**	-	(15,114)
Consolidation adjustments	**(2,213)**	-	-
	3,277	(3,424)	35,382
Share of (loss) profit from equity accounted investments	**(546)**	14,483	622
Finance income	**607**	2,071	5,512
Finance costs	**(14,634)**	(12,590)	(15,854)
Net fair value gain (loss) on interest rate swap	**216**	(1,604)	(3,294)
Movement in reimbursement assets	**(340)**	(505)	(81)
(Loss) profit before tax	**(11,420)**	(1,569)	22,287

6 RESULTS FROM OPERATING ACTIVITIES

Results from operating activites are after the following charges:

	2010	2009	2008
	€'000	€'000	€'000
The Group			
Directors' remuneration	**599**	599	598
Loss on disposal of property, plant and equipment	**65**	25	12
Operating lease costs	**431**	459	460
Auditors' remuneration	**241**	227	221
Cost of sales	**7,822**	7,336	9,616

	2010	2009
	€'000	€'000
The Company		
Directors' remuneration	**584**	574
Loss on disposal of property, plant and equipment	**4**	-
Depreciation of property, plant and equipment	**30**	27
Auditors' remuneration	**23**	21

7 PERSONNEL EXPENSES

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Wages and salaries	**26,336**	24,816	28,372	**1,030**	1,091
Social security contributions	**3,879**	3,820	4,808	**34**	34
Other staff costs	**3,345**	3,141	3,407	**44**	28
	33,560	31,777	36,587	**1,108**	1,153
Weekly average number of employees:	**No.**	No.	No.	**No.**	No.
Management and administrative	**395**	419	502	**19**	20
Operating	**1,366**	1,311	1,651	**-**	-
	1,761	1,730	2,153	**19**	20

8 FINANCE INCOME AND FINANCE COSTS

	The Group		
	2010	2009	2008
	€'000	€'000	€'000
Finance income:			
Interest receivable on:			
Loans advanced to related companies	**-**	160	89
Other balances	**38**	11	85
Bank deposits	**408**	957	5,338
Exchange differences	**161**	943	-
	607	2,071	5,512
Finance costs:			
Interest payable on:			
Bank borrowings	**(8,456)**	(9,214)	(12,509)
Bonds	**(5,791)**	(3,807)	(2,780)
Loans advanced by parent company and its subsidiaries	**(40)**	(9)	(457)
Capital and other creditors	**(99)**	(55)	(22)
Less interest capitalised within property, plant and equipment	**-**	827	827
Imputed interest on convertible bonds and amortisation of bond issue costs	**(248)**	(332)	(280)
Exchange differences	**-**	-	(633)
	(14,634)	(12,590)	(15,854)

9 TAX (EXPENSE) INCOME

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Current taxation	**(2,029)**	(2,272)	(2,970)	**(398)**	(105)
(Under) over provision in respect of previous years	**(2,745)**	642	589	**-**	-
Tax at source	**(77)**	(106)	(798)	**(42)**	(64)
Deferred taxation	**3,200**	1,689	(5,105)	**7,252**	4,466
	(1,651)	(47)	(8,284)	**6,812**	4,297

Refer to note 32 for information on the deferred tax assets and liabilities.

9.1 Tax (expense) income reconciliation

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
(Loss) profit before tax	**(11,420)**	(1,569)	22,287	**(24,488)**	(12,967)
Income tax using the Company's domestic tax rate	**3,997**	549	(7,800)	**8,571**	4,539
Effect of income subject to foreign/different tax rates	**(524)**	769	3,168	**56**	85
Non-tax deductible expenses	**(1,679)**	(1,073)	(547)	**(1,815)**	(327)
Current year losses for which no deferred income is recognised	**(591)**	(953)	(385)	**-**	-
Effect of other consolidation adjustments	**480**	(556)	(5,916)	**-**	-
Change in unrecognised temporary differences	**(738)**	314	(573)	**-**	-
Effect of reduction in foreign tax rates on opening temporary differences	**(299)**	(231)	3,180	**-**	-
(Under) overprovision in respect of previous years	**(2,297)**	1,134	589	**-**	-
Tax (expense) income	**(1,651)**	(47)	(8,284)	**6,812**	4,297

9.2 Tax recognised in other comprehensive income

	The Group		
	2010	2009	2008
	€'000	€'000	€'000
Tax effect on:			
Revaluation of hotel properties	**787**	1,297	11,790
Fair value adjustment on hedging instruments	**(745)**	-	-
Exchange translation difference	**95**	-	-
	137	1,297	11,790

10 EARNINGS PER SHARE

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

	2010	2009	2008
	€'000	€'000	€'000
Number of shares:			
At beginning of year	**553,225**	553,213	537,099
Effect of bonus share issue	**1,764**	-	16,113
Effect of shares issued in May	**-**	12	1
Effect of treasury shares	**(751)**	-	-
	554,238	553,225	553,213
Weighted average number of shares:			
At beginning of year	**553,225**	553,225	553,225
Effect of bonus share issue	**1,764**	1,764	1,764
Effect of shares issued in May	**-**	7	1
Effect of treasury shares	**(563)**	-	-
	554,426	554,996	554,990

10.1 Diluted earnings per share

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

(i) (Loss) profit attributable to ordinary shareholders (diluted)

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
(Loss) profit attributable to shareholders	**(13,071)**	(1,616)	14,003	(17,676)	(8,670)
After-tax effect of interest on convertible bonds	**-**	480	480	-	480
(Loss) profit attributable to the shareholders (diluted)	**(13,071)**	(1,136)	14,483	(17,676)	(8,190)

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

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares arose from the convertible bonds in issue such that the weighted average number of shares outstanding was increased by the weighted average number of additional shares which would have been outstanding, assuming the conversion of all dilutive potential shares. The additional amount of shares issued upon conversion was dependent on the arithmetic average of the daily trade weighted average price (TWAP) arrived at as explained in note 30.1 to these financial statements.

The last date at which bondholders could exercise their right to convert was 29 November 2009 and therefore no further dilution is possible.

11 INTANGIBLE ASSETS

	The Group			
	Goodwill €'000	Brand €'000	Others €'000	Total €'000
Cost				
At 1 January 2008, 2009 and 2010	24,841	-	23,334	48,175
Acquisitions	-	19,600	217	19,817
At 31 December 2010	**24,841**	**19,600**	**23,551**	**67,992**
Amortisation				
At 1 January 2008	-	-	1,361	1,361
Amortisation	-	-	1,167	1,167
Impairment of goodwill	15,114	-	-	15,114
At 31 December 2008	15,114	-	2,528	17,642
At 1 January 2009	15,114	-	2,528	17,642
Amortisation	-	-	1,167	1,167
At 31 December 2009	15,114	-	3,695	18,809
At 1 January 2010	15,114	-	3,695	18,809
Amortisation	-	-	1,167	1,167
At 31 December 2010	**15,114**	**-**	**4,862**	**19,976**
Carrying amount				
At 1 January 2008	24,841	-	21,973	46,814
At 31 December 2008	9,727	-	20,806	30,533
At 31 December 2009	9,727	-	19,639	29,366
At 31 December 2010	**9,727**	**19,600**	**18,689**	**48,016**

	The Company		
	Brand €'000	Others €'000	Total €'000
Cost			
At 1 January 2008, 2009 and 2010	-	-	-
Acquisitions	19,600	217	19,817
At 31 December 2010	**19,600**	**217**	**19,817**

Goodwill

CHI Limited and IHI Towers s.r.o.

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

KEY ASSUMPTIONS

CHI Limited

Value in use was determined by discounting the forecast future cash flows generated by CHI for a five year explicit period 2011 – 2015.

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 61% of the total revenue in the explicit period (2009 – 96%, 2008 – 80%);
- revenue from other properties is assumed to increase by 5% per annum on 2011 budget (2009 – 5% on 2010 budget, 2008 – 2% on 2009 budget). In-perpetuity growth rate of 2% per annum applied subsequently to the five year period covered by the explicit projections;
- the rates charged by CHI and the royalties payable, are assumed to remain unchanged at current levels;
- inflationary growth in operating expenses on 2011 budget is assumed to be 2% (2009 – 2% on 2010 budget, 2008 – 3% on 2009 budget); and
- a pre-tax discount rate of 14.0% was applied to the operating projections of CHI (2009 – 14.47%, 2008 – 13.44%), based on a debt to equity ratio of 30:70.

This valuation confirmed that there was no impairment.

IHI Towers s.r.o.

In 2008 the value in use was determined by discounting the forecast future cash flows generated by Corinthia Hotel Prague for a ten year explicit period 2009 – 2018.

The following were the key assumptions underlying the projections:

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

Based on this valuation goodwill was found to be impaired and written off in 2008.

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 2010.

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.

Others

Other intangible assets represent web-site development costs and the assumed value attributable to the operation of hotel properties which arose on the acquisition of CHI Limited in 2007.

The latter was tested for impairment in conjunction with goodwill and the brand.

The web-site was not launched until December 2010 and will be amortised over three years commencing 2011.

12 REIMBURSEMENT ASSETS

	The Group		
	2010	2009	2008
	€'000	€'000	€'000
At 1 January	**23,171**	23,676	23,757
Change in fair value	**(340)**	(505)	(81)
At 31 December	**22,831**	23,171	23,676

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

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

13 INVESTMENT PROPERTY

	The Group		
	2010	2009	2008
	€'000	€'000	€'000
At 1 January	**178,876**	149,349	104,600
Additions (a)	**83**	120	18,496
Change in fair value (b)	**2,746**	12,064	26,253
Transfer from property, plant and equipment (c)	**-**	17,343	-
At 31 December	**181,705**	178,876	149,349

a) In 2010 additions of €83,000 represent further work on the property in St Petersburg. The additions in 2009 of €120,000 represented the adjustment to the final price of property purchased in Lisbon.

In 2008 the Group acquired the 99 year lease of the land adjacent to the Corinthia Hotel Tripoli for €5.3 million and also continued works amounting to €13.2 million to the investment 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 €2.9 million (2009 - €5.7 million, 2008 - €3.5 million), relying on the expert opinion of Colliers International, a firm of real estate consultants.

The valuation of the investment property in Lisbon gave rise to a lower value than previously recorded of €166,000. In 2009, the fair value of investment property owned by the Group in Lisbon was increased by €1.4 million based on the opinion of independent valuers.

The directors recognised a fair value increase of €4.6 million in 2009 (2008 - €5.0 million) on the Commercial Centre in Tripoli and a €0.4 million in 2009 (2008 - €17.8 million) on a parcel of land adjacent to the Corinthia Hotel Tripoli. In doing so the directors relied on the expert opinions of independent valuers to support this revaluation.

c) Works completed on the investment property in St Petersburg were transferred from property, plant and equipment.

e) All investment property with the exception of that in St Petersburg is hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in note 29.

f) Rental income earned by the Group for the period from investment property amounted to €6.6 million (2009 - €6.6 million, 2008 - €6.5 million) and direct expenses to €0.5 million (2009 - €0.3 million, 2008 - €0.4 million).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Notes	Land and buildings €'000	Plant and equipment €'000	Furniture, fixtures & fittings €'000	Motor vehicles €'000	Assets in the course of construction €'000	Total €'000
Cost/revalued amount							
Balance at 1 January 2008		554,562	66,747	54,906	814	50,621	727,650
Additions		1,802	1,677	1,153	128	29,939	34,699
Reallocations		13,608	1,033	1,596	-	(16,237)	-
Disposals		-	(464)	(44)	(60)	-	(568)
Revaluation surplus	22	28,884	-	-	-	-	28,884
Balance at 31 December 2008		598,856	68,993	57,611	882	64,323	790,665
Balance at 1 January 2009		598,856	68,993	57,611	882	64,323	790,665
Additions		6,314	5,514	5,858	10	6,524	24,220
Reallocations		48,552	1,995	193	-	(50,739)	1
Transfer to investment property		-	-	-	-	(17,343)	(17,343)
Disposals		-	(3,119)	(99)	(19)	-	(3,237)
Revaluation surplus	22	7,509	-	-	-	-	7,509
Balance at 31 December 2009		661,231	73,383	63,563	873	2,765	801,815
Balance at 1 January 2010		661,231	73,383	63,563	873	2,765	801,815
Additions		22	650	875	16	3,462	5,025
Reallocations		2,043	314	185	41	(2,583)	-
Disposals		-	(211)	(232)	(49)	-	(492)
Balance at 31 December 2010		**663,296**	**74,136**	**64,391**	**881**	**3,644**	**806,348**
Depreciation and impairment losses							
Balance at 1 January 2008		42,499	34,095	28,983	588	-	106,165
Depreciation		9,800	6,692	4,911	94	-	21,497
Net reversal of impairment losses		(3,543)	-	-	-	-	(3,543)
Disposals		-	(472)	(29)	(55)	-	(556)
Revaluation surplus	22	(7,436)	-	-	-	-	(7,436)
Balance at 31 December 2008		41,320	40,315	33,865	627	-	116,127
Balance at 1 January 2009		41,320	40,315	33,865	627	-	116,127
Depreciation		11,392	7,028	5,080	112	-	23,612
Impairment loss		29,741	-	-	-	-	29,741
Disposals		-	(1,236)	(69)	(7)	-	(1,312)
Revaluation surplus	22	(2,569)	-	-	-	-	(2,569)
Balance at 31 December 2009		79,884	46,107	38,876	732	-	165,599
Balance at 1 January 2010		79,884	46,107	38,876	732	-	165,599
Depreciation		11,869	6,434	5,127	133	-	23,563
Net impairment losses		17,900	-	-	-	-	17,900
Disposals		-	(204)	(178)	(45)	-	(427)
Balance at 31 December 2010		**109,653**	**52,337**	**43,825**	**820**	**-**	**206,635**
Carrying amounts							
At 1 January 2008		512,063	32,652	25,923	226	50,621	621,485
At 31 December 2008		557,536	28,678	23,746	255	64,323	674,538
At 31 December 2009		581,347	27,276	24,687	141	2,765	636,216
At 31 December 2010		**553,643**	**21,799**	**20,566**	**61**	**3,644**	**599,713**

The Company

	Plant and equipment €'000	Furniture, fixtures & fittings €'000	Motor vehicles €'000	Total €'000
Cost				
Balance at 1 January 2009	29	74	61	164
Additions	16	19	-	35
Balance at 31 December 2009	45	93	61	199
Balance at 1 January 2010	45	93	61	199
Additions	36	3	-	39
Disposals	-	-	(14)	(14)
Balance at 31 December 2010	**81**	**96**	**47**	**224**
Depreciation				
Balance at 1 January 2009	6	8	12	26
Depreciation	6	9	12	27
Balance at 31 December 2009	12	17	24	53
Balance at 1 January 2010	12	17	24	53
Depreciation	10	9	11	30
Disposals	-	-	(10)	(10)
Balance at 31 December 2010	**22**	**26**	**25**	**73**
Carrying amounts				
At 1 January 2009	23	66	49	138
At 31 December 2009	33	76	37	146
At 31 December 2010	**59**	**70**	**22**	**151**

14.1 Impairment of assets

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

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

Impairment losses and reversals have been recognised as follows:

	Recognised at 1 January 2008 €'000	Change €'000	Recognised at 31 December 2008 €'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	703	1,234	1,937
Corinthia Hotel & Spa Lisbon	13,650	(12,844)	806
Corinthia Hotel Prague	-	8,067	8,067
	14,353	(3,543)	10,810
Reported in income statement as reversal of impairment		(3,543)	

	Note	Recognised at 1 January 2009 €'000	Change €'000	Recognised at 31 December 2009 €'000
Hotel property				
Corinthia Hotel St George's Bay, Malta		1,937	(1,784)	153
Corinthia Hotel & Spa Lisbon		806	2,500	3,306
Corinthia Hotel Prague		8,067	13,680	21,747
Corinthia Hotel Budapest		-	15,345	15,345
		10,810	29,741	40,551
Reported in income statement as impairment charge			22,334	
Reported in revaluation reserve	22		7,407	
			29,741	

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

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

In the case of Corinthia Hotel St George's Bay, Malta a discount rate of 8.39% (2009 - 8.97%, 2008 - 8.95%) was used. For the testing of Corinthia Hotel and Spa Lisbon, Corinthia Hotel Prague, Corinthia Hotel Budapest and Corinthia Hotel Tripoli, discount rates of 8.36% (2009 - 8.12%, 2008 - 7.14%), 8.54% (2009 - 8.48%, 2008 - 9.07%), (2009 - 8.95%) and 11.65% were utilised respectively.

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

14.2 Revaluation to fair value of hotel properties

The "value in use" calculations resulting from the impairment reviews of the Group's hotel properties (see note 14.1) were also considered appropriate for the purpose of determining their fair value. This same basis was also used in arriving at the fair value of the Corinthia Hotel St Petersburg, which supported the hotel's carrying amount. The excess recorded in prior years is shown in note 22.

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

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

14.3 Carrying amounts of hotel properties

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

	2010	2009	2008
	€'000	€'000	€'000
Hotel property			
Corinthia Hotel St George's Bay, Malta	**32,910**	33,756	32,810
Corinthia Hotel & Spa Lisbon	**85,309**	88,829	93,966
Corinthia Hotel Prague	**76,418**	79,400	95,300
Corinthia Hotel Tripoli	**144,482**	172,400	172,611
Corinthia Hotel St Petersburg	**158,841**	163,019	105,725
Corinthia Hotel Budapest	**98,005**	98,600	116,829
	595,965	636,004	617,241

14.4 Historic cost of hotel properties

The carrying amounts of hotel properties that would have been included in these financial statements had these assets been carried at cost less accumulated depreciation thereon would be €521.7 million.

14.5 Security

Certain tangible fixed assets owned by the Group are hypothecated in favour of the Group's bankers as collateral for amounts borrowed as stated in note 29.

15 INVESTMENTS IN SUBSIDIARIES

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

	The Company	
	2010	2009
	€'000	€'000
Shares in subsidiary companies	**276,995**	297,533
Loans to subsidiary companies	**164,773**	190,438
	441,768	487,971

Subsidiary company	**Registered office**	**Nature of business**	**% Ownership**		
			2010	2009	2008
Alfa Investimentos Turisticos Lda	Avenida Columbana Bordalo Pinheiro Lisboa 1099 - 031 Portugal	Owns and operates the Corinthia Hotel & Spa Lisbon Portugal	**100**	100	100
CHI Limited	1, Europa Centre, Floriana FRN 1400 Malta	Hotel management company	**70**	70	70
Corinthia Tripoli Towers Limited	22, Europa Centre Floriana FRN 1400 Malta	Owns and operates the Corinthia Hotel Tripoli and Commercial Centre, Libya	**100**	100	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	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	100
IHI Benghazi Limited	22, Europa Centre Floriana FRN 1400 Malta	Investment company	**75**	75	75
IHI Cyprus Limited	22, Europa Centre Floriana FRN1400 Malta	Investment company	**100**	100	100
IHI Hungary Zrt	Erzsebet Krt 43-49 H-1073, Budapest Hungary	Owns and operates the Corinthia Hotel Budapest Hungary	**100**	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	100
IHI St Petersburg LLC	57, Nevskij Prospect St Petersburg 191025 Russian Federation	Investment company	**100**	100	100
IHI Towers s.r.o.	Kongresová 1655 / 1 1406 / 69 Praha 4 Czech Republic	Owns and operates the Corinthia Hotel Prague Czech Republic	**100**	100	100
IHI Zagreb d.d.	Centar Kaptol Nova Ves 11 10000 Zagreb Croatia	Investment company	**100**	100	100

15.1 Shares in subsidiary companies

	The Company	
	2010	2009
	€'000	€'000
At 1 January	**297,533**	310,283
Acquisition of equity	**1**	970
(Decrease) increase in fair value	**(20,539)**	(13,720)
At 31 December	**276,995**	297,533

15.2 Shares in subsidiary companies

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

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

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

ii) the tax indemnity granted by CPHCL, the previous owner of the shares now held in Corinthia Towers Tripoli Limited and IHI Towers s.r.o., details of which are set out in note 12 to the financial statements.

15.3 Security

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

16 ASSOCIATES

16.1 Investments accounted for using the equity method

	The Group		
	2010	2009	2008
	€'000	€'000	€'000
At 1 January	**93,584**	44,391	606
Additions	**3,900**	35,926	43,163
Share of results	**(546)**	14,483	622
Share of other comprehensive income	**38,856**	(1,118)	-
Dividend received	**(100)**	(98)	-
At 31 December	**135,694**	93,584	44,391

16.2 Investments in associates

	The Company	
	2010	2009
	€'000	€'000
At 1 January	**79,208**	43,282
Additions	**3,900**	35,926
At 31 December	**83,108**	79,208

16.3 Associate companies

Company name	Registered office	Nature of business	% Ownership		
			2010	2009	2008
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building, 6018, Larnaca, Cyprus	Investment company	**50**	50	-
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building, 6018, Larnaca, Cyprus	Investment company	**50**	50	-
Medina Towers J.S.C.	Tripoli Libya	Owns the Medina Towers project in Tripoli	**25**	-	-
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	33
QPM Limited	22, Europa Centre Floriana FRN 1400 Malta	Project management	**20**	20	20

In 2010, the Company acquired a 25% shareholding in Medina Towers J.S.C. During 2008 the Company acquired 33.33% of the share capital of NLI Holdings Limited which holding was increased to 50% in 2009.

16.4 Summary of financial information of associate companies

	The Group		
	2010	2009	2008
	€'000	€'000	€'000
Total assets	**439,893**	191,646	189,230
Total liabilities	**(173,280)**	(44,620)	(76,250)
Net assets	**266,613**	147,026	112,980
Revenue	**1,937**	20,531	8,308
(Loss) profit for the year	**(881)**	30,704	2,164
Contingent liabilities of associates	**-**	24	50

17 LOANS RECEIVABLE

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Non-current					
Group companies	**-**	-	-	**115,602**	97,313
Associate company	**6,971**	-	-	**6,971**	-
	6,971	-	-	**122,573**	97,313

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

The loan to the associate company is unsecured, interest free and repayable at the discretion of the borrower.

18 INVENTORIES

	The Group		
	2010	2009	2008
	€'000	€'000	€'000
Food and beverages	**914**	692	859
Consumables	**581**	536	500
Goods held for resale	**56**	40	31
Other	**3,634**	3,933	3,487
	5,185	5,201	4,877

19 TRADE AND OTHER RECEIVABLES

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Trade receivables	**11,426**	8,271	14,022	**-**	-
Amounts owed by:					
Parent company	**298**	1,257	881	**-**	140
Subsidiary companies	**-**	-	-	**25,165**	18,722
Associate companies	**4,462**	213	431	**4,112**	2,313
Other related companies	**3,015**	5,727	2,248	**37**	2
Other debtors	**2,773**	1,036	1,807	**2,835**	384
Accrued income	**282**	209	661	**850**	904
Financial assets	**22,256**	16,713	20,050	**32,999**	22,465
Recoverable VAT on capital expenditure	**-**	614	2,344	**-**	-
Advance payments in respect of capital creditors	**372**	1,637	468	**-**	-
Prepayments	**3,175**	1,557	1,265	**1,626**	93
Total receivables - current	**25,803**	20,521	24,127	**34,625**	22,558

19.1 Impairment losses on trade receivables

The ageing of trade receivables at the reporting date was:

Gross amount	**2010**	2009	2008
	€'000	€'000	€'000
Not past due	**2,221**	2,442	2,141
Past due 0-30 days	**1,736**	1,533	3,035
Past due 31-120 days	**4,847**	1,436	4,194
Past due 121-360 days	**2,903**	1,963	2,032
More than one year	**2,843**	3,081	4,270
	14,550	10,455	15,672

Impaired amount	**2010**	2009	2008
	€'000	€'000	€'000
Past due 0-30 days	**(27)**	(12)	(55)
Past due 31-120 days	**(110)**	(16)	(138)
Past due 121-360 days	**(857)**	(909)	(585)
More than one year	**(2,130)**	(1,247)	(872)
	(3,124)	(2,184)	(1,650)
Net amount	**11,426**	8,271	14,022

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

	2010	2009	2008
	€'000	€'000	€'000
At 1 January	**2,184**	1,650	1,010
Impairment losses recognised	**1,102**	942	737
Impairment losses reversed	**(162)**	(408)	(97)
At 31 December	**3,124**	2,184	1,650

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 to be a reasonable approximation of fair value.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Cash and bank balances:					
Current	**26,675**	50,386	69,908	**5,082**	25,090
Cash and cash equivalents in the balance sheet	**26,675**	50,386	69,908	**5,082**	25,090
Bank overdraft	**(1,425)**	(2,132)	(11)	**-**	-
Cash and cash equivalents in the statement of cash flows	**25,250**	48,254	69,897	**5,082**	25,090

The bank balances include amounts of €5.4 million (2009 and 2008 - €5.4 million) that, in accordance with the provisions of the subscription for shares agreement in a group company, have been set aside for the purposes of a Development Fund. A further €3.3 million (2009 and 2008 - €1.8 million) is set aside by two subsidiary companies for debt servicing requirements and €1 million (2009 and 2008 - €0.8 million) is set aside by another subsidiary for capital expenditure purposes.

Cash at bank for 2009 and 2008 include cash balances held by the Company with financial institutions that were pledged in order to benefit from lower interest rates on bank borrowings. This pledging agreement was undertaken during 2007 and terminated in early 2009.

21 SHARE CAPITAL

21.1 Authorised share capital

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

21.2 Issued share capital

	2010	2009	2008
	€'000	€'000	€'000
At 1 January	**553,225**	553,213	537,099
Bonus issue	**1,764**	-	16,113
Treasury shares	**(751)**	-	-
Conversion of convertible bonds	**-**	12	1
At 31 December	**554,238**	553,225	553,213

21.3 Bonus shares

During 2010, the shareholders approved the capitalisation of an amount of €1.764 million from the reserve of the Company and to issue such number of fully paid-up bonus shares of a nominal value of €1 each out of this reserve. The bonus shares were issued and allotted in a ratio of one bonus share for every 25 ordinary shares in issue as at 31 December 2009, excluding any shares held by CPHCL and Istithmar.

During 2008, the shareholders approved the capitalisation of €16.2 million from the reserve of the Company and to issue such number of fully paid up bonus shares of a nominal value of €1 each out of this reserve. The bonus shares were issued and allotted in a ratio of three bonus shares for every hundred ordinary shares.

21.4 Shareholder rights

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

22 REVALUATION RESERVE

	Notes	Revaluation surplus €'000	Deferred taxation €'000	Bonus share issue €'000	Net €'000
At 1 January 2008		67,908	(15,232)	(4,961)	47,715
Revaluation of hotel property carried out at year end:					
Corinthia Hotel St Petersburg		4,565	872	-	5,437
Corinthia Hotel Tripoli		30,397	(12,575)	-	17,822
Corinthia Hotel Budapest		3,956	(633)	-	3,323
Corinthia Hotel Prague		(2,598)	546	-	(2,052)
		36,320	(11,790)	-	24,530
Bonus share issue	21.3	-	-	(16,113)	(16,113)
		36,320	(11,790)	(16,113)	8,417
At 31 December 2008		104,228	(27,022)	(21,074)	56,132
Revaluation of hotel property carried out at year end:					
Corinthia Hotel St Petersburg		2,817	-	-	2,817
Corinthia Hotel Tripoli		7,261	(2,482)	-	4,779
Corinthia Hotel Budapest	14.1	(7,407)	1,185	-	(6,222)
		2,671	(1,297)	-	1,374
At 31 December 2009		106,899	(28,319)	(21,074)	57,506
Revaluation of hotel property carried out at year end:					
Corinthia Hotel Tripoli	14.1	(20,300)	6,940	-	(13,360)
Corinthia Hotel London through its investment in an associate company		41,211	(7,727)	-	33,484
		20,911	(787)	-	20,124
Bonus share issue	21.3	-	-	(1,764)	(1,764)
At 31 December 2010		**127,810**	**(29,106)**	**(22,838)**	**75,866**

23 TRANSLATION RESERVE

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

24 OTHER RESERVE

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

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Fair value gain on investments in subsidiary companies	**-**	-	-	**40,100**	53,450
Tax benefit of unused tax losses	**-**	-	378	**-**	-
	-	-	378	**-**	53,450
Issue of bonus shares	**-**	-	-	**(22,838)**	(21,074)
Transfer of accumulated losses	**-**	-	-	**(9,313)**	(9,313)
	-	-	378	**7,949**	23,063

25 REPORTING CURRENCY CONVERSION DIFFERENCE

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

26 (ACCUMULATED LOSSES) RETAINED EARNINGS

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

27 OTHER EQUITY COMPONENTS

The Group	**2010**	2009	2008
	€'000	€'000	€'000
Equity component of convertible bonds	**-**	347	347
Increase in value of original shareholding in CHI pursuant to independent valuation carried out on acquisition of further shareholding in 2006, net of deferred tax	**3,859**	3,859	3,859
Share of hedging reserve of associate company	**(3,231)**	(1,192)	-
	628	3,014	4,206
The Company			
Equity component of convertible bonds	**-**	347	347

28 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group seeks to maximise the return on shareholders' equity and to reduce the incidence of interest expense. The interest expense expressed as a percentage of interest-bearing borrowings was 5.0% (2009 – 3.83%, 2008 - 4.15%).

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

29 BANK BORROWINGS

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Bank overdraft	**1,425**	2,132	11	**-**	-
Bank loans	**185,302**	191,668	202,255	**12,333**	14,766
	186,727	193,800	202,266	**12,333**	14,766
Comprising:					
Non-current bank borrowings					
Bank loans due within 2 – 5 years	**72,092**	58,454	77,099	**6,400**	7,233
Bank loans due later than 5 years	**93,710**	101,525	105,141	**3,500**	5,100
	165,802	159,979	182,240	**9,900**	12,333
Current bank borrowings					
Bank overdraft	**1,425**	2,132	11	**-**	-
Bank loans due within 1 year	**19,500**	31,689	20,015	**2,433**	2,433
	20,925	33,821	20,026	**2,433**	2,433

Terms and repayment schedule

	Total	Within 1 year	Between 2-5 years	After 5 years	Security and nominal interest rate	Year of maturity
	€'000	€'000	€'000	€'000		
International Hotel Investments p.l.c.						
Bank loan I						
2010	**3,000**	**600**	**2,400**	**-**	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. Bank euro base rate + 2.5%, increased from 1.75% in April 2009.	2015
2009	3,600	600	2,400	600		
2008	4,200	600	2,400	1,200		
Bank loan II						
2010	**833**	**833**	**-**	**-**	First general hypothec for €1.66 million and third general hypothec for €9.5 million over all 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. 6 month Euribor + 1.5%.	2011
2009	1,666	833	833	-		
2008	2,499	833	1,666	-		
Bank loan III						
2010	**8,500**	**1,000**	**4,000**	**3,500**	As for bank loan II. 6 month Euribor + 1.5%.	2019
2009	9,500	1,000	4,000	4,500		
2008	-	-	-	-		
Five Star Hotels Limited						
Bank overdraft - *Max of €2 million*						
2010	**985**	**985**	**-**	**-**	General hypothec over assets belonging to Five Star Hotels Limited supported by a special hypothec and privilege over the leasehold land and buildings and a pledge over the company's comprehensive insurance policies. Bank euro base + 2.5%, increased from 1.75% in April 2009.	On demand
2009	1,162	1,162	-	-		
2008	11	11	-	-		
Bank loan						
2010	**4,512**	**753**	**3,759**	**-**	As for overdraft. Bank euro base rate + 2.5%, increased from 1.75% in April 2009.	2015
2009	5,228	717	2,893	1,618		
2008	5,921	621	2,893	2,407		
Alfa Investimentos Turisticos Lda						
Bank loan I(a)						
2010	**23,273**	**2,042**	**7,741**	**13,490**	Secured by mortgages over the Corinthia Hotel & Spa Lisbon including land. Floating Euribor + 1.25%.	2022
2009	24,240	1,290	7,310	15,640		
2008	25,530	1,290	6,450	17,790		
Bank loan I(b)						
2010	**14,030**	**-**	**-**	**14,030**	Secured by mortgages over the Corinthia Hotel & Spa Lisbon including land. Fixed at 6.24% up to April 2013 and 3 month Euribor + 1.25% thereafter.	2022
2009	14,030	-	-	14,030		
2008	14,030	-	-	14,030		
Bank loan II						
2010	**1,726**	**538**	**1,188**	**-**	Secured by a second ranking mortgage over the Corinthia Hotel & Spa Lisbon including land and a blank bill of exchange. 3 month Euribor + 1.75%.	2013-2015
2009	2,226	500	1,663	63		
2008	2,701	475	1,913	313		
Bank overdraft - *Max of €1.75 million*						
2010	**440**	**440**	**-**	**-**	Promissory note and letter of comfort from parent company. 1 month Euribor + 4.95%.	On demand
2009	970	970	-	-		
2008	-	-	-	-		

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						
2010	**-**	**-**	**-**	**-**	Until repaid in full in 2010, secured over the Corinthia Hotel St Petersburg and a pledge over the shares of IHI Benelux B.V. Pledge over all present and future movable property held by this company and subordination of loans due to the parent company and by a pledge over all bank accounts held. 3 month Euribor + 3.25% during construction, thereafter margin at 3%.	2016
2009	13,687	13,687	-	-		
2008	16,987	3,300	13,687	-		
IHI Hungary Zrt.						
Bank loan						
2010	**37,047**	**1,765**	**8,345**	**26,937**	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. 3 month Euribor + 3.1% (composite rate).	2019
2009	38,706	1,658	7,813	29,235		
2008	40,261	1,555	7,323	31,383		
CHI Limited						
Bank overdraft - *Max of €1.16 million*						
2010	**-**	**-**	**-**	**-**	Secured by general hypothec over the company's assets and by a guarantee from IHI. Bank euro base rate + 1.5%.	On demand
2009	-	-	-	-		
2008	512	512	-	-		
Corinthia Towers Tripoli Limited						
Bank loan I						
2010	**15,500**	**8,000**	**7,500**	**-**	Secured by a general hypothec over the land and buildings of the hotel property in Tripoli. 3 month Libor + 1.5%.	2012
2009	24,000	8,000	16,000	-		
2008	32,000	8,000	24,000	-		
Bank loan II						
2010	**7,250**	**2,000**	**5,250**	**-**	Secured by a pledge on shares in Corinthia Towers Tripoli Limited. 3 month Euribor + 2.25%.	2013
2009	8,750	1,500	7,250	-		
2008	10,250	1,500	8,750	-		
Bank loan III						
2010	**25,500**	**-**	**23,333**	**2,167**	Secured by a general hypothec over the land and buildings of the hotel property in Tripoli. 3 month Euribor + 2.00%.	2018
2009	-	-	-	-		
2008	-	-	-	-		
IHI Towers sro						
Bank loan						
2010	**44,131**	**1,969**	**8,576**	**33,586**	Secured by mortgages over the Corinthia Hotel Prague and by a pledge on shares, movables, bank accounts and insurance policy. 3 month Euribor + 1.45%.	2020
2009	46,035	1,904	8,292	35,839		
2008	47,876	1,841	8,017	38,018		

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

30 BONDS

	2010 €'000	2009 €'000	2008 €'000
Convertible bonds	**-**	11,493	11,292
Pre-euro bonds (previously Lm bonds)	**13,924**	13,885	13,848
Bond I	**8,079**	8,082	8,045
Bond II	**12,438**	12,422	12,406
Bond III	**34,459**	34,395	-
Bond IV	**24,626**	-	-
	93,526	80,277	45,591
Non-current	**93,526**	68,784	45,591
Current	**-**	11,493	-
	93,526	80,277	45,591

30.1 Convertible bonds

	€'000
Proceeds from issue	12,283
Transaction costs	(367)
Net proceeds	11,916
Imputed interest and amortisation of transaction costs to 1 January 2008	50
Exchange differences	(636)
Conversion into shares	(38)
At 31 December 2008	11,292
Imputed interest and amortisation of transaction costs for 2009	213
Conversion into shares	(12)
At 31 December 2009	11,493
Imputed interest and amortisation of transaction costs for 2010	104
Amount refunded on maturity	(11,597)
At 31 December 2010	**-**

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

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

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

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

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

Since the conversion periods elapsed in 2009, no conversion of bonds took place in 2010 (2009 - €11,647, 2008 - €1,165).

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

(iii) Security

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

30.2 Pre-euro and euro bonds

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

	Year of issue	**Nominal amount €'000**	**Rate of interest %**	**Maturity date**	**Redemption option period**
Pre-euro bond	2003	14,018	6.3	15 February 2013	-
Bond I	2003	8,058	6.2-6.8	15 February 2013	-
Bond II	2006	12,500	6.5	27 March 2014	2012-2014
Bond III	2009	35,000	6.25	10 July 2019	2015-2019
Bond IV	2010	25,000	6.25	8 April 2020	2017-2020

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

(ii) Interest

Interest is payable annually in arrears on the due date.

(iii) Security

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

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

	Pre-euro bond €'000	I €'000	II €'000	III €'000	IV €'000
At 1 January 2008	13,813	8,011	12,391	-	-
Amortisation of transaction costs	35	34	15	-	-
At 31 December 2008	13,848	8,045	12,406	-	
Proceeds from issue	-	-	-	35,000	-
Issue costs	-	-	-	(634)	-
Amortisation of transaction costs	37	37	16	29	-
At 31 December 2009	13,885	8,082	12,422	34,395	-
Proceeds from issue	-	-	-	-	25,000
Issue costs	-	-	-	-	(402)
Amortisation of transaction costs	39	(3)	16	64	28
At 31 December 2010	**13,924**	**8,079**	**12,438**	**34,459**	**24,626**

31 OTHER INTEREST BEARING BORROWINGS

	The Group		
	2010 €'000	2009 €'000	2008 €'000
Amounts owed to:			
Parent company	**5,684**	-	290
Associate companies	**43**	20	394
Related companies	**340**	273	441
	6,067	293	1,125
Non-current liabilities			
Amounts owed to:			
Parent company	**5,684**	-	290
Current liabilities			
Amounts owed to:			
Associate companies	**43**	20	394
Related companies	**340**	273	441
	383	293	835

	The Company	
	2010 €'000	2009 €'000
Non-current liabilities		
Amounts owed to:		
Parent company	**5,684**	-

The terms of the amounts owed are as follows:

	€'000	**Interest**	**Repayable by**
At 31 December 2010			
Parent company	**5,684**	5.0%	Due by the end of 2012
Associate companies	**43**	3 month Euribor + 2.0%	On demand
Related companies	**340**	6.0%	On demand
	6,067		
At 31 December 2009			
Associate companies	20	3 month Euribor + 2.0%	On demand
Related companies	273	6.0%	On demand
	293		
At 31 December 2008			
Parent company	290	5.5%	At least after more than 12 months after balance sheet date
Associate companies	394	3 month Euribor + 2.0%	On demand
Related company	441	6.0%	On demand
	1,125		

None of the loans is secured.

32 DEFERRED TAXATION

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Tax effect of temporary differences relating to:					
Excess of tax base over carrying amount of tangible fixed assets	**27,209**	29,457	29,135	**28**	5
Unrelieved tax losses and unabsorbed capital allowances	**(9,492)**	(10,048)	(7,936)	**-**	-
Investment in intangible asset	**6,911**	7,320	7,728	**-**	-
Investment in subsidiary	**5,150**	5,150	5,150	**26,743**	33,932
Investment in associate	**9,603**	1,878	-	**-**	-
Tax effect on revaluation of land and buildings	**41,409**	50,205	53,500	**-**	-
Tax effect on revaluation of investment property	**18,885**	18,521	15,830	**-**	-
Convertible bonds component recognised in equity	**-**	36	92	**-**	36
Provision for exchange differences	**(672)**	(395)	(371)	**(50)**	-
Provision for doubtful debts	**(367)**	(288)	(266)	**-**	-
Derivatives	**(976)**	(1,028)	(730)	**-**	-
Accrued charges	**1,554**	1,469	537	**-**	-
	99,214	102,277	102,669	**26,721**	33,973

	The Group			The Company	
The movement can be analysed as follows:					
Movement for the year	**3,063**	392	(16,895)	**7,252**	4,466
Recognised directly in comprehensive income	**137**	1,297	11,790	**-**	-
Recognised in profit or loss	**3,200**	1,689	(5,105)	**7,252**	4,466

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		
	2010	2009	2008
	€'000	€'000	€'000
Expiry			
2009	**-**	-	5,695
2010	**-**	5,593	5,953
2011	**5,668**	5,668	5,668
2012	**3,152**	3,153	3,153
2013	**2,520**	2,520	2,520
2014	**3,085**	3,085	3,085
2015	**3,375**	3,375	-
2016	**2,704**	-	-
	20,504	23,394	26,074

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

33 TRADE AND OTHER PAYABLES

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Trade payables	**7,117**	6,874	7,098	**694**	159
Amounts owed to:					
Parent company	**906**	620	481	**-**	2
Subsidiary companies	**-**	-	-	**2,163**	677
Associate companies	**761**	725	236	**614**	74
Other related parties	**486**	485	789	**119**	22
Capital creditors	**877**	2,100	4,937	**-**	-
Other creditors	**3,057**	2,790	4,059	**29**	45
Accruals	**11,400**	11,254	17,959	**5,388**	3,635
Financial liabilities	**24,604**	24,848	35,559	**9,007**	4,614
Advance payments	**4,452**	4,109	4,439	**-**	-
Statutory liabilities	**263**	192	184	**117**	93
Total payables - current	**29,319**	29,149	40,182	**9,124**	4,707

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

34 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		
	2010	2009	2008
	€'000	€'000	€'000
Interest rate swaps:			
Non-current	**4,697**	4,913	3,309
	4,697	4,913	3,309

34.1 Terms

	The Group		
	2010	2009	2008
	€'000	€'000	€'000
Notional amount:			
maturing in 2013	**14,030**	14,030	14,030
maturing in 2014	**36,391**	36,391	36,391

Interest rates:

Maturing in 2013	
Receive variable interest at the rate of	3 month Euribor
Pay fixed interest at the rate of	4.89% to 5.2% per quarter
Maturing in 2014	
Receive variable interest at the rate of	3 month Euribor
Pay fixed interest at the rate of	4.15% per annum

35 CASH FLOW ADJUSTMENTS

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Adjustments:					
Depreciation	**23,563**	23,612	21497	**30**	28
Provision for doubtful debts	**940**	534	640	**-**	-
Impairment of goodwill	**-**	-	15,114	**-**	-
Fair value adjustment on derivative instruments	**(216)**	1,604	3,294	**-**	-
Loss on disposal of property, plant and equipment	**65**	25	12	**4**	-
Amortisation of intangible asset	**1,167**	1,167	1,167	**-**	-
Net impairment loss (reversal)	**(2,400)**	22,334	(3,543)	**-**	-
Fair value adjustment on investment in subsidiaries	**-**	-	-	**20,539**	13,720
Fair value adjustment on investment properties	**(2,746)**	(12,064)	(26,253)	**-**	-
Share of results of associate companies	**546**	(14,483)	(622)	**-**	-
Movement in reimbursement of assets	**340**	505	81	**-**	-
Amortisation of transaction costs	**248**	332	280	**248**	331
Provision for exchange differences	**-**	-	406	**-**	-
Provision for charges	**(66)**	(163)	(296)	**-**	-
Interest receivable	**(446)**	(1,128)	(5,512)	**-**	-
Interest payable	**14,386**	12,258	14,941	**-**	-
	35,381	34,533	21,206	**20,821**	14,079

36 COMMITMENTS

The Group	**2010**	2009	2008
	€'000	€'000	€'000
Capital expenditure			
Contracted for:			
Alfa Investimentos Turisticos Lda (Corinthia Hotel & Spa Lisbon)	**-**	-	919
IHI Benelux B.V. (Corinthia Hotel St Petersburg)	**-**	-	20,889
Corinthia Towers Tripoli Limited (Corinthia Hotel Tripoli)	**1,000**	-	-
IHI Benghazi Limited	**-**	300	-
NLI Holdings Limited	**1,800**	5,600	16,850
	2,800	5,900	38,658
Authorised but not yet contracted for:			
Five Star Hotels Limited (Corinthia Hotel St.George's Bay, Malta)	**-**	1,000	-
IHI Benelux B.V. (Corinthia Hotel St Petersburg)	**10,000**	10,000	7,000
IHI Hungary zrt (Corinthia Hotel Budapest)	**800**	1,500	-
IHI Towers sro (Corinthia Hotel Prague)	**1,000**	1,000	-
Corinthia Towers Tripoli Limited (Corinthia Hotel Tripoli)	**1,500**	2,500	-
IHI Benghazi Limited	**12,000**	12,000	-
Medina Towers J.S.C.	**20,500**	-	-
Other investments	**-**	5,000	-
	45,800	33,000	7,000
	48,600	38,900	45,658

Operating leases

Non-cancellable operating lease rentals are as follows:	**2010**	2009	2008
	€'000	€'000	€'000
Less than one year	**108**	108	108
Between two and five years	**433**	433	433
More than five years	**12,805**	12,913	13,021
	13,346	13,454	13,562

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

During the year ended 2010, €108,000 (2009 and 2008 – €108,000) was recognised as an expense in the income statement in respect of operating leases.

37 CONTINGENT LIABILITIES

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

38 RELATED PARTIES

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

None of the transactions incorporates special terms and conditions and, except as disclosed in notes 11 and 12, no guarantees were given or received. Transactions with related companies are generally effected on a cost plus basis or on the basis of pre-agreed arrangements. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in notes 15, 17, 19 and 33.

38.1 Related parties

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Revenue					
Services rendered to:					
Parent company	**902**	1,318	981	**600**	600
Fellow subsidiaries	**1,180**	1,265	1,582	**1,135**	1,177
Associate companies	**1,187**	2,338	5	**1,168**	2,251
	3,269	4,921	2,568	**2,903**	4,028
Direct costs					
Charged by:					
Parent company	**(1,271)**	(1,459)	(1,671)	**-**	-
Fellow subsidiaries	**(45)**	(67)	-	**-**	-
	(1,316)	(1,526)	(1,671)	**-**	-
Sundry expenses					
Charged (recharged) by (to):					
Parent company	**-**	(8)	-	**-**	-
Fellow subsidiaries	**(15)**	(12)	-	**-**	-
Associate companies		-	(8)	**-**	-
	(15)	(20)	(8)	**-**	-
Financing					
Interest receivable	**-**	127	89	**4,147**	4,207
Interest payable	**(55)**	(9)	(457)	**(40)**	-
	(55)	118	(368)	**4,107**	4,207
Income	**1,883**	3,493	521	**7,010**	8,235
Property, plant and equipment					
Capitalised construction and related services provided by associate companies	**31**	420	767	**-**	-
Intangible asset					
Purchase of brand from parent company	**19,600**	-	-	**19,600**	-

38.1 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.

39 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various risks through its use of financial instruments. The main types of risks are market risk, credit risk and liquidity risk, which result from both its operating and investing activities. The Group's risk management is coordinated at its head office, in close co-operation with the board of directors and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below. See also note 39.4 for a summary of the Group's financial assets and liabilities by category.

39.1 Credit risk

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

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Classes of financial assets – carrying amounts					
Reimbursement assets	**22,831**	23,171	23,676	**-**	-
Investments in subsidiaries	**-**	-	-	**276,995**	297,533
Long term loans	**6,971**	-	-	**287,346**	287,751
Short term loans	**-**	-	-	**-**	-
Trade and other receivables	**22,256**	16,713	20,050	**32,999**	22,465
Cash and cash equivalents	**26,675**	50,386	69,908	**5,082**	25,090
	78,733	90,270	113,634	**602,422**	632,839

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

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

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

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

The Group does not require collateral in respect of trade and other receivables. The Group establishes an allowance for doubtful recoveries that represents its estimate of losses in respect of trade and other receivables. See note 19.1 for further information on impairment of financial assets that are past due.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2010

Cash at bank

The Group's cash is placed with quality financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the companies within the Group.

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 19.1 for further information on impairment of financial assets that are past due.

39.2 Liquidity risk

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

The Group actively manages its cash flow requirements. Each subsidiary company within the Group updates its cash flow on a monthly basis. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

At 31 December 2010 the Group has financial liabilities, including estimated interest payments, with contractual maturities which are summarised below:

The Group

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

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

	Current		**Non-current**	
31 December 2009	**Within 6 months**	**6 - 12 months**	**2 - 5 years**	**More than 5 years**
	€'000	€'000	€'000	€'000
Non-derivatives:				
Bank borrowings	17,380	23,000	124,925	124,976
Bonds	14,222	2,217	47,966	45,338
Parent company loan and other interest bearing borrowings	311	-	-	-
Bank overdraft	2,132	-	-	-
Trade and other payables	24,886	-	-	-
Derivatives	621	1,091	3,201	-
	59,552	26,308	176,092	170,314

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

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 2% interest margin per annum.

The Company

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

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

31 December 2009	Current		Non-current	
	Within 6 months €'000	6 - 12 months €'000	2 - 5 years €'000	More than 5 years €'000
Bank borrowings	1,532	1,513	8,785	5,601
Bonds	14,222	2,217	47,966	45,338
Trade and other payables	4,614	-	-	-
	20,368	3,730	56,751	50,939

39.3 Market risk

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

(i) Foreign currency risk

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

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

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

(ii) Interest rate risk

The Group is exposed to changes in market interest rates through bank borrowings and related party loans at variable interest rates. The Group's interest bearing financial instruments at the reporting dates were as follows:

	The Group			The Company	
	2010 €'000	2009 €'000	2008 €'000	**2010 €'000**	2009 €'000
Fixed rate instruments					
Financial liabilities:					
Bonds	**(93,526)**	(80,277)	(45,591)	**(93,526)**	(80,276)
Parent company loan and other interest-bearing borrowings	**(6,024)**	(273)	(732)	**8,800**	-
	(99,550)	(80,550)	(46,323)	**(84,726)**	(80,276)
Variable rate instruments					
Financial assets other than cash at bank:					
Non-current -					
Loan to related company	**-**	-	-	**106,803**	97,313
Financial liabilities:					
Bank borrowings	**(186,727)**	(193,800)	(202,266)	**(12,333)**	(14,266)
Other interest bearing liabilities	**(43)**	(20)	(394)	**-**	-
	(186,770)	(193,820)	(202,660)	**94,470**	83,047

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 +/- 1%. 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 +1%	€'000 -1%	€'000 +1%	€'000 -1%
Interest payable -				
31 December 2010	**(1,107)**	**1,107**	**(141)**	**141**
31 December 2009	(1,767)	1,767	(136)	136
31 December 2008	(1,386)	1,478	(70)	70
Interest receivable -				
31 December 2010	**298**	**(149)**	**1,108**	**(1,160)**
31 December 2009	256	(348)	1,171	(1,328)
31 December 2008	1,098	(1,098)	988	(988)

39.4 Summary of financial assets and liabilities by category

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

	The Group			The Company	
	2010	2009	2008	**2010**	2009
	€'000	€'000	€'000	**€'000**	€'000
Non-current assets					
Investments at fair value through profit and loss	**-**	-	-	**276,995**	297,533
Reimbursement assets	**22,831**	23,171	23,676	**-**	-
Loans and receivables:					
Amounts due from group and related companies	**-**	-	-	**287,346**	287,751
	22,831	23,171	23,676	**564,341**	585,284
Current assets					
Loans and receivables:					
Trade receivables	**11,426**	8,271	14,022	**-**	-
Other receivables	**10,830**	8,442	6,028	**32,997**	22,465
Cash and cash equivalents	**26,675**	50,386	69,908	**5,082**	25,090
	48,931	67,099	89,958	**38,079**	47,555
Non-current liabilities					
Financial liabilities measured at amortised cost:					
Bank borrowings	**165,802**	159,979	182,240	**9,900**	12,333
Bonds	**93,526**	68,784	45,591	**93,526**	68,784
Other interest bearing borrowings	**5,684**	-	290	**5,684**	-
Derivatives	**4,697**	4,913	3,309	**-**	-
	269,709	233,676	231,430	**109,110**	81,117
Current liabilities					
Financial liabilities measured at amortised cost:					
Bank borrowings	**20,925**	33,821	20,026	**2,433**	2,433
Bonds	**-**	11,493	-	**-**	11,493
Other interest bearing borrowings	**383**	293	835	**-**	-
Trade payables	**7,117**	6,874	7,098	**694**	159
Other payables	**6,087**	6,720	10,502	**2,925**	820
Accruals	**11,400**	11,254	17,959	**5,388**	3,635
	45,912	70,455	56,420	**11,440**	18,540

39.5 Financial instruments measured at fair value

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

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

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

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

Level 2	**2010**	2009
	€'000	€'000
Liabilities		
Interest rate swaps	**(4,697)**	(4,913)

Measurement of fair value

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.

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

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

40 EVENTS AFTER THE BALANCE SHEET DATE

Following the recent unrest in Libya, the directors have been monitoring the situation very carefully. The safety and security of the Group's employees in Libya is paramount. The Company continues to take immediate and appropriate action in the best interest of its shareholders, employees and other stakeholders. The Corinthia Tripoli Hotel has remained operational albeit with a reduced level of activity and staff complement commensurate with the current business demand. The directors are of the opinion that it is premature to provide estimates of the consequences of these events that are unfolding.

The Group's business activities are spread in different countries and this strategy provides a natural hedge against localised problems. However, the events in Libya will negatively affect the Group's current year's performance and may adversely affect its future performance and financial position.

The Company also implemented the restrictive measures with respect to the shareholding in the Company held by Libyan Foreign Investment Company. It is important to note, however, that although these UN and EU sanctions were implemented to freeze the shareholdings of Libyan entities in companies worldwide, they are not intended to disrupt the operations of such latter companies. The company has sought and obtained necessary clarifications and licences from Governments in various jurisdictions in order to enable it to continue trading.

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.

GrantThornton

Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

T (+356) 21320134
F (+356) 21331161
www.gtmalta.com

Report on the financial statements

We have audited the accompanying financial statements of International Hotel Investments p.l.c. and the consolidated financial statements of its group set out on pages FS 13 to FS 65, which comprise the balance sheets of the Company and the Group as at 31 December 2010, and their income statements, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

GrantThornton

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 2010, 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.

Emphasis of matter

We draw attention to note 40 to the financial statements which makes reference to the events that are currently taking place in Libya, to the significant uncertainty that the unrest in that country has created, and to the negative effects that these events will have on the Group's current year performance and possibly on its future performance and financial position. Our opinion is not qualified in this respect.

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.

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

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

30 March 2011

INTERNATIONAL HOTEL INVESTMENTS p.l.c.

22 Europa Centre, Floriana FRN 1400, Malta
Tel: + 356 2123 3141 · Fax +356 2123 4219
Email: info@ihiplc.com · Web: ihiplc.com