Corinthia Palace Hotel Company Limited

Report and Financial Statements

31 December 2013

Company registration number C 257

Contents

Directors' report

The directors present their report together with the audited financial statements of Corinthia Palace Hotel Company Limited (the 'company' or 'CPHCL') and the consolidated financial statements of the group of which it is the parent, for the year ended 31 December 2013.

Principal activities

The group's main business is connected with the ownership, development and operation of hotels, leisure facilities, and other activities related to the tourism industry and commercial centres. The group is also actively engaged in the provision of residential accommodation, project management services and industrial catering.

Results

During the year under review the group registered a profit after tax of €4.8 million (2012: profit of €2.9 million) while the total comprehensive income for the year amounted to €46.9 million against a profit of €10.1 million registered in 2012.

Details of the results for the year are set out in the consolidated income statement and statement of comprehensive income page 7 and 8 of the Annual Report and in the related notes to the financial statements.

Review of performance

During 2013 the group's revenue amounted to €164.9 million reflecting an increase of €6.2 million equivalent to a 3.9% increase on the turnover registered in 2012 (€158.7 million). It is here important to note that the results of the Corinthia Hotel in London and Palm City Residences in Zanzour, Libya in which the group holds a 50% shareholding are not included in the consolidated operating results. The group's 50% share of the net profit or loss generated by these two substantial investments is reflected in the line entitled 'Share of results of associate companies' and will be explained further on in this review.

In general, the group's hotels registered increases in revenues over 2012 resulting mainly from higher rates achieved through a strategic shift in market segmentation and increased business generated by the in-house developed reservation and distribution system. The highest improvements were registered in Lisbon, St Petersburg, and Libya whilst some reductions were experienced in the Czech Republic and Tunisia. The best performer was the Corinthia Hotel and Commercial Centre in St Petersburg.

Hotel operating expenses also increased on account of increased occupancies, additional payroll costs in Libya in consequence of changes in work practices, and a general increase in the cost base in line with enhanced brand service standards being introduced across the group.

The Corinthia Hotel London, as it entered its second year of operation continued to register improvements in its operating results, but being an associate, the results of this operation are reported with the share of equity accounted investments.

The 2013 group's EBITDA at €31.2 million (excluding London and Palm City) represents an improvement of €6.2 million on the EBITDA of €25.0 million reported in 2012, translating into a year-on-year growth of 25%.

While the charge for depreciation remained on the same level of 2012, following the annual property valuation exercise, a reversal of impairment of €5.0 million was registered on the Corinthia Hotel Lisbon as a result of its improved results registered in 2013 and a more positive long-term outlook for this property.

The share of results of associated companies amounting to €0.4 million (2012: Profit of €29.2 million, after revaluation uplifts) principally reflects the combined share of results of the group's investment in associated companies, mainly the 50% investment in Corinthia Hotel and Residences in London through its subsidiary International Hotel Investments plc (IHI) and the 50% investment in Mediterranean Investments Holding plc (MIH) being the owning company of the Palm City Residences complex in Libya.

In 2013 MIH registered its best operational results ever through the robust performance achieved by its subsidiary Palm City Ltd. Launched in 2009, Palm City Residences (Palm City) weathered the after-effects of the Libyan revolution. In 2013 Palm City achieved a record 94% occupancy while the operational expenses have been contained within a competitive percentage. The profit for the year after tax amounted to €13.8 million (2012: €49 million). The results for 2012, however, included a fair value uplift recognised on Palm City amounting to €36.1 million net of tax while the tax charge for 2013 was €4.2 million higher than that in 2012. Accordingly, on a like-for-like comparison, the pre-tax results for 2013 were €5.1 million better than those achieved in 2012. In 2013 no revaluation uplift was recognised on this property.

The company also continued to push forward the Medina Tower project in Tripoli, Libya. Significant progress has been registered on various aspects of this project aimed at decreasing costs related to the substructure whilst increasing revenues arising from an increased number of units. Another important milestone was the signing of a term sheet in 2014 with a Libyan bank for a credit facility of US$288 million. It is planned that construction works will commence as soon as the financing arrangements are finalised. Medina Tower will comprise 238 luxury apartments, 10,400 m^2 of retail space, 22,600 m^2 of office space and over 8,400 m^2 of conference and health and leisure facilities and 900 underground parking bays.

In 2013 the Corinthia Hotel London registered a significant improvement in its operating profit reaching a Gross Operating Profit of £14.0 million against £8.0 million registered in 2012. This underscores the Hotel's continued market penetration in its second full year of operation. A loss after tax of £9.8 million (£8.7 million profit) is however recorded after accounting for depreciation, financing costs and valuation movements on the Residences.

The gain of €3.4 million registered on the sale of investment property represents the 50% group's share relating to the assignment of rights of use of the Palm City Waterfront site to an associated company.

The improvement of €3.9 million in finance income was largely due to a reversal of losses previously recognised on interest rate swap arrangements and to differences on exchange.

Finance costs amounting to €23.9 million were practically stable when compared to those of the previous year (€23.8 million). Although there was a substantial reduction in interest on loans and bonds due to repayments made during the year and which reduced the group's borrowings, these reductions were off-set by losses on exchange.

The gain on revaluation to fair value of investment properties amounting to €7.2 million (2012: €4.2 million) was mainly the result of an uplift of €6.6 million in the valuation of the plot of land located in Marsa (Malta) which is earmarked for development.

The group registered a substantial Tax Income of €4.7 million (2012: €1.0 million) in consequence of the recognition of deferred tax income on losses on which there is a reasonable expectation of recovery.

In consequence of the foregoing, in 2013 the group registered a profit after tax of €4.8 million compared to a profit of €2.9 million in 2012.

The income of €42.2 million recognised in the Statement of Comprehensive Income mainly reflects the group's share of a revaluation uplift of €32 million, net of tax, on Corinthia Hotel London, an uplift of €16.3 million net of tax on the revaluation of the Corinthia Palace Hotel less an impairment charge of €6.6 million, also net of tax, taken on Corinthia Hotel St Petersburg.

Property revaluation adjustments feature in both the group's income statement and in the comprehensive income statement. Adjustments to the income statement represent movements in the values of investment properties and impairment adjustments or reversals thereof on hotel properties. Conversely, adjustments to the comprehensive income statement represent increases in values, or reversals thereof, in the book value of hotel properties.

After adding the net comprehensive income of €42.2 million to the profit after tax of €4.8 million, the group's total comprehensive income for 2013 amounted to €46.9 million against a total comprehensive income of €10.1 million registered in 2012 meaning a 364% year-on-year improvement.

On its part, in 2013 the company incurred a loss after tax of €3.8 million (2012: Profit of €0.9). However in the comprehensive income it registered a net income of €16.3 million (2012: loss of €0.1) for a total comprehensive income of €12.5 million against €0.8 million in 2012. This was mainly the result of the revaluation uplift recognised on the Corinthia Palace Hotel which in 2013 was reclassified as property, plant and equipment from asset held for sale.

State of affairs

During 2013 the group managed to acquire the other 50% ownership of a property in Prague for €1.8 million. This property has significant development potential.

The group also completed the project involving a concrete batching plant and a concrete block making unit located in Libya. The relevant operations commenced during the year.

The re-organisation of the group's project management company QPM Ltd continued and this company is today one of the leading project management firms, geared to provide a comprehensive range of services related to the construction industry.

In November 2013 the group issued a €10 million Bond at 5.8% interest per annum, replacing a €12.5 million Bond which matured on 27 March 2014. The balance of €2.5 million has been redeemed from the group's cash flow, in this way reducing further the group's indebtedness.

The group's working capital as at the end of December 2013 showed a deficiency of €48.9 million. This deficiency is being addressed through the projected improvements in the operating performance of the various business units of the group, the disposal of non-core assets including the London Residences, and the refinancing of loan facilities. In the meantime, the gearing ratio remained at a prudent level of 38% (2012: 40%).

At the company level the deficiency in working capital stood at € 25.4 million. The directors expect that this will be addressed through the receipt of dividends from group companies, most notably from IHI which, as will be explained below has declared a dividend, the repayment of loans advanced in past years to subsidiaries, refinancing of loan facilities and the disposal of non-core assets.

Outlook

Five years after the global financial crisis, the overall global economic situation remains challenging, but there are continued signs of recovery which should positively impact the group's performance. Libya, which has always been one of the group's main pillars from a profitability point of view, is slowly trying to achieve a more stable political environment and hopefully this will also result in an improved economic activity in the country. Tunisia is also showing consistent signs of an improved political and economic climate. The group is therefore confident that the operational results for 2014 will show an improvement over those for 2013.

In the meantime, this month, eleven of the twelve apartments in London have been sold and IHI has announced a net dividend of 3% to its shareholders.

IHI and MIH are still in discussions with sovereign wealth funds and large institutions with the ultimate objective of raising fresh capital to enable the group to move ahead in its overall vision of expanding its operations in Europe, North Africa, North America and Asia.

Directors

The following have served as directors of CPHCL during the year under review:

Mr Alfred Pisani – Chairman
Mr Yousef A. Abdelmaula
Mr Mustafa T. Mohamed Khattabi
Mr Joseph Pisani
Mr Victor Pisani
Mr Abuagila Almahdi (appointed 16 January 2014)
Mr Farag Gheryani (resigned 16 January 2014)

Disclosure of information to the auditor

At the date of making this report the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing their report of which the independent auditor is unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing their report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the company and group for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386.

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

The directors, through oversight of management, are responsible for ensuring that the group designs, implements and maintains internal control 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.

Auditor

The auditor Grant Thornton has intimated its willingness to continue in office.

By order of the board

Alfred Pisani
Chairman

Yousef A. Abdelmaula
Director

22, Europa Centre
Floriana FRN 1400
Malta

29 April 2014

Income statements

	Notes	The Group 2013 €000	The Group 2012 (Re-presented) €000	CPHCL 2013 €000	CPHCL 2012 (Re-presented) €000
Continuing operations					
Revenue	6	**164,901**	158,676	**6,345**	6,379
Net operating expenses		**(133,221)**	(134,390)	**(13,887)**	(13,023)
Depreciation and amortisation		**(28,169)**	(29,014)	**(111)**	(131)
Other income		**1,687**	1,664	**1,018**	1,301
(Loss) gain on exchange		**(2,175)**	(965)	**(13)**	100
Reversal of impairment (impairment) of hotel property	15.1	**5,000**	(6,402)	**-**	-
Operating profit (loss)	7	**8,023**	(10,431)	**(6,648)**	(5,374)
Finance income	9	**6,625**	2,674	**3,725**	2,915
Finance costs	9	**(23,950)**	(23,822)	**(7,765)**	(8,057)
Movement in tax indemnity		**-**	-	**882**	454
Share of results of associate companies	16.5	**425**	29,242	**-**	-
Reversal of impairment loss on asset held for sale		**-**	-	**-**	9,368
Gain on sale of investments in subsidiaries and associates		**-**	-	**-**	1,956
Gain on sale of investment property		**3,447**	-	**6,894**	-
Reinstatement of depreciation on non-current assets no longer held for sale		**(1,681)**	-	**(2,209)**	-
Impairment loss on investments		**(31)**	(16)	**(410)**	(436)
Revaluation to fair value of investment properties	14	**7,159**	4,154	**-**	-
Profit (loss) before taxation		**17**	1,801	**(5,531)**	826
Tax income	10.1	**4,653**	973	**1,718**	45
Profit (loss) for the year from continuing operations		**4,670**	2,774	**(3,813)**	871
Discontinued operations					
Profit for the year from discontinued operations	11	**99**	140	**-**	-
Profit (loss) for the year		**4,769**	2,914	**(3,813)**	871
Non-controlling interest		**(640)**	4,109	**-**	-
Profit (loss) attributable to owners of the parent		**4,129**	7,023	**(3,813)**	871
Earnings (loss) per share	12				
Continuing operations		**0.20**	0.34	**(0.19)**	0.04
Discontinued operations		**0.01**	0.01	**-**	-
		0.21	0.35	**(0.19)**	0.04

Statements of comprehensive income

	Notes	The Group 2013 €000	The Group 2012 (Re-presented) €000	CPHCL 2013 €000	CPHCL 2012 (Re-presented) €000
Profit (loss) for the year		**4,769**	2,914	**(3,813)**	871
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Net revaluation (impairment) of hotel properties		**13,115**	(12,283)	**19,468**	-
Share of other comprehensive income of equity accounted investments					
- Revaluation of hotel property		**39,466**	18,456	**-**	-
Items that will be reclassified subsequently to profit or loss					
Translation difference		**(4,567)**	1,205	**3**	(65)
Available-for-sale financial assets		**(39)**	46	**-**	-
Share of other comprehensive income of equity accounted investments					
- Hedging reserve		**2,150**	1,239	**-**	-
Tax expense relating to components of other comprehensive income	10.3	**(7,973)**	(1,458)	**(3,134)**	-
Other comprehensive income (expense) for the year, net of tax		**42,152**	7,205	**16,337**	(65)
Total comprehensive income for the year		**46,921**	10,119	**12,524**	806
Attributable to:					
Owners of the parent		**35,576**	10,797	**12,524**	806
Non-controlling interest		**11,345**	(678)	**-**	-
		46,921	10,119	**12,524**	806

Balance sheets

	Notes	The Group 2013 €000	The Group 2012 €000	The Group 2011 €000	CPHCL 2013 €000	CPHCL 2012 €000	CPHCL 2011 €000
Assets							
Non-current							
Intangible assets	13	**5,823**	6,239	6,023	**-**	-	-
Investment property	14	**225,379**	209,800	205,224	**5,932**	925	925
Property, plant and equipment	15	**662,385**	660,485	698,563	**22,782**	346	430
Investments in subsidiaries	16	**-**	-	-	**405,008**	406,341	399,246
Investments in associates	16	**325,462**	286,180	214,727	**25,856**	25,869	31,268
Other investments		**-**	19	19	**-**	19	19
Deferred tax assets	17	**6,576**	2,566	2,306	**3,883**	2,172	2,172
Investment held by trustee	25	**3,465**	2,626	83	**-**	3	3
		1,229,090	1,167,915	1,126,945	**463,461**	435,675	434,063
Current							
Inventories	18	**7,560**	7,298	7,339	**271**	241	322
Investments		**-**	14	28	**-**	-	12
Trade and other receivables	19	**43,854**	56,880	59,032	**14,380**	14,347	19,888
Taxation		**2,891**	621	644	**-**	-	-
Cash and cash equivalents	20	**15,249**	21,649	48,425	**368**	117	234
		69,554	86,462	115,468	**15,019**	14,705	20,456
Assets held for sale	21	**1,222**	9,404	9,264	**-**	9,848	16,905
Total assets		**1,299,866**	1,263,781	1,251,677	**478,480**	460,228	471,424

Balance sheets – continued

	Notes	The Group 2013 €000	The Group 2012 €000	The Group 2011 €000	CPHCL 2013 €000	CPHCL 2012 €000	CPHCL 2011 €000
Equity							
Called-up issued share capital	22	**20,000**	20,000	20,000	**20,000**	20,000	20,000
Other reserves	23	**211,016**	183,552	192,947	**20,217**	2,172	2,527
Retained earnings		**187,195**	179,083	153,952	**240,532**	246,053	244,892
		418,211	382,635	366,899	**280,749**	268,225	267,419
Non-controlling interest		**259,609**	248,457	254,534	**-**	-	-
Total equity		**677,820**	631,092	621,433	**280,749**	268,225	267,419
Liabilities							
Non-current							
Bank borrowings	24	**234,000**	264,070	258,281	**3,721**	14,679	6,159
Bonds	25	**136,361**	138,843	133,686	**-**	-	-
Other borrowings	26	**17,287**	16,571	16,823	**127,265**	132,930	125,427
Long term payables		**4,088**	5,108	5,072	**-**	165	915
Taxation		**987**	1,626	2,315	**665**	1,390	2,115
Deferred tax liabilities	17	**110,711**	102,762	103,313	**3,134**	-	-
Tax indemnity	27	**-**	-	-	**22,566**	23,448	22,432
Derivative financial instruments	28	**-**	4,884	6,404	**-**	-	-
Provision for charges	29	**206**	206	206	**-**	-	-
		503,640	534,070	526,100	**157,351**	172,612	157,048
Current							
Bank borrowings	24	**52,679**	37,020	37,612	**22,277**	6,965	8,305
Bonds	25	**2,500**	5,744	14,645	**-**	-	-
Other borrowings	26	**-**	-	-	**4,314**	400	26,487
Derivative financial instruments	28	**2,349**	-	-	**-**	-	-
Trade and other payables	30	**54,605**	47,793	43,233	**12,668**	11,207	11,283
Current tax liabilities		**6,273**	8,062	8,654	**1,121**	819	882
		118,406	98,619	104,144	**40,380**	19,391	46,957
Total liabilities		**622,046**	632,689	630,244	**197,731**	192,003	204,005
Total equity and liabilities		**1,299,866**	1,263,781	1,251,677	**478,480**	460,228	471,424

The financial statements on pages 7 to 80 were approved by the board of directors, authorised for issue on 29 April 2014 and signed on its behalf by:

Alfred Pisani
Chairman

Yousef A. Abdelmaula
Director

Statement of changes in equity – the group

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Total attributable to owners of the parent €000	Non-controlling interest €000	Total equity €000
At 1 January 2011	20,000	203,062	159,601	382,663	264,003	646,666
Loss for the year	-	-	(7,100)	(7,100)	(4,254)	(11,354)
Other comprehensive expense	-	(8,664)	-	(8,664)	(4,840)	(13,504)
Total comprehensive expense	**-**	**(8,664)**	**(7,100)**	**(15,764)**	**(9,094)**	**(24,858)**
Reversal from retained earnings	-	(15,419)	15,419	-	-	-
Transfer from retained earnings	-	3,818	(3,818)	-	-	-
Dividends paid	-	-	-	-	(375)	(375)
Transfer to retained earnings	-	10,150	(10,150)	-	-	-
At 31 December 2011	**20,000**	**192,947**	**153,952**	**366,899**	**254,534**	**621,433**
At 1 January 2012	20,000	192,947	153,952	366,899	254,534	621,433
Profit for the year	-	-	7,023	7,023	(4,109)	2,914
Other comprehensive income	-	3,774	-	3,774	3,431	7,205
Total comprehensive income	**-**	**3,774**	**7,023**	**10,797**	**(678)**	**10,119**
Reversal from retained earnings	-	(10,150)	10,150	-	-	-
Dividends paid	-	-	-	-	(210)	(210)
Payment to non-controlling interest	-	-	-	-	(250)	(250)
Transfer from the acquisition of non-controlling interest	-	-	5,745	5,745	(5,745)	-
Transfer to non-controlling interest on transfer of Marina San Gorg Limited	-	(3,019)	2,213	(806)	806	-
At 31 December 2012	**20,000**	**183,552**	**179,083**	**382,635**	**248,457**	**631,092**

* Not available for distribution (refer to note 23)

Statement of changes in equity – the group – continued

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Total attributable to owners of the parent €000	Non-controlling interest €000	Total equity €000
At 1 January 2013	20,000	183,552	179,083	382,635	248,457	631,092
Profit for the year	-	-	4,129	4,129	640	4,769
Other comprehensive income	-	31,447	-	31,447	10,705	42,152
Total comprehensive income	**-**	**31,447**	**4,129**	**35,576**	**11,345**	**46,921**
Reversal from retained earnings	-	(3,983)	3,983	-	-	-
Dividends paid	-	-	-	-	(193)	(193)
At 31 December 2013	**20,000**	**211,016**	**187,195**	**418,211**	**259,609**	**677,820**

* Not available for distribution (refer to note 23)

Statement of changes in equity – CPHCL

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Total equity €000
1 January 2011	20,000	1,264	256,311	277,575
Loss for the year	-	-	(10,217)	(10,217)
Other comprehensive income	-	61	-	61
Total comprehensive expense	**-**	**61**	**(10,217)**	**(10,156)**
Reversal from retained earnings	-	(15,496)	15,496	-
Transfers from retained earnings:				
- Net unrealised difference on exchange	-	294	(294)	-
Transfer to retained earnings	-	16,404	(16,404)	-
At 31 December 2011	**20,000**	**2,527**	**244,892**	**267,419**
1 January 2012	20,000	2,527	244,892	267,419
Profit for the year	-	-	871	871
Other comprehensive expense	-	(65)	-	(65)
Total comprehensive income	**-**	**(65)**	**871**	**806**
Reversal from retained earnings	-	(16,404)	16,404	-
Transfer from retained earnings				
- Net unrealised difference on exchange	-	96	(96)	-
- Reversal of impairment on investment	-	9,793	(9,793)	-
Transfer to retained earnings	-	6,225	(6,225)	-
At 31 December 2012	**20,000**	**2,172**	**246,053**	**268,225**

* Not available for distribution (refer to note 23)

Statement of changes in equity – CPHCL – continued

	Called-up issued share capital €000	*Other reserves €000	Retained earnings €000	Total equity €000
1 January 2013	20,000	2,172	246,053	268,225
Loss for the year	-	-	(3,813)	(3,813)
Other comprehensive income	-	16,337	-	16,337
Total comprehensive income	**-**	**16,337**	**(3,813)**	**12,524**
Reversal from retained earnings	-	(6,225)	6,225	-
Transfers from retained earnings:				
- Net unrealised difference on exchange	-	2,289	(2,289)	-
- Impairment of investment	-	(144)	144	-
- Deferred taxation	-	1,711	(1,711)	-
Transfer to retained earnings	-	4,077	(4,077)	-
At 31 December 2013	**20,000**	**20,217**	**240,532**	**280,749**

* Not available for distribution (refer to note 23)

Statements of cash flows

		The Group		CPHCL	
	Notes	2013	2012 (Re-presented)	2013	2012 (Re-presented)
		€000	€000	€000	€000
Operating activities					
Profit (loss) before taxation					
- Continuing operations		**17**	1,801	**(5,531)**	826
- Discontinued operations		**99**	140	**-**	-
		116	1,941	**(5,531)**	826
Adjustments	31	**34,286**	24,787	**(936)**	(6,226)
Net changes in working capital	31	**17,767**	9,058	**2,483**	(17,370)
Interest paid		**(27,697)**	(24,796)	**(8,041)**	(7,873)
Taxes paid		**(5,985)**	(2,183)	**(423)**	(788)
		18,487	8,807	**(12,448)**	(31,431)
Investing activities					
Proceeds from sale of investment property		**7,000**	-	**7,000**	-
Proceeds from sale of assets held for sale		**-**	-	**-**	10,414
Proceeds from sale of short-term investments		**14**	-	**-**	387
Payments to acquire short-term investments		**-**	-	**-**	(404)
Payments to acquire intangible fixed assets		**(310)**	(891)		-
Payments to acquire investment property		**(215)**	-	**-**	-
Payments to acquire property, plant and equipment		**(14,841)**	(14,023)	**(162)**	(49)
Payments to acquire property, plant and equipment classified as held for sale		**(399)**	(217)	**(399)**	(217)
Proceeds from disposal of property, plant and equipment		**915**	189	**2**	1
Proceeds from disposal of assets held for sale		**-**	79	**-**	79
Payments to acquire shares in subsidiaries		**-**	-	**(4)**	(3,382)
Deposit received from sale of associate classified as held for sale		**200**	-	**-**	-
Payments to acquire shares in associate		**-**	(9,100)	**-**	(1)
Transfer from bond redemption sinking fund		**-**	-	**3**	-
Loans repaid by subsidiary companies		**-**	-	**2,057**	20,202
Loans advanced to associate companies		**(3,870)**	(11,733)	**-**	(10,445)
Dividends received		**131**	-	**358**	1,607
Interest received		**6,625**	2,050	**1,006**	1,304
		(4,750)	(33,646)	**9,861**	19,496

Statements of cash flows – continued

	Notes	The Group 2013 €000	The Group 2012 (Re-presented) €000	CPHCL 2013 €000	CPHCL 2012 (Re-presented) €000
Financing activities					
Net (repayments of) proceeds from long-term borrowings		**(18,979)**	194	**(2,154)**	4,637
Deposits into from bond redemption sinking fund		**(839)**	(2,543)	**-**	-
Proceeds from issuance of bonds		**10,000**	-	**-**	-
Payments for redemption of bonds		**(15,726)**	-	**-**	-
Movement on long term creditors		**(1,020)**	(216)	**(1,516)**	8,722
Dividends paid		**(193)**	(460)	**-**	-
		(26,757)	(3,025)	**(3,670)**	13,359
Net (decrease) increase in cash and cash equivalents		**(13,020)**	(27,864)	**(6,257)**	1,424
Cash and cash equivalents at beginning of year		**12,973**	40,837	**(3,369)**	(4,793)
Cash and cash equivalents at end of year	20	**(47)**	12,973	**(9,626)**	(3,369)

Notes to the financial statements

1 Nature of operations

The group's main business is connected with the ownership, development and operation of hotels, leisure facilities, and other activities related to the tourism industry and commercial centres. The group is also actively engaged in the provision of residential accommodation, project management services and industrial catering.

2 General information and statement of compliance with IFRS

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

The financial statements of the company and the consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and in accordance with the Companies Act, Cap 386.

The financial statements are presented in thousands of euro (€000). The functional currencies of its subsidiaries are the euro, the Libyan dinar, the Hungarian forint, the Tunisian dinar, the Great Britain pound, the Turkish lira and the Czech kroner.

3 Going concern

The going concern basis underlying the preparation of these financial statements assumes that the company's and the group's lenders and creditors will continue to provide the financial support necessary to enable the company and the group to finance their investments and to meet their debts as they fall due.

At balance sheet date the group and the company had a working capital deficiency of € 48.9 million and € 25.4 million respectively. This has principally been brought about by the significant repayment of long-term loans and bonds taken in previous years to finance capital projects, which repayments will continue being made as scheduled in 2014.

The directors have taken and are still taking various measures to ensure that the group will continue to have adequate levels of cash to sustain its operations and investments. These include the sale of assets which are no longer considered to be core to the group's activities. Most notable of these is the disposal of 11 out of 12 apartments in London which was concluded this month. This sale generated a substantial amount of cash and has facilitated discussions with financial institutions to refinance existing facilities and to raise fresh financing.

The group is also continuing discussions with potential equity investors to increase the capital base of a number of group companies.

These measures together with the continued improvement in the operating performances of the group's investments are expected to generate sufficient funds to enable the group and the company to meet its financial obligations.

On the basis of their assessment of the financial position of the group and the company, the directors anticipate that these will continue to operate within the banking limits currently agreed. The directors also expect to be able to operate within the renewed limits that will be sanctioned when the existing facilities are reviewed.

Based on the foregoing, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. Consequently these financial statements do not include any adjustments that may be necessary should the directors' expectations not materialise.

4 Change in accounting policies

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 4.2.

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2013

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on the new standards relevant to the group is presented below.

- **Consolidation, associates and disclosures**

This package of consolidation, associates and disclosures standards comprises IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates and Joint Ventures'.

IFRS 10 'Consolidated Financial Statements' (IFRS 10)

IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation-Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the group's investees held during the period or comparative periods covered by these financial statements.

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

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Note 16 illustrates the application of IFRS 12 in the current year.

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

IAS 27 now only addresses separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology of IAS 28 remains unchanged.

The group has evaluated the various facts and circumstances relating to its interests in other entities and has determined that the adoption of the foregoing standards had no material impact on the amounts recognised in the financial statements.

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

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The group has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 'Financial Instruments: Disclosures'.

The group has applied IFRS 13 for the first time in the current year, see note 40.

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

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' relating to gross and net amounts of recognised financial instruments that are (a) set-off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set-off in the statement of financial position. The amendment had no material impact on the consolidated financial statements as there was no offsetting in the years presented.

- **Annual Improvements to IFRS (2009-2011 Cycle)**

Annual improvements to IFRS made minor amendments to a number of IFRS. Among those improvements, the following are relevant to the group:

IAS 1 (Amendment) 'Presentation of Financial Statements – Clarification of the Requirements for Comparative Information'

IAS 10(f) requires an entity to present an additional balance sheet as at the beginning of the preceding period when an entity:

- Applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or when it reclassifies items in the financial statements, and
- The retrospective application, retrospective restatement or the reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period.

Related notes to the additional balance sheet are not required.

There were no transactions in the current year which resulted in retrospective restatement or reclassification of the prior years' financial statements of the group.

IAS 16 (Amendment) 'Property, Plant and Equipment – Classification of Servicing Equipment'

The Amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on the consolidated financial statements since it has been recognising those servicing equipment in accordance with the recognition criteria under IAS 16.

IAS 32 (Amendment) 'Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments' (IAS 32)

The Amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with IAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognised in profit or loss while income tax related to the transaction costs of an equity transaction is recognised in equity. This amendment had no effect on the consolidated financial statements as it has been recognising the effect of distributions to holders of equity instruments and transaction costs of an equity transaction in accordance with IAS 12.

4.2 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 by the IASB but are not yet effective, and have not been adopted early by the group.

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

- **IFRS 9 'Financial Instruments' (IFRS 9)**

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. 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 on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed.

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

- **IAS 32 (Amendment) 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities' (IAS 32)**

The Amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The Amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Amendment is effective for annual periods beginning on or after 1 January 2014 and is required to be applied retrospectively. The group does not expect this Amendment to have a significant impact on its financial statements.

- **IAS 36 (Amendment) 'Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets' (IAS 36)**

The Amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. The Amendment is effective for annual periods beginning on or after 1 January 2014 and is required to be applied retrospectively. Management will reflect, in its subsequent years' financial statements, the changes arising from this relief on disclosure requirements.

- **IAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting' (IAS 39)**

The Amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. The Amendment is effective for annual periods beginning on or after 1 January 2014 and is required to be applied retrospectively. The group does not expect this Amendment to have a significant impact on its financial statements.

- **Annual Improvements to IFRS**

Annual Improvements to IFRS (2010-2012 Cycle) and IFRS (2011-2013 Cycle) made minor amendments to a number of IFRS, which are effective for annual period beginning on or after July 1, 2014 but are still subject to adoption by the European Union.

Among those improvements, the following amendments are relevant to the group but management does not expect a material impact on the consolidated financial statements:

Annual Improvements to IFRS (2010-2012 Cycle)

IAS 16 (Amendment) 'Property, Plant and Equipment' and IAS 38 (Amendment), 'Intangible Assets'

The Amendment clarifies that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

IAS 24 (Amendment) 'Related Party Disclosures' (IAS 24)

The Amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

IFRS 3 (Amendment) 'Business Combinations' (IFRS 3)

The Amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

IFRS 13 (Amendment), 'Fair Value Measurement' (IFRS 13)

The Amendment, through a revision only in the basis of conclusion of IFRS 13, clarifies that issuing IFRS 13 and amending certain provisions of IFRS 9 and IAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to IFRS (2011-2013 Cycle)

IFRS 3 (Amendment) 'Business Combinations' (IFRS 3)

The Amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 (Amendment) 'Fair Value Measurement' (IFRS 13)

The Amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

IAS 40 (Amendment) 'Investment Property' (IAS 40)

The Amendment clarifies the interrelationship of IFRS 3, Business Combinations, and IAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgement in determining whether the acquisition of an investment property is an acquisition of an asset or a group of assets, or a business combination in reference to IFRS 3.

5 Summary of accounting policies

5.1 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.

The financial information has been prepared from the audited financial statements of the companies comprising the group (see note 16).

5.2 Presentation of financial statements

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

IAS 1 requires two comparative periods to be presented for the statement of financial position in certain circumstances. The group has elected to provide the additional comparatives in all circumstances to maintain a more consistent presentation each year.

5.3 Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2013. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

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

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

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

5.4 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5.5 Investments in associates

Associates are those entities over which the group is able to exert significant influence but which are not subsidiaries. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is included in the amount recognised as investment in associates.

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

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

5.6 Income and expense recognition

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 and trade discounts.

Revenue from the sale of goods and services provided is recognised when all the following conditions have been satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied or the services provided. This is generally when the customer has taken undisputed delivery of goods or has approved the services that have been provided.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the company, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 from investments is recognised at the time the right to reserve payment is established.

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

5.7 Borrowing costs

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

5.8 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 (the group's presentation currency) are translated into euro upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

Foreign operations

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

5.9 Operating lease payments

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

5.10 Retirement benefit costs

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

5.11 Construction contracts revenue

The group provides construction management, project management and ancillary services in respect of construction and refurbishment work. These contracts specify a fixed price for each contract and are within the scope of IAS 11, *Construction contracts.*

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue recognised for each milestone is determined by estimating relative contract fair values of each contract phase, i.e. by comparing the group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within trade and other payables for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

5.12 Intangible assets

Intangible assets are subject to impairment testing as described in note 5.15.

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

	Years
- Operating contracts	20
- Others	3

5.13 Property, plant and equipment

Property, comprising land and buildings held for use in the supply of goods and services or administration, is initially recognised at cost. Subsequently it is carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The fair value of land and buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers.

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

When buildings are revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any revaluation surplus arising upon appraisal of property is recognised in other comprehensive income and credited to revaluation reserve, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in 5.15. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is booked to profit or loss with the remaining part of the increase charged to other comprehensive income. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss.

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

Depreciation is calculated, using the straight-line method, to write-off the cost or valuation of assets over their estimated useful lives on the following bases:

	%
- Freehold buildings	1-3
- Plant and equipment	5-10
- Motor vehicles	15-20

Gains or losses arising from 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 within 'other income' or 'other expenses'.

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

5.14 Investment property

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

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

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

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

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

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

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

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of fair value less costs to sell and value in use. To determine the value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Cash flows and discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset-specific risk factors (see notes 13 and 15).

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

5.16 Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the company's balance sheet at cost less any impairment loss that may have arisen. Income from investments is recognised only to the extent of distributions received by the company.

At each balance sheet date the company reviews the carrying amount of its investments in subsidiaries and associates to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

5.17 Non-current assets and liabilities classified as held for sale

When the group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as held for sale and presented separately in the statement of financial position. Liabilities are classified as held for sale and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

5.18 Profit or loss from discontinued operations

A discontinued operation is a component of the group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the income statement. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also note 5.17), is further analysed in note 21.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date of the latest period presented.

5.19 Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

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.

Classification and subsequent measurement of financial assets

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

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

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied 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' or 'finance income', except for impairment of trade receivables which is presented within 'net operating 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 'net operating expenses'.

Financial assets at FVTPL

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

HTM investments

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

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

AFS financial assets

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

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'. Reversals of impairment losses for AFS securities are recognised in profit or loss if the reversal can be objectively related to an event after the impairment loss was recognised. For AFS equity instruments, impairment reversals are not recognised in profit or loss and any subsequent change in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities

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

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

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

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

Derivative financial instruments

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 FVTPL.

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

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

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

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

5.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to acquiring the inventories and to bringing them to their existing location and condition. Finance costs are not taken into consideration. Costs of inventories are assigned using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.21 Investments

Current asset investments held on a short-term basis, which are those which are expected to be disposed of within the next twelve months, are stated at market value. Any increase or decrease in carrying amounts is accounted for through profit or loss.

5.22 Income taxes

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, 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. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries 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.

In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

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 at the balance sheet date.

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 offset against future taxable income.

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 expense in the income statement, except where they relate to items that are recognised in other comprehensive income or directly in equity in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

5.23 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and bank overdraft, 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 changes in value.

5.24 Equity, reserves and dividend payments

Share capital is determined using the nominal value of shares that have been issued.

Other reserves include revaluation reserve and foreign currency translation reserve.

The revaluation reserve comprises gains and losses due to the revaluation of property, plant and equipment.

Foreign currency translation differences arising on the translation of the group's foreign entries are included in the translation reserve (see note 5.8).

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

Dividend distributions payable to equity shareholders are included other liabilities in the balance sheet when the dividends are approved in general meeting prior to the balance sheet date.

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

5.25 Provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the group and they can be measured 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, such as product warranties, legal disputes or onerous contracts. 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 balance sheet date, including the risks and uncertainties with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the group's management.

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.

5.26 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 5.27.

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.

Recognition of service and construction contract revenues

Determining when to recognise revenues from after-sales services requires an understanding of the customer's use of the related products, historical experience and knowledge of the market. Recognising construction contract revenue also requires significant judgment in determining milestones, actual work performed and the estimated costs to complete the work (see note 5.11).

Control assessment

IFRS 10 requires the parent to assess its involvement in its investee companies. Refer to note 16.8 for further details.

5.27 Estimation uncertainty

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

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.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 5.15).

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.

The group has incurred a net impairment loss of € 3.2 million (2012: € 18.7 million) on its hotel properties to reduce the carrying amount to their recoverable amounts (see note 15.1). If the independent valuer's discount rate was increased by 1% a further impairment loss of € 86.9 million (2012: € 104.7 million) would have to be recognised, of which € 43.9 million (2012: € 46.4 million) would be written off against reserves and € 43 million (2012: € 58.3 million) in profit or loss.

Business combinations

Management uses valuation techniques in determining the fair value of various elements of a business combination (see note 5.4).

Fair value of 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 investment properties of € 7.2 million (2012: € 4.2 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 € 7 million (2012: € 4.3 million).

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the group. The carrying amounts are analysed in note 15. Uncertainties in these estimates relate to technical obsolescence, that may change the utility of certain software and IT equipment.

Construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty (see note 5.11).

5.28 Segment reporting

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

An operating segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from that of other segments. The operating segments can be classified as hotel, investment property rental, industrial catering and construction.

Hotel ownership development and operations is the dominant source and nature of the group's risk and returns. The group is also engaged in the ownership and leasing of its investment property. Operations are based in 14 countries, Malta being the home of the parent and management companies.

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

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

6 Segment reporting

The Group	Malta €000	North Africa €000	Europe €000	Total €000	Discontinued operations €000	Continuing operations €000
Year ended 31 December 2013						
Revenue:						
Hotels	27,806	24,288	85,659	137,753	-	137,753
Net rental income from investment property	-	6,220	5,108	11,328	-	11,328
Industrial catering	6,572	-	-	6,572	-	6,572
Construction	2,652	3,758	-	6,410	-	6,410
Other	2,687	52	99	2,838	-	2,838
	39,717	34,318	90,866	164,901	-	164,901
EBITDA	536	11,384	19,272	31,192	-	31,192
Depreciation and amortisation	(4,495)	(8,368)	(15,306)	(28,169)	-	(28,169)
Reversal of impairment losses	-	-	5,000	5,000	-	5,000
Segment operating (loss) profit	(3,959)	3,016	8,966	8,023	-	8,023
Non-current assets	374,216	264,457	533,329	1,172,002	1,222	1,170,780
Year ended 31 December 2012 (Re-presented)						
Revenue:						
Hotels	26,982	21,817	84,302	133,101	-	133,101
Net rental income from investment property	-	6,530	2,459	8,989	-	8,989
Industrial catering	6,085	-	-	6,085	-	6,085
Construction	1,569	2,566	-	4,135	-	4,135
Other	6,207	74	85	6,366	-	6,366
	40,843	30,987	86,846	158,676	-	158,676
EBITDA	3,005	7,949	14,031	24,985	-	24,985
Depreciation and amortisation	(3,173)	(8,224)	(17,617)	(29,014)	-	(29,014)
Impairment losses	-	-	(6,402)	(6,402)	-	(6,402)
Segment operating (loss) profit	(168)	(275)	(9,988)	(10,431)	-	(10,431)
Non-current assets	398,726	245,946	483,238	1,127,910	9,404	1,118,506

CPHCL	Malta €000	North Africa €000	Total €000
Year ended 31 December 2013			
Revenue:			
Hotels	4,660	-	4,660
Other	1,685	-	1,685
	6,345	-	6,345
EBITDA	(6,555)	18	(6,537)
Depreciation and assets written off	(106)	(5)	(111)
Segment operating (loss) profit	(6,661)	13	(6,648)
Non-current assets	434,550	820	435,370
Year ended 31 December 2012 (Re-presented)			
Revenue:			
Hotels	4,898	-	4,898
Other	1,481	-	1,481
	6,379	-	6,379
EBITDA	(5,252)	9	(5,243)
Depreciation	(80)	(51)	(131)
Segment operating loss	(5,332)	(42)	(5,374)
Non-current assets	416,863	935	417,798

7 Operating profit (loss)

The operating profit (loss) is stated after charging:

	The Group		CPHCL	
	2013 €000	2012 (Re-presented) €000	2013 €000	2012 (Re-presented) €000
Directors' remuneration	**826**	633	**576**	612
Loss on disposal of property, plant and equipment	**2**	187	**7**	1
Operating lease costs	**1,035**	963	**489**	349
Auditors' remuneration	**532**	446	**76**	63

8 Staff costs

	The Group		CPHCL	
	2013 €000	2012 (Re-presented) €000	2013 €000	2012 (Re-presented) €000
Wages and salaries	**44,203**	40,691	**4,303**	3,717
Social security contributions	**6,119**	6,101	**211**	222
Other staff costs	**4,333**	4,477	**370**	305
	54,655	51,269	**4,884**	4,244

Weekly average number of employees:

	The Group		CPHCL	
	2013	2012 (Re-presented)	2013	2012 (Re-presented)
	No.	No.	No.	No.
Management and administrative	**600**	582	**76**	86
Operating	**2,267**	2,219	**136**	124
	2,867	2,801	**212**	210

9 Finance income and finance costs

The following amounts have been included in the income statement line for the reporting periods presented:

	The Group		CPHCL	
	2013	2012 (Re-presented)	2013	2012 (Re-presented)
	€000	€000	€000	€000
Dividend income from investments	**-**	-	**358**	1,607
Interest income charged to subsidiaries	**-**	-	**886**	811
Interest income charged to associates	**80**	253	**80**	253
Interest income charged to other related parties	**1,138**	883	**-**	53
Interest income on bank balances	**62**	274	**-**	2
Non-operating difference on exchange	**2,433**	620	**2,361**	-
Net fair value gain on interest rate swap	**2,742**	453	**-**	-
Others	**170**	191	**40**	189
Finance income	**6,625**	2,674	**3,725**	2,915

	The Group		CPHCL	
	2013	2012 (Re-presented)	2013	2012 (Re-presented)
	€000	€000	€000	€000
Interest expense for bank borrowings	**10,482**	12,973	**2,147**	1,570
Interest expense for bonds in issue	**8,753**	9,111	**-**	-
Interest expense for shareholders' loans	**988**	997	**988**	997
Interest expense for subsidiaries' loans	**-**	-	**4,165**	5,366
Interest expense for associate loans	**324**	-	**316**	-
Interest expense for other related party loans	**-**	27	**-**	-
Amortisation of bond issue costs	**191**	171	**-**	-
Non-operating difference on exchange	**2,962**	307	**-**	-
Others	**250**	236	**149**	124
Finance costs	**23,950**	23,822	**7,765**	8,057

10 Tax income

The tax on profits (losses) derived from local and foreign operations has been calculated at the applicable tax rates in those jurisdictions and in accordance with applicable double tax treaties.

10.1 Tax income reconciliation

	The Group		CPHCL	
	2013	2012	2013	2012
		(Re-presented)		(Re-presented)
	€000	€000	€000	€000
Profit (loss) before taxation	**116**	1,941	**(5,531)**	826
Income tax using the company's domestic tax rate	**(41)**	(679)	**1,936**	(289)
Effect of income subject to foreign/different tax rates	**(203)**	930	**(553)**	-
Non-tax income	**3,362**	-	**882**	562
Non-tax deductible expenses	**(3,448)**	(626)	**(922)**	-
Additional 20% reduction on rental income	**-**	12	**-**	12
Current year losses for which no deferred income is recognised	**(2,840)**	(956)	**(1,343)**	(2,702)
Effect of other consolidation adjustments	**1,488**	3,614	**-**	-
Change in unrecognised temporary differences	**6,461**	(1,303)	**1,711**	2,417
Group tax relief	**-**	-	**7**	45
(Over)under-provision in previous years	**(126)**	(19)	**-**	-
Tax income	**4,653**	973	**1,718**	45

10.2 Tax recognised in income statement

	The Group		CPHCL	
	2013	2012	2013	2012
		(Re-presented)		(Re-presented)
	€000	€000	€000	€000
Current taxation	**1,238**	(947)	**-**	-
(Over) under provision in respect of previous years	**49**	-	**-**	-
Tax surrender losses	**-**	-	**7**	45
Deferred taxation	**3,366**	1,920	**1,711**	-
	4,653	973	**1,718**	45

10.3 Tax recognised in other comprehensive income

	The Group		CPHCL	
	2013	2012 (Re-presented)	2013	2012 (Re-presented)
	€000	€000	€000	€000
Tax effect on items:				
Subsequently not reclassified:				
Impairment/revaluation of hotel properties	**(7,866)**	(988)	**(3,134)**	-
Subsequently reclassified:				
Fair value adjustment on hedging instruments	**(403)**	(232)	**-**	-
Exchange translation difference	**296**	(238)	**-**	-
	(7,973)	(1,458)	**(3,134)**	-

Refer to note 17 for information on the entity's deferred tax assets and liabilities.

11 Profit for the year from discontinued operations

In 2011, the Corinthia Palace Hotel property was classified as held for sale following the directors' decision to dispose of this property. Subsequently at the end of 2013, the directors have decided to consider other uses for the property. As a result of such decision, the 2012 income statements have been re-presented to be part of continuing operations and the asset ceased to be classified as assets held for sale.

At the end of 2013, the directors had agreed upon the terms of sale of an associate company, Norm Turizm Yatirim Isletmeleri a.s. to a third party for which the sale of the shares was completed in January 2014.

Profit attributable to the discontinued operations is as follows:

	The Group		CPHCL	
	2013	2012 (Re-presented)	2013	2012 (Re-presented)
	€000	€000	€000	€000
Norm Turizm Yatirim Isletmeleri a.s.				
Share of results in associate company	**99**	140	**-**	-

12 Dividends and earnings (loss) per share

CPHCL did not declare any dividends to its equity shareholders in any of the years presented.

The calculation of earnings per share is based on the net profit (loss) for the year attributable to ordinary shareholders and the number of ordinary shares outstanding during the year of 20,000,000. The group had no dilutive potential ordinary shares as of 31 December 2013 and 2012.

13 Intangible assets

The Group	Goodwill €000	Operating contracts €000	Others €000	Total €000
Cost				
Balance at 1 January 2011	96	7,000	281	7,377
Exchange difference	-	-	(7)	(7)
Additions	-	-	839	839
Balance at 31 December 2011	96	7,000	1,113	8,209
Balance at 1 January 2012	96	7,000	1,113	8,209
Additions	719	-	172	891
Balance at 31 December 2012	815	7,000	1,285	9,100
Balance at 1 January 2013	815	7,000	1,285	9,100
Exchange difference	-	-	(3)	(3)
Additions	-	-	310	310
Balance at 31 December 2013	**815**	**7,000**	**1,592**	**9,407**
Amortisation				
Balance at 1 January 2011	48	1,459	62	1,569
Exchange difference	-	-	(6)	(6)
Amortisation for the year	-	350	273	623
Balance at 31 December 2011	48	1,809	329	2,186
Balance at 1 January 2012	48	1,809	329	2,186
Amortisation for the year	-	350	325	675
Balance at 31 December 2012	48	2,159	654	2,861
Balance at 1 January 2013	48	2,159	654	2,861
Exchange difference	-	-	(3)	(3)
Amortisation for the year	-	350	376	726
Balance at 31 December 2013	**48**	**2,509**	**1,027**	**3,584**
Carrying amounts				
Balance at 31 December 2013	**767**	**4,491**	**565**	**5,823**
Balance at 31 December 2012	767	4,841	631	6,239
Balance at 31 December 2011	48	5,191	784	6,023
Balance at 1 January 2011	48	5,541	219	5,808

14 Investment property

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Balance at 1 January	**209,800**	205,224	200,704	**925**	925	925
Fair value adjustments (a)	**7,159**	4,154	5,383	**-**	-	-
Additions	**215**	-	471	**-**	-	-
Disposals	**(106)**	-	-	**(106)**	-	-
Adjustments	**(102)**	-	(320)	**-**	-	-
Transfer from property, plant and equipment (b)	**9,964**	-	16	**5,113**	-	-
Transfer to asset held for sale	**-**	(3)	(77)	**-**	-	-
Exchange differences	**(1,551)**	425	(953)	**-**	-	-
Balance at 31 December	**225,379**	209,800	205,224	**5,932**	925	925

a) During the year under review the fair value of investment property held by the group has been increased by the directors by € 7.2 million (2012 - € 4.2 million, 2011 - € 5.4 million). These mainly resulted from an increase of € 6.6 million in the fair value of land in Marsa (Malta) which was determined on the basis of an open market valuation by an independent architect.

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

b) In 2013, part of the land on which the Corinthia Palace Hotel is built was reclassified to investment property as a result of the directors' decision to seek an alternative use for that land.

c) Investment property with a carrying amount of € 191 million secures general banking facilities and loans granted to the group.

d) Rental income earned by the group and the company from investment property amounted to € 11.3 million (2012: € 9.0 million, 2011: € 7.5 million) and € Nil (2012: € 35,000 and 2011: € 23,000) and direct expenses of € 1.0 million (2012: € 0.8 million, 2011: € 0.9 million) and € nil (2012 and 2011: € nil) respectively.

15 Property, plant and equipment

The Group	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Assets in the course of construction €000	Total €000
Cost or valuation					
Balance at 1.1.11	843,801	208,385	2,756	4,117	1,059,059
Exchange differences	(3,783)	(976)	2	(4)	(4,761)
Reclassifications	1,168	34	-	(1,694)	(492)
Additions	1,007	3,128	35	2,311	6,481
Disposals	(25)	(884)	(140)	(182)	(1,231)
Transfer to assets held for sale (note 21)	(6,949)	(13,057)	(14)	-	(20,020)
Revaluation surplus	6,281	(334)	-	-	5,947
Balance at 31.12.11	841,500	196,296	2,639	4,548	1,044,983
Balance at 1.1.12	841,500	196,296	2,639	4,548	1,044,983
Exchange differences	(57)	54	(4)	1	(6)
Reclassifications	1,250	373	(6)	(1,706)	(89)
Acquisition of subsidiary	-	122		-	122
Additions	527	4,334	257	6,339	11,457
Disposals	-	(1,892)	(99)	(25)	(2,016)
Revaluation surplus	(1,938)	-	-	-	(1,938)
Balance at 31.12.12	841,282	199,287	2,787	9,157	1,052,513
Balance at 1.1.13	841,282	199,287	2,787	9,157	1,052,513
Exchange differences	(4,506)	(995)	(17)	-	(5,518)
Reclassifications	2,352	1,254	-	(3,510)	96
Additions	2,442	11,889	233	2,376	16,940
Disposals	-	(1,322)	(245)	(649)	(2,216)
Transfer to investment property	(8,614)	(104)	-	(1,781)	(10,499)
Transfer from asset held for sale	6,959	13,584	14	-	20,557
Revaluation surplus	25,197	-	-	-	25,197
Balance at 31.12.13	**865,112**	**223,593**	**2,772**	**5,593**	**1,097,070**

	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Assets in the course of construction €000	Total €000
Depreciation					
Balance at 1.1.11	158,856	154,784	2,408	-	316,048
Exchange differences	(670)	(820)	3	-	(1,487)
Reclassifications	(5)	(364)	2	-	(367)
Charge for the year	15,310	13,580	182	-	29,072
Net impairment losses (note 15.1)	15,199	-	-	-	15,199
Released on disposal	(18)	(853)	(127)	-	(998)
Transfer to asset held for sale (note 21)	(952)	(9,879)	(2)	-	(10,833)
Revaluation surplus	(214)	-	-	-	(214)
Balance at 31.12.11	187,506	156,448	2,466	-	346,420
Balance at 1.1.12	187,506	156,448	2,466	-	346,420
Exchange differences	(5)	125	(8)	-	112
Reclassifications	2		(2)	-	-
Acquisition of subsidiary	-	112	-	-	112
Charge for the year	15,208	12,989	142	-	28,339
Net impairment losses (note 15.1)	18,685	-	-	-	18,685
Released on disposal	-	(1,546)	(94)	-	(1,640)
Balance at 31.12.12	221,396	168,128	2,504	-	392,028
Balance at 1.1.13	221,396	168,128	2,504	-	392,028
Exchange differences	(756)	(972)	(13)	-	(1,741)
Charge for the year	15,416	13,577	131	-	29,124
Transfer to investment property	(489)	(46)	-	-	(535)
Transfer from asset held for sale	825	9,483	2	-	10,310
Net impairment losses (note 15.1)	8,200	17	-	-	8,217
Released on disposal	-	(1,197)	(186)	-	(1,383)
Revaluation surplus	(1,335)	-	-	-	(1,335)
Balance at 31.12.13	**243,257**	**188,990**	**2,438**	**-**	**434,685**
Carrying amounts					
At 31 December 2013	**621,855**	**34,603**	**334**	**5,593**	**662,385**
At 31 December 2012	619,886	31,159	283	9,157	660,485
At 31 December 2011	653,994	39,848	173	4,548	698,563
At 1 January 2011	684,945	53,601	348	4,117	743,011

CPHCL	Land and buildings €000	Plant and equipment €000	Motor vehicles €000	Assets in the course of construction €000	Total €000
Cost or valuation					
Balance at 1.1.11	975	8,282	1,237	-	10,494
Exchange differences	-	4	3	-	7
Additions	28	320	11	-	359
Disposals	(12)	(146)	-	-	(158)
Transfer	(27)	(299)	(10)	-	(336)
Balance at 31.12.11	964	8,161	1,241	-	10,366
Balance at 1.1.12	964	8,161	1,241	-	10,366
Exchange differences	-	-	(3)	-	(3)
Additions	-	49	-	-	49
Disposals	-	(11)	-	-	(11)
Balance at 31.12.12	964	8,199	1,238	-	10,401
Balance at 1.1.13	964	8,199	1,238	-	10,401
Transfer from asset held for sale	6,959	13,584	14	-	20,557
Exchange differences	-	-	(2)	-	(2)
Additions	-	3	159	-	162
Disposals	-	(2)	(32)	-	(34)
Revaluation	18,133	-	-	-	18,133
Transfer to investment property	(5,113)	-	-	-	(5,113)
Balance at 31.12.13	**20,943**	**21,784**	**1,377**	**-**	**44,104**
Depreciation					
Balance at 1.1.11	741	8,091	1,088	-	9,920
Exchange differences	-	5	3	-	8
Charge for the year	36	56	73	-	165
Released on disposal	(12)	(145)	-	-	(157)
Balance at 31.12.11	765	8,007	1,164	-	9,936
Balance at 1.1.12	765	8,007	1,164	-	9,936
Exchange differences	-	-	(2)	-	(2)
Change for the year	33	54	44	-	131
Released on disposal	-	(10)	-	-	(10)
Balance at 31.12.12	798	8,051	1,206	-	10,055
Balance at 1.1.13	798	8,051	1,206	-	10,055
Transfer from asset held for sale	825	9,483	2	-	10,310
Exchange differences	2	(1)	(4)	-	(3)
Charge for the year	532	1,755	33	-	2,320
Released on disposal	-	-	(25)	-	(25)
Revaluation surplus	(1,335)	-	-	-	(1,335)
Balance at 31.12.13	**822**	**19,288**	**1,212**	**-**	**21,322**
Carrying amounts					
At 1 December 2013	**20,121**	**2,496**	**165**	**-**	**22,782**
At 31 December 2012	166	148	32	-	346
At 31 December 2011	199	154	77	-	430
At 1 January 2011	234	191	149	-	574

15.1 Impairment of assets

In line with the requirements of IAS 36, *Impairment of Assets,* the directors have assessed whether there are any indications that the value of the group's hotel properties may be impaired. In assessing such indications, the directors considered, inter alia, evidence available from internal reporting and expert valuation reports, indicating whether the economic performances of the hotels did not match with expectations.

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:

The Group	Recognised at 1.1.11 €000	Change €000	Recognised at 31.12.11 €000
Hotel property			
Corinthia Hotel St George's Bay Malta	153	2,650	2,803
Corinthia Hotel & Spa Lisbon	906	-	906
Corinthia Hotel Prague	21,747	(4,487)	17,260
Corinthia Hotel Budapest	15,345	4,333	19,678
Corinthia Panorama Hotel	4,007	-	4,007
Amber Hotels	1,237	-	1,237
Corinthia Hotel Tripoli	20,300	-	20,300
Ramada Plaza Hotel Budapest	1,057	-	1,057
Corinthia Hotel St. Petersburg	-	12,703	12,703
	64,752	15,199	79,951
Recognised in equity		(15,199)	
Recognised in income statement		-	

The Group	Recognised at 1.1.12 €000	Change €000	Recognised at 31.12.12 €000
Hotel property			
Corinthia Hotel St George's Bay Malta	2,803	-	2,803
Corinthia Hotel & Spa Lisbon	906	6,402	7,308
Corinthia Hotel Prague	17,260	(3,515)	13,745
Corinthia Hotel Budapest	19,678	3,022	22,700
Corinthia Panorama Hotel	4,007	-	4,007
Amber Hotels	1,237	-	1,237
Corinthia Hotel Tripoli	20,300	-	20,300
Ramada Plaza Hotel Budapest	1,057	-	1,057
Corinthia Hotel St. Petersburg	12,703	10,889	23,592
Marina Hotel St. George's Bay, Malta	-	1,887	1,887
	79,951	18,685	98,636
Recognised in equity		(12,283)	
Recognised in income statement		6,402	

The Group	Recognised at 1.1.13 €000	Change €000	Recognised at 31.12.13 €000
Hotel property			
Corinthia Hotel St George's Bay Malta	2,803	-	2,803
Corinthia Hotel & Spa Lisbon	7,308	(5,000)	2,308
Corinthia Hotel Prague	13,745	-	13,745
Corinthia Hotel Budapest	22,700	-	22,700
Corinthia Panorama Hotel	4,007	-	4,007
Amber Hotels	1,237	-	1,237
Corinthia Hotel Tripoli	20,300	-	20,300
Ramada Plaza Hotel Budapest	1,057	-	1,057
Corinthia Hotel St. Petersburg	23,592	8,200	31,792
Marina Hotel St. George's Bay, Malta	1,887	-	1,887
	98,636	3,200	101,836
Recognised in equity		8,200	
Recognised in income statement		(5,000)	

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. 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.

Hotel property

	Pre-tax discount rate		
	2013	2012	2011
	%	%	%
Corinthia Hotel St. George's Bay	-	8.15	8.36
Corinthia Hotel and Spa Lisbon	8.69	8.10	7.95
Corinthia Hotel Prague	7.53	7.66	7.84
Corinthia Hotel Budapest	8.76	8.82	9.12
Corinthia Hotel Tripoli	10.88	11.30	11.57
Corinthia Hotel St. Petersburg	10.68	9.64	10.35

The value of the Marina Hotel and the Corinthia Hotel St. George's Bay were based on their market value. There was no indication of impairment of other hotel properties.

15.2 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 15.1) were also considered appropriate for the purpose of determining their fair value. The excess in prior years is shown in revaluation reserve.

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

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

During the year under review, the Corinthia Palace Hotel was revalued to € 27.5 million on the basis of an open market valuation carried out by an independent architect.

15.3 Historic cost of hotel properties

The carrying amounts of the land and buildings that would have been included in these financial statements had these assets been carried at cost less accumulated depreciation thereon would be € 612.3 million (2012: € 615.1 million, 2011: € 647.4 million).

15.4 Security

Certain tangible fixed assets owned by the group are hypothecated in favour of the group's bankers as collateral for amounts borrowed (refer to note 24).

16 Investments in subsidiaries and associates

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

	The Group			CPHCL		
	2013 €000	2012 €000	2011 €000	2013 €000	2012 €000	2011 €000
Equity in subsidiary companies (note 16.3)	**-**	-	-	**382,570**	382,566	379,167
Loans to subsidiary companies	**-**	-	-	**24,315**	25,740	22,365
Impairment loss (note 16.7)	**-**	-	-	**(1,877)**	(1,965)	(2,286)
	-	-	-	**405,008**	406,341	399,246
Equity in associate companies (note 16.5)	**276,925**	237,509	178,102	**24,094**	24,094	24,093
Loans to associate companies (note 16.2)	**48,549**	48,671	36,625	**1,774**	1,775	7,175
Impairment loss (note 16.7)	**(12)**	-	-	**(12)**	-	-
	325,462	286,180	214,727	**25,856**	25,869	31,268

16.1 Equity investments

Subsidiary companies	Registered office	Percentage holding in ordinary shares: The Group 2013 %	The Group 2012 %	CPHCL 2013 %	CPHCL 2012 %	Nature of business
Quoted						
International Hotel Investments p.l.c.	22, Europa Centre, Floriana, Malta	59	59	59	59	Investment
Unquoted						
Afina Ag	CH-4336 Kaisten Eigematt 15 Switzerland	100	100	-	-	Investment
Alfa Investimentos Turisticos Lda	Avenida Columbana Bordalo Pinheiro Lisboa 1099-031, Portugal	59	59	-	-	Hotel owner
Amber Hotels s.r.o.	Milevska 7, Prague 4 Czech Republic	100	100	100	100	Hotel owner and operator
Catering Contractors Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Restaurant and catering services
CHI Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Hotel management
Comox Enterprises Limited	Agiou Nicolau, 41-49, Nimeli Court, Egkomi PC2408, Nicosia,Cyprus	100	100	100	100	Investment

Subsidiary companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2013 %	2012 %	2013 %	2012 %	
Corinthia Construction (Overseas) Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Construction
Corinthia Finance p.l.c.	22, Europa Centre, Floriana, Malta	100	100	100	100	Investment
Corinthia Investments Limited	1, Brentham House 43c High Street Hampton Wick, Kingston-Upon-Thames, Surrey, UK	100	100	100	100	Investment
Corinthia Palace Holdings Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Non trading
CPHCL Investments Limited	22, Europa Centre Floriana, Malta	100	100	100	100	Investment
Corinthia Panorama s.r.o.	Milevska 7, Prague 4, Czech Republic	100	100	100	100	Hotel owner
Corinthia Restaurants Kft	3527 Miskolc Bajcsy Zsilinszky U.17 Budapest, Hungary	100	100	-	-	Property owner
Corinthia Services Limited	34, Place de 7 Novembre 1987 Tunis, Tunisia	99	99	99	99	Non trading
Corinthia Towers Tripoli Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Hotel owner
Corinthia Tunisie sarl	Les Cotes de Carthage, Ghammarth, Tunisia	100	100	100	100	Non trading
Corinthia Turizm Yatirimlari ve Ticaret a.s.	Tayyareci Ethem Sokak No.24 Kat4 Daire 13, 80090 Gumussuyu Istanbul, Turkey	100	100	-	-	Hotel owner
Corinthia Holdings Overseas Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Non trading
Danish Bakery Limited	22, Europa Centre, Floriana, Malta	65	65	65	65	Bakery

Subsidiary companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2013 %	2012 %	2013 %	2012 %	
D.X. Design Consultancy Ltd	22, Europa Centre, Floriana, Malta	92	92	-	-	Project management services
Five Star Hotels Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Hotel owner
Flight Catering Company Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Inflight services
HNS Consultancy Services Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Consultancy services
IHI Benelux Bv	Frederick Roeskestraat 123 1076 EE Amsterdam P.O. Box 72888 1070 AC Amsterdam The Netherlands	59	59	-	-	Hotel owner
IHI Benghazi Limited	22, Europa Centre, Floriana, Malta	44	44	-	-	Investment
IHI Cyprus Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	59	59	-	-	Investment
IHI Hungary Rt	1072, Budapest, Klauzal ter.3, Hungary	59	59	-	-	Hotel owner
IHI Lisbon Limited	22, Europa Centre, Floriana, Malta	59	59	-	-	Investment
IHI St Petersburg LLC	1/36 Volynsky per., St. Petersburg, Russian Federation	59	59	-	-	Investment
IHI Towers s.r.o	Kongresova 1655/1 1406/69 Praha 5 Czech Republic	59	59	-	-	Hotel Owner
IHI Zagreb d.d.	Centar Kaptol, Nova Kes 11, 10000 Zagreb, Croatia	59	59	-	-	Investment
Internasyonal Turizm ve Otelcilik a.s.	Osmanli Sokok No.24 Kat 4 Daire 13 80090 Gumussuyu Istanbul, Turkey	100	100	-	-	Hotel owner

Subsidiary companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2013 %	2012 %	2013 %	2012 %	
Konopiste Property Holding s.r.o.	Milevska 1695/7 Prague 4 Czech Republic	100	100	100	100	Hotel owner
Marina San Gorg Limited	22, Europa Centre Floriana, Malta	59	59	-	-	Hotel owner
Marsa Investments Limited	22, Europa Centre Floriana, Malta	100	100	100	100	Investment property and hotel operator
Misurata Holdings Limited	22, Europa Centre Floriana, Malta	100	-	100	-	Non-trading
QPM Limited	22, Europa Centre Floriana, Malta	92	92	80	80	Project management services
Palm Waterfront Development Ltd	22, Europa Centre Floriana, Malta	100	-	100	-	Non-trading
QPM (Africa) Limited	22, Europa Centre Floriana, Malta	93	93	20	20	Non-trading
QPM (UK) Limited	Gate House, 5th Floor 1, St. John's Square London EC1N 4DH United Kingdom	92	92	-	-	Project management services
Societe de Promotion Hoteliere Khamsa s.a.	Les Cotes de Carthage, Gammarth, Tunisia	100	100	65	65	Hotel owner
Swan Laundry and Drycleaning Company Limited	22, Europa Centre, Floriana, Malta	100	100	100	100	Laundry
Thermal Hotel Aquincum Rt	Arpad Fejedelem Utja 94, H-1036 Budapest Hungary	100	100	-	-	Hotel owner
Top. Spirit a.s.	Milevska 7, 14063 Prague P.O. Box 41 Czech Republic	100	100	100	100	Investment

Associate companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2013 %	2012 %	2013 %	2012 %	
Atkins Travel Limited	Towngate House, 2, Parkstone Road, Poole, Dorset BH15 2PJ United Kingdom	43	43	-	-	Tour operator
B.C.W. Limited	3, Princess Elizabeth Terrace, Ta' Xbiex, Malta	33	33	33	33	Non-trading
Café Jubilee Zrt	1055 Budapest, Szent Istvan krt. 13, Hungary	50	50	50	50	Restaurant and café
CaterMax Limited	22 Europa Centre, Floriana, Malta	50	50	50	50	Catering services
INI Hotels Holdings Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	29	29	-	-	Investment
INI Hotels Management Company Limited	Naousis 1 Karapatakis Building 6018, Larnaca Cyprus	29	29	-	-	Investment
Malta Fairs and Conventions Centre Limited	Millenium Stand, Level 1, 33, National Stadium, Ta' Qali	33	33	-	-	Trade conference & Leisure Conventions
Medina Tower J.S.C	Suite 107, Tower 2, Level 10 Burj Al Fateh, Tripoli, Libya	27	27	-	-	Owns the Medina Towers Project in Tripoli
Mediterranean Investments Holding p.l.c.	22, Europa Centre, Floriana, Malta	50	50	50	50	Investment
NLI Holdings Limited (Group)	CTV House, La Pouqelaye, St Helier, Jersey	29	29	-	-	Parent company of NLI group
Norm Turizm Yatirim Isletmeleri a.s.	Mobucan Yokusu, 17/2 Findikli, Istanbul, Turkey	40	40	-	-	Hotel owner

Associate companies	Registered office	Percentage holding in ordinary shares				Nature of business
		The Group		CPHCL		
		2013	2012	2013	2012	
		%	%	%	%	
Palm City Limited	22, Europa Centre, Floriana, Malta	50	50	-	-	Property development and operator
Palm Waterfront Limited	22, Europa Centre, Floriana, Malta	50	50	-	-	Property development and operator
Scalotel-Sociedade Escalabitana Hoteleira s.a.	Avenida Madre Andaluz Freguesia de Marvila, Cancelho de Santarem, Portugal	41	41	-	-	Hotel owner

16.2 Loans

The loans to associate companies are unsecured, interest free and have no fixed repayment date.

16.3 Equity in subsidiary companies

	CPHCL		
	2013	2012	2011
	€000	€000	€000
At 1 January	**382,566**	379,167	379,515
Acquisition of equity in:			
Corinthia Finance p.l.c.	**-**	17	-
Misurata Holdings Limited	**2**	-	-
Palm Waterfront Development Ltd	**2**	-	-
Corinthia Construction (Overseas) Limited	**-**	3,382	-
Liquidated companies:			
Marin Aruba Limited	**-**	-	(298)
Med Construction Holding Company Limited	**-**	-	(50)
At 31 December	**382,570**	382,566	379,167

All investments were purchased at the nominal value of shares received i.e. at par, except for Corinthia Construction (Overseas) Limited which was acquired for € 3.38 million.

16.4 Subsidiaries with material non-controlling interests

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

Name	Proportion of ownership interest and voting rights held by NCI		Profit (loss) allocated to NCI		Accumulated NCI	
	2013	2012	2013	2012	2013	2012
	%	%	€000	€000	€000	€000
Danish Bakery Limited	35	35	260	313	1,135	1,068
IHI group	41	41	10,814	(869)	258,087	247,273

Dividend paid to NCI of Danish Bakery Limited amounted to € 192,500 (2012: € 210,000). No dividends were paid to the NCI of IHI group during the years 2013 and 2012.

Summarised financial information for Danish Bakery Limited and IHI group, before intragroup eliminations, is set out below:

	Danish Bakery Limited		IHI group	
	2013	2012	2013	2012
	€000	€000	€000	€000
Non-current assets	2,850	3,024	1,042,268	1,029,533
Current assets	1,976	1,816	50,404	59,150
Total assets	**4,826**	**4,840**	**1,092,672**	**1,088,683**
Non-current liabilities	(441)	(489)	(390,061)	(410,385)
Current liabilities	(1,142)	(1,300)	(76,120)	(78,042)
Total liabilities	**(1,583)**	**(1,789)**	**(466,181)**	**(488,427)**
Equity attributable to owners of the parent	**2,108**	**1,983**	**368,404**	**352,983**
Non-controlling interests	**1,135**	**1,068**	**258,087**	**247,273**

	Danish Bakery Limited		IHI group	
	2013	2012	2013	2012
	€000	€000	€000	€000
Revenue	**5,674**	**5,341**	**123,734**	**118,567**
Profit (loss) for the year attributable to owners of the parent	482	581	157	(6,155)
Profit (loss) for the year attributable to NCI	260	313	109	(4,278)
Profit for the year	**742**	**894**	**266**	**(10,433)**
Other comprehensive income attributable to owners of the parent	-	-	15,322	4,893
Other comprehensive income attributable to NCI	-	-	10,647	3,431
Other comprehensive income for the year	**-**	**-**	**25,969**	**8,324**
Total comprehensive income (expense) for the year attributable to owners of the parent	482	581	15,479	(1,240)
Total comprehensive income (expense) for the year attributable to NCI	260	313	10,756	(869)
Total comprehensive income (expense) for the year	**742**	**894**	**26,235**	**(2,109)**

	Danish Bakery Limited		IHI group	
	2013	2012	2013	2012
	€000	€000	€000	€000
Net cash from operating activities	1,243	1,580	42,078	30,145
Net cash used in investing activities	(461)	(914)	(4,284)	(21,187)
Net cash used in financing activities	(763)	(809)	(43,666)	(23,837)
Net cash flow	**19**	**(143)**	**(5,872)**	**(14,879)**

16.5 Equity in associate companies

	The Group		
	2013 €000	2012 €000	2011 €000
At 1 January	**237,509**	178,102	191,449
Exchange differences	**(1,716)**	1,477	1,301
Additions	**-**	9,100	-
Disposal	**-**	-	(9,088)
Liquidated	**-**	(133)	(3)
Group's share of dividend paid by associate companies	**(131)**	(160)	(50)
Group's share of results:			
- income statement – continuing operations	**425**	29,242	(289)
- income statement – discontinued operations	**99**	140	-
- other comprehensive income	**41,616**	19,741	(5,218)
Adjustments	**545**	-	-
Transfer to assets held for sale	**(1,422)**	-	-
At 31 December	**276,925**	237,509	178,102

16.6 Gross aggregate amounts of financial information of associate companies

	The Group			CPHCL		
	2013 €000	2012 €000	2011 €000	2013 €000	2012 €000	2011 €000
Total assets	**1,084,915**	1,042,404	854,992	**351,886**	355,666	294,209
Total liabilities	**(486,301)**	(518,427)	(491,926)	**(185,193)**	(203,835)	(185,511)
Net assets	**598,614**	523,977	363,066	**166,693**	151,831	108,698
Revenue	**122,051**	108,967	43,769	**30,933**	32,908	11,830
Profit (loss) for the year	**866**	58,117	(68)	**13,796**	48,274	(2,980)
Share of contingent liabilities of associates	**1,050**	812	-	**-**	-	-

16.7 Impairment loss

The carrying amount of the investment in and loan to Corinthia Tunisie Sarl was found to be impaired and therefore a total impairment loss of € 2.04 million had been recognised in the income statement of CPHCL at the end of 2009. € 18,000 was reversed in 2010, € 3,000 in 2011, € 53,000 in 2012, and a further € 90,000 in 2013.

In 2011, the company recognised an impairment on the investment in and loan to Amber Hotels s.r.o of € 268,000. This amount was reversed in 2012.

In 2013, the company recognised an impairment on the investments in B.C.W. Limited and Comox Enterprises Limited amounting to € 12,000 and € 1,000, respectively.

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

16.8 Significant judgements and assumptions

The group holds 50% of the ordinary shares and voting rights of Café Jubilee Zrt, CaterMax Limited and Mediterranean Investments Holding p.l.c. (MIH group). Management has reassessed its involvement in these companies in accordance with the revised control definition and guidance in IFRS 10. It has concluded that it has significant influence but not outright control, which rests with the boards of those companies.

17 Deferred tax assets and liabilities

The Group Deferred tax liabilities (assets)	2013 €000	2012 €000	2011 €000
Tax effect of temporary differences relating to:			
Excess of tax base over carrying amount of tangible and intangible fixed assets	**33,540**	29,819	31,241
Provision for doubtful debts	**(43)**	(459)	(459)
Unrelieved tax losses and unabsorbed capital allowances	**(4,593)**	(19,895)	(21,932)
Investment in associate	**20,748**	14,714	9,393
Revaluation of land, buildings and investment property	**73,158**	74,766	83,565
Provision for exchange differences	**(651)**	479	(999)
Other	**(18,024)**	772	198
	104,135	100,196	101,007
Disclosed as:			
Deferred tax liability	**110,711**	102,762	103,313
Deferred tax asset	**(6,576)**	(2,566)	(2,306)
	104,135	100,196	101,007
Unrecognised deferred tax asset:			
Unrelieved tax losses	**11,276**	12,175	9,566

Deferred tax benefits arising from unrelieved tax losses have not been recognised in these financial statements since it cannot be determined with reasonable certainty whether the respective group companies will generate sufficient profits in the foreseeable future to utilise such losses.

The expiry date of tax losses is as follows:

	2013 €000	2012 €000	2011 €000
2012	**-**	-	3,152
2013	**-**	2,520	2,520
2014	**3,085**	3,085	3,085
2015	**3,375**	3,375	3,375
2016	**2,704**	2,704	2,704
2017	**1,703**	1,703	1,703
2018	**2,745**	2,745	-
2019	**535**	-	-
	14,147	16,132	16,539

CPHCL Deferred tax liabilities (assets)	2013 €000	2012 €000	2011 €000
Tax effect of temporary differences relating to:			
Revaluation of land, buildings and investment property	**3,134**	-	-
Unrelieved tax losses and unabsorbed capital allowances	**(3,883)**	(2,172)	(2,172)
	(749)	(2,172)	(2,172)
Disclosed as:			
Deferred tax liability	**3,134**	-	-
Deferred tax asset	**(3,883)**	(2,172)	(2,172)
	(749)	(2,172)	(2,172)
Unrecognised deferred tax asset:			
Unrelieved tax losses	**7,527**	7,900	5,183

18 Inventories

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Food and beverages	**1,039**	1,096	1,121	**63**	60	118
Consumables and other	**6,050**	5,818	5,915	**208**	181	204
Goods held for resale	**83**	55	121	**-**	-	-
Loose tools	**105**	8	7	**-**	-	-
Work-in-progress	**283**	321	175	**-**	-	-
	7,560	7,298	7,339	**271**	241	322

19 Trade and other receivables

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Trade receivables	**29,994**	26,365	30,147	**1,265**	1,485	1,822
Allowance for doubtful debts	**(6,970)**	(6,044)	(5,243)	**(655)**	(634)	(634)
	23,024	20,321	24,904	**610**	851	1,188
Amounts due from subsidiaries	**-**	-	-	**9,736**	8,430	9,567
Amounts due from associates	**5,868**	20,795	18,887	**664**	661	1,079
Amounts due from shareholders	**-**	-	902	**-**	-	-
Other receivables	**3,321**	9,285	9,924	**974**	2,007	7,153
Accrued income	**3,127**	1,620	1,630	**-**	-	-
Financial assets	**35,340**	52,021	56,247	**11,984**	11,949	18,987
Prepaid expenses	**8,514**	4,859	2,785	**2,396**	2,398	901
Total receivables – current	**43,854**	56,880	59,032	**14,380**	14,347	19,888

The carrying values of short-term loans and receivables are considered a reasonable approximation of fair value.

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 reach the group's benchmark creditworthiness may only transact with the group on a cash basis.

In determining the recoverability of trade receivables the group considers any change in the credit quality of each trade receivable from the date credit was initially granted up to the reporting date.

Included in trade receivables are debtors which are past due at the reporting date for which the group has not provided for as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of trade receivables not impaired is as follows:

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Not more than 3 months	**11,500**	3,058	7,685	**276**	267	380
3 to 6 months	**3,340**	5,604	3,789	**209**	145	204
6 months to 1 year	**2,964**	4,253	5,363	**72**	278	386
More than one year	**5,220**	7,406	8,067	**53**	161	218
	23,024	20,321	24,904	**610**	851	1,188

In addition certain trade receivables were found to be impaired and a provision has been recorded accordingly. The movement in the allowance for doubtful debts is as follows:

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Balance at 1 January	**6,044**	5,243	4,768	**634**	634	605
Impairment losses recognised	**941**	801	908	**21**	-	29
Impairment losses reversed	**(15)**	-	(433)	**-**	-	-
Balance at 31 December	**6,970**	6,044	5,243	**655**	634	634

20 Cash and cash equivalents

Cash and cash equivalents include the following components:

The Group	2013 €000	2012 €000	2011 €000
Current	**15,249**	21,649	48,425
Cash and cash equivalents in the balance sheet	**15,249**	21,649	48,425
Bank overdraft	**(15,296)**	(8,676)	(7,588)
Cash and cash equivalents in the statement of cash flows	**(47)**	12,973	40,837

CPHCL	2013 €000	2012 €000	2011 €000
Current	**368**	117	234
Cash and cash equivalents in the balance sheet	**368**	117	234
Bank overdraft	**(9,994)**	(3,486)	(5,027)
Cash and cash equivalents in the statement of cash flows	**(9,626)**	(3,369)	(4,793)

The group bank balances include amounts of € 3.4 million (2012: € 3.4 million, 2011: € 3.4 million) set aside by four subsidiary companies for debt servicing requirements and € 1.0 million (2012: € 0.9 million, 2011: € 1.4 million) set aside by another subsidiary for capital expenditure purposes.

21 Assets held for sale

In 2011 and 2012, the Corinthia Palace Hotel property was held for sale following the directors' decision to dispose of this property. Subsequently at the end of 2013, the directors reached agreement not to sell the property. As a result of such decision, the 2012 income statements are re-presented to be part of continuing operations and the asset ceases to be classified as assets held for sale.

The sale of investment in Marina San Gorg Limited to IHI p.l.c. was completed in 2012.

	The Group			CPHCL		
	2013 €000	2012 €000	2011 €000	2013 €000	2012 €000	2011 €000
Corinthia Palace Hotel						
Property, plant and equipment	**-**	9,324	9,187	**-**	9,848	9,711
Amber Hotels s.r.o.						
Investment property	**-**	80	77	**-**	-	-
Marina San Gorg Limited						
Investment in subsidiary shares	**-**	-	-	**-**	-	6,988
Loans receivable	**-**	-	-	**-**	-	9,574
	-	-	-	**-**	-	16,562
Impairment losses recognised	**-**	-	-	**-**	-	(9,368)
	-	-	-	**-**	-	7,194
Norm Turizm Yatirim Isletmeleri a.s.						
Investment in associate						
Cost	**1,422**	-	-	**-**	-	-
Deposit received	**(200)**	-	-	**-**	-	-
	1,222	-	-	**-**	-	-
Total assets held for sale	**1,222**	9,404	9,264	**-**	9,848	16,905

22 Called-up issued share capital

The share capital of Corinthia Palace Hotel Company Limited consists of 20 million ordinary shares with a par value of € 1 each. The shares are all equally eligible to receive dividends and the repayment of capital, and represent one vote at the shareholders' meeting of Corinthia Palace Hotel Company Limited.

	2013 €000	2012 €000	2011 €000
Shares issued and fully paid at 31 December			
Ordinary shares	**20,000**	20,000	20,000
Shares authorised at 31 December			
Ordinary shares	**20,000**	20,000	20,000

23 Other reserves

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

The Group	Translation difference €000	Revaluation reserve €000	Other equity components €000	Total €000
At 1 January 2011	61,928	132,577	8,557	203,062
Reclassifications to retained earnings	(1,451)	-	-	(1,451)
Net revaluation/(impairment) of properties	-	(11,493)	-	(11,493)
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	2,038	-	-	2,038
- on deferred tax	31	-	-	31
Current year gains	-	-	760	760
At 31 December 2011	62,546	121,084	9,317	192,947
At 1 January 2012	62,546	121,084	9,317	192,947
Reclassifications to retained earnings	(10,150)	-	-	(10,150)
Transfer to non-controlling interest on transfer of Marina San Gorg Limited	-	(3,019)	-	(3,019)
Net revaluation/(impairment) of properties	-	2,595	-	2,595
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	197	-	-	197
- on deferred tax	344	-	-	344
Current year gains	-	-	638	638
At 31 December 2012	52,937	120,660	9,955	183,552
At 1 January 2013	52,937	120,660	9,955	183,552
Reclassifications to retained earnings	-	(2,474)	(1,509)	(3,983)
Net revaluation/(impairment) of properties	-	34,010	-	34,010
Exchange difference arising from translating foreign operations:				
- on net assets, excluding deferred tax	(4,618)	-	-	(4,618)
- on deferred tax	296	-	-	296
Current year gains	-	-	1,759	1,759
At 31 December 2013	**48,615**	**152,196**	**10,205**	**211,016**

CPHCL

At 31 December 2013 the company's other reserves comprised € 16.3 million (2012 and 2011: Nil) representing revaluation surplus and € 3.9 million (2012: € 2.2 million, 2011: € 2.5 million) representing deferred tax.

24 Bank borrowings

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Bank overdraft	**15,296**	8,676	7,588	**9,994**	3,486	5,027
Bank loans	**271,383**	292,414	288,305	**16,004**	18,158	9,437
Total borrowings	**286,679**	301,090	295,893	**25,998**	21,644	14,464
Comprising:						
Long term borrowings						
- due within 2 - 5 years	**115,108**	126,888	112,055	**3,721**	14,679	6,159
- due later than 5 years	**118,892**	137,182	146,226	**-**	-	-
	234,000	264,070	258,281	**3,721**	14,679	6,159
Borrowings due within 12 months						
- bank overdraft	**15,296**	8,676	7,588	**9,994**	3,486	5,027
- bank loans	**37,383**	28,344	30,024	**12,283**	3,479	3,278
	52,679	37,020	37,612	**22,277**	6,965	8,305

a) Bank borrowings have the following terms:

The Group	Total amount of bank borrowings 2013 €000	2012 €000	2011 €000	Interest rate	Within 1 year €000	Repayable between 2-5 years €000	After 5 years €000
Alfa Investimentos Turisticos Lda	**35,215**	37,007	38,303	1.25% over 3 month Euribor	3,593	10,767	20,855
CHI Limited	**1,907**	1,520	-	2.5% over bank base rate	1,907	-	-
Corinthia Construction (Overseas) Limited	**4,491**	1,512	381	2.75%-4.85% over bank base rate	1,645	2,846	-
Corinthia Panorama s.r.o.	**16,984**	19,764	20,519	1.45% over 3 month Euribor	808	3,516	12,660
Corinthia Towers Tripoli Limited	**42,000**	51,500	52,000	1.5% over 3 month Libor/2-3.5% over 3 month Euribor	8,666	26,667	6,667
Danish Bakery Limited	**220**	408	586	2.5 % over bank base rate	200	20	-
Five Star Hotels Limited	**4,022**	4,854	4,443	2.5% over bank base rate	2,712	1,310	-
IHI Benelux Bv	**55,837**	49,095	49,995	5.0% over 3 month Euribor	731	8,998	46,108
IHI Hungary Rt	**31,383**	33,396	35,283	2.9% over 3 month Euribor (composite rate)	2,148	29,235	-
IHI Towers s.r.o.	**33,018**	40,126	42,162	1.45% over 3 month Euribor	2,179	9,489	21,350
International Hotel Investments p.l.c.	**11,200**	13,300	9,900	2.5% over bank base rate/1.5% over 6 month euribor	2,600	8,100	500
Marina San Gorg Limited	**953**	1,483	1,378	2.5 % over bank base rate	395	558	-
S.P.H. Khamsa s.a.	**6,679**	7,976	9,127	1.5% over 3 month Euribor	811	5,868	-
Swan Laundry and Drycleaning Co. Ltd	**530**	504	542	2.5 % over bank base rate	367	163	-
QPM Limited	**800**	800	-	5.1% per annum	800	-	-
Thermal Hotel Aquincum Rt	**15,442**	16,201	16,810	2% over 3 month Euribor	840	3,850	10,752
	260,681	279,446	281,429		30,402	111,387	118,892
CPHCL (see below)	**25,998**	21,644	14,464		22,277	3,721	-
	286,679	301,090	295,893		52,679	115,108	118,892

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

b) Bank loans and overdrafts amounting to € 26.0 million (2012 - € 21.6 million, 2011 - € 14.4 million) pertaining to CPHCL are secured by general and special hypothecs over its tangible fixed assets and by guarantees given by other group companies.

The repayment terms of these borrowings are set out below:

CPHCL	Total amount of bank borrowings 2013 €000	2012 €000	2011 €000	Interest rate	Within 1 year €000	Repayable between 2-5 years €000	After 5 years €000
Bank loans	**16,004**	18,158	9,437	1.5 – 2.5% over bank base rate	12,283	3,721	-
Bank overdraft	**9,994**	3,486	5,027	1.5% over euro base rate/2.5% over bank base rate	9,994	-	-
	25,998	21,644	14,464		22,277	3,721	-

25 Bonds

25.1 Bonds in issue

The group has the following bonds in issue:

The Group	Interest rate %	Repayable by	2013 €000	2012 €000	2011 €000
Redeemable bonds					
Bond 3	6.75	8 April 2012	**-**	-	14,645
Bond 4	6.30	15 February 2013	**-**	4,054	13,966
Bond 5	6.20	15 February 2013	**-**	1,690	8,070
Bond 6	6.50	27 March 2014	**2,500**	12,475	12,456
Bond 7	6.25	10 July 2019	**34,679**	34,600	34,527
Bond 8	6.25	23 September 2019	**39,967**	40,000	40,000
Bond 9	6.25	8 April 2020	**24,759**	24,711	24,667
Bond 10	5.80	21 December 2021	**19,591**	19,557	-
Bond 11	6.00	29 March 2022	**7,500**	7,500	-
Bond 12	5.80	14 November 2023	**9,865**	-	-
			138,861	144,587	148,331
Non-current			**136,361**	138,843	133,686
Current			**2,500**	5,744	14,645
			138,861	144,587	148,331

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

In the case of bonds 6, 7, 8, 9 and 11 the respective 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.

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

25.2 Investment held by trustee

Investment held by trustee is comprise of the following:

The Group	2013 €000	2012 €000	2011 €000
AFS financial assets:			
- Malta Government Stocks	**310**	-	-
Loans and receivables:			
- Interest-bearing bank accounts	**3,155**	2,626	83
	3,465	2,626	83

The Malta Government Stocks are publicly traded in Malta. Fair values of these stocks have been estimated by reference to quoted bid prices in active markets at the reporting date.

The prospectuses for bonds 7, 8, 9, 10 and 11 provide for the setting up of sinking funds administered by a trustee to cover 50% of the repayment of bonds on maturity. By the 31st December 2013 the amounts set aside for this purpose totalled € 3.5 million whilst at the beginning of March 2014 the group transferred a further amount of € 3.6 million to satisfy the requirements of the Listing Authority Policy Guidelines on Sinking Funds for the redemption of bonds.

26 Other borrowings

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Shareholders' loans	**17,287**	16,571	16,823	**17,287**	16,571	16,823
Loans due to subsidiaries	**-**	-	-	**114,292**	116,759	135,091
	17,287	16,571	16,823	**131,579**	133,330	151,914
Non-current	**17,287**	16,571	16,823	**127,265**	132,930	125,427
Current	**-**	-	-	**4,314**	400	26,487
	17,287	16,571	16,823	**131,579**	133,330	151,914

Terms of related party loans

The Group

€000	*Interest rate*	*Repayment*
17,287	6.00%	No fixed date

CPHCL

€000	*Interest rate*	*Repayment*
38,810	6.40%	7 September 2019
17,287	6.00%	No fixed date
16,795	2.25% over 3 month Euribor	After April 2010
312	6.25%	No fixed date
7,500	6.20%	15 March 2022
1,615	Non-interest bearing	No fixed date
11,117	1.5% over 3 month Euribor	No fixed date
9,250	1.8% over 6 months Euribor	No fixed date
28,893	0.05% over 3 months Pribor	No fixed date
131,579		

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

27 Tax indemnity

CPHCL	2013 €000	2012 €000	2011 €000
Tax indemnity – IHI p.l.c.	**22,566**	23,448	22,432

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

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

On the sale of its shares in Marina San Gorg Limited (MSG) to IHI in 2012, CPHCL provided a tax indemnity to IHI. The sales contract was exempt from taxation on the basis that share capital of MSG was transferred rather than the hotel property. Should IHI dispose of the hotel property, it may become liable to tax that it would not have become liable to pay had CPHCL transferred the hotel property as opposed to the transfer of the issued share capital. The indemnity agreement provides that in this event, CPHCL will indemnify against any tax which IHI may incur or sustain up to a maximum of €4.77 million. The indemnity shall automatically expire on 13 February 2019.

28 Derivative financial instruments

	The Group			CPHCL		
	2013 €000	2012 €000	2011 €000	2013 €000	2012 €000	2011 €000
Liability						
- Non-current	**-**	4,884	6,404	**-**	-	-
- Current	**2,349**	-	-	**-**	-	-
	2,349	4,884	6,404	**-**	-	-
Notional amounts maturing in:						
2013	-	14,030	14,030	**-**	-	-
2014	67,989	67,989	67,989	**-**	-	-

The interest rate swap agreements are subject to the following terms:

2013 -
Receive interest at the rate of 3 month Euribor
Pay fixed interest at the rate of 4.89% to 5.2% per annum

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

29 Provision for charges

The Group	€000
Balance at 31 December 2011, 2012 and 2013	**206**

30 Trade and other payables

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Trade payables	**16,603**	14,917	12,631	**1,716**	1,088	1,164
Amounts due to subsidiaries	**-**	-	-	**6,177**	5,790	8,276
Amounts due to associates	**1,118**	4,039	553	**959**	186	23
Other payables	**7,097**	1,675	3,838	**524**	524	431
Accrued expenses	**19,672**	20,019	19,778	**2,920**	3,013	965
Financial liabilities	**44,490**	40,650	36,800	**12,296**	10,601	10,859
Advance deposits	**8,052**	4,835	4,783	**-**	-	2
Statutory liabilities	**2,063**	2,308	1,650	**372**	606	422
Total payables – current	**54,605**	47,793	43,233	**12,668**	11,207	11,283

The carrying amount of short-term financial liabilities is considered a reasonable approximation of fair value.

31 Non-cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit (loss) before taxation to arrive at operating cash flow:

	The Group		CPHCL	
	2013	2012 (Re-presented)	2013	2012 (Re-presented)
	€000	€000	€000	€000
Adjustments:				
Amortisation of intangible assets	**726**	675	**-**	-
Depreciation	**29,124**	28,339	**2,320**	131
Loss (gain) on disposal of property, plant and equipment	**(2)**	187	**7**	(1)
Gain on disposal of investment property	**(3,447)**	-	**(6,894)**	-
Gain on sale of assets held for sale	**-**	-	**-**	(1,956)
Impairment (reversal) loss on property, plant and equipment	**(5,000)**	6,402	**-**	-
Reversal of impairment on assets held for sale	**-**	-	**-**	(9,368)
Impairment loss on investments	**31**	16	**411**	436
Fair value adjustment on investment properties	**(7,159)**	(4,154)	**-**	-
Share of results of associate companies	**(524)**	(29,382)	**-**	-
Movement in tax indemnity	**-**	-	**(882)**	(454)
Provision for exchange differences	**2,286**	499	**(2,320)**	(99)
Provision for doubtful debts	**926**	801	**21**	-
Interest receivable	**(6,625)**	(2,050)	**(1,006)**	(1,304)
Interest payable	**23,950**	23,454	**7,765**	7,996
Dividends received	**-**	-	**(358)**	(1,607)
	34,286	24,787	**(936)**	(6,226)
Net changes in working capital:				
Change in inventories	**(262)**	41	**(30)**	81
Change in trade and other receivables	**(5,440)**	5,586	**156**	(437)
Amounts owed by related companies	**14,927**	(1,006)	**(1,306)**	7,012
Change in trade and other payables	**11,463**	951	**1,101**	4,238
Amounts owed to related parties	**(2,921)**	3,486	**2,562**	(28,264)
	17,767	9,058	**2,483**	(17,370)

32 Commitments

The Group	2013 €000	2012 €000	2011 €000
Capital expenditure commitments:			
Tangible fixed assets			
Authorised but not yet contracted for	**6,560**	16,950	17,610
Contracted for but not provided for in financial statements	**2,280**	7,860	4,748
Financial assets			
Authorised but not yet contracted for			
Investment in associates	**11,694**	11,400	20,700
	11,694	11,400	20,700
Contracted for but not provided for in financial statements			
Investment in associate	**-**	125	200
Commitments under operating leases:			
On land and buildings			
- expiring within one year	**137**	137	135
- expiring between two and five years	**565**	565	568
- expiring after more than five years	**15,594**	15,731	14,672
	16,296	16,433	15,375

Commitments under operating leases are payable in respect of non-cancellable operating lease rentals relating to leasehold land and buildings. These land and buildings are held under title of temporary emphyteusis for a term of ninety-nine years reckoned from 1 September 1992.

CPHCL	2013 €000	2012 €000	2011 €000
Capital expenditure commitments:			
Tangible fixed assets			
Authorised but not yet contracted for	**250**	-	-
Contracted for but not provided for in financial statements	**-**	50	100
Financial assets			
Investment in associate	**-**	125	200
Investment in subsidiary	**-**	-	555
	-	125	755

33 Contingent liabilities

The Group	2013 €000	2012 €000	2011 €000
Guarantees given to secure bank facilities for related companies	**20,495**	24,525	26,955
Amounts in dispute	**812**	812	-
	21,307	25,337	26,955

CPHCL	2013 €000	2012 €000	2011 €000
Guarantees given to secure bonds	**46,299**	47,100	54,645
Guarantees given to secure bank facilities for related companies	**71,837**	80,103	85,841
	118,136	127,203	140,486

34 Related party transactions

Except as stated in note 27, none of the other transactions incorporates special terms and conditions and no guarantee was given or received. Transactions with related companies are generally effected on a cost plus basis. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in notes 16, 19, 26 and 30.

35 Transactions with subsidiaries

CPHCL	2013 €000	2012 €000	2011 €000
Purchases and expenses	**1,382**	315	703
Interest charged to subsidiaries	**886**	811	568
Interest charged by subsidiaries	**4,165**	5,366	6,081
Management and royalty fees charged to related companies	**352**	622	742
Purchase of investment in subsidiary	**4**	3,382	-
Sale of investment in subsidiary	**-**	10,414	-

36 Transactions with associates

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Interest charged to associates	**1,117**	253	319	**80**	253	21
Interest charged by associates	**324**	-	-	**316**	-	-
Management fee charged to associates	**777**	2,749	2,700	**231**	220	140

37 Transactions with other related parties

	The Group			CPHCL		
	2013	2012	2011	2013	2012	2011
	€000	€000	€000	€000	€000	€000
Management fees	**-**	-	154	**-**	-	-
Interest charged to other related parties	**101**	883	-	**-**	53	64
Interest payable on shareholders' loan	**988**	997	1,011	**988**	997	1,011
Interest payable on other related party loans	**-**	27	-	**-**	-	-

38 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.

In 2013 the remuneration of the executive directors and senior executives of the company and its subsidiaries amounted to € 3.4 million (2012: € 3.2 million). The foregoing amount is all fixed remuneration. There are no variable remunerations nor share options.

39 Risk management objectives and policies

The group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The group's risk management is coordinated by the directors and focuses on actively securing the company'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 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 39.5 for a summary of the group's financial assets and liabilities by category.

39.1 Credit risk

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	Notes	2013 €000	2012 €000	2011 €000
Classes of financial assets – carrying amounts				
Long term receivables	16	**48,549**	48,671	36,625
Investment held by trustee	25	**3,465**	2,626	83
Trade and other receivables	19	**35,340**	52,021	56,247
Cash and cash equivalents	20	**15,249**	21,649	48,425
		102,603	123,347	139,093

CPHCL	Notes	2013 €000	2012 €000	2011 €000
Classes of financial assets – carrying amounts				
Assets held for sale	21	**-**	-	7,194
Long term receivables	16	**24,212**	25,550	27,254
Investment held by trustee	25	**-**	3	3
Trade and other receivables	19	**11,984**	11,949	18,987
Cash and cash equivalents	20	**368**	117	234
		36,564	37,619	53,672

The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties.

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

None of the group's financial assets is secured by collateral or other credit enhancements.

In respect of trade and other receivables, the group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The group and company have issued guarantees as stated in note 33 which is the maximum exposure to credit risk if the group and company are called upon to pay such guarantees.

39.2 Liquidity risk

The group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise borrowings and trade and other payables (see notes 24, 25, 26 and 30). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the group's obligations when they become due.

The group manages its liquidity needs through yearly cash flow forecasts by carefully monitoring expected cash inflows and outflows on a monthly basis. The group's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, as well as the group's committed borrowing facilities that it can access to meet liquidity needs.

At 31 December 2013 the group and company have financial liabilities with contractual maturities which are summarised below:

The Group At 31 December 2013	Current Within 1 year €000	Non-current 2 to 5 years €000	 After 5 years €000
Long-term financial liabilities	62,569	160,866	318,906
Derivative financial instrument	2,349	-	-
Bank overdraft	15,296	-	-
Trade and other payables	44,490	-	-
	124,704	**160,866**	**318,906**

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

At 31 December 2012	Current Within 1 year €000	Non-current 2 to 5 years €000	 After 5 years €000
Long-term financial liabilities	61,599	218,228	289,279
Derivative financial instruments	-	4,884	-
Bank overdraft	8,676	-	-
Trade and other payables	40,650	20,596	1,084
	110,925	**243,708**	**290,363**

At 31 December 2011	Current Within 1 year €000	Non-current 2 to 5 years €000	 After 5 years €000
Long-term financial liabilities	66,610	212,207	285,489
Derivative financial instrument	678	6,835	-
Bank overdraft	7,588	-	-
Trade and other payables	36,800	21,080	915
	111,676	**240,122**	**286,404**

CPHCL At 31 December 2013	Current Within 1 year €000	Non-current 2 to 5 years €000	After 5 years €000
Long-term financial liabilities	18,034	13,296	98,966
Bank overdraft	9,994	-	-
Trade and other payables	12,296	17,350	-
	40,324	**30,646**	**98,966**

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

At 31 December 2012	Current Within 1 year €000	Non-current 2 to 5 years €000	After 5 years €000
Long-term financial liabilities	3,479	37,291	93,746
Bank overdraft	3,486	-	-
Trade and other payables	10,601	16,571	165
	17,566	**53,862**	**93,911**

At 31 December 2011	Current Within 1 year €000	Non-current 2 to 5 years €000	After 5 years €000
Long-term financial liabilities	30,106	8,533	106,504
Bank overdraft	5,027	-	-
Trade and other payables	10,859	16,823	1,528
	45,992	**25,356**	**108,032**

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

39.3 Foreign currency risk

Apart from Portugal and Malta, where the local currency is the euro, the group operates in a number of countries where the local currency is different from the euro, namely the Russian Federation (Russian rouble), Libya (Libyan dinar), Czech Republic (Czech crown), Hungary (Hungarian forint), Tunisia (Tunisian dinar) and the United Kingdom (Great Britain pound).

Whereas a substantial part of the group's revenues are based on and generated in euros, enough revenues denominated in the respective local currencies are generated to serve as a natural hedge against expenditure incurred in these currencies. On the other hand the revenues generated in euros cover all the expenditure incurred in euros, the euro denominated debt service requirements relating to the bank loans financing the group's hotel properties, and any excess cash flow is repatriated to the holding company.

In view of the above natural hedges and the group's presence in various countries with difference currencies, the currency risk is not considered material.

39.4 Interest rate risk

The group adopts a policy of ensuring adequate hedging against its exposure to charges in interest bearing borrowings by entering into financial arrangement subject to fixed rates of interest whenever possible.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +10% and -10% with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the group's financial instruments held at each balance sheet date. All other variables are held constant.

	The Group		CPHCL	
	€000	€000	€000	€000
Interest payable	+10%	-10%	+10%	-10%
31 December 2013	(2,143)	2,143	(683)	683
31 December 2012	(2,328)	2,328	(714)	714
31 December 2011	(2,238)	2,238	(862)	862
Interest receivable				
31 December 2013	145	(145)	136	(136)
31 December 2012	160	(160)	130	(130)
31 December 2011	84	(84)	66	(66)

39.5 Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See notes 5.19 for explanations about how the category of financial instruments affects their subsequent measurement.

The Group	2013 €000	2012 €000	2011 €000
Non-current assets			
AFS financial assets:			
- Malta Government Stocks	**310**	-	-
Loans and receivables:			
- Amounts due from related companies	**48,549**	48,671	36,625
- Interest-bearing bank accounts	**3,155**	2,626	83
	52,014	51,297	36,708
Current assets			
Loans and receivables:			
- Trade receivables and other receivables	**35,340**	52,021	56,247
- Cash and cash equivalents	**15,249**	21,649	48,425
	50,589	73,670	104,672
Non-current liabilities			
Financial liabilities measured at amortised cost:			
- Bank and other borrowings	**387,648**	419,484	408,790
- Long term payables	**4,088**	5,108	5,072
- Derivative financial instruments	**-**	4,884	6,404
	391,736	429,476	420,266
Current liabilities			
Financial liabilities measured at amortised cost:			
- Bank and other borrowings	**55,179**	42,764	52,257
- Derivative financial instruments	**2,349**	-	-
- Trade payables and other payables	**44,490**	40,650	36,800
	102,018	83,414	89,057

CPHCL	2013 €000	2012 €000	2011 €000
Non-current assets			
Loans and receivables			
- Amounts due from related companies	**24,212**	25,550	27,254
- Interest-bearing bank accounts	**-**	3	3
	24,212	28,553	27,257
Assets held for sale	**-**	-	7,194
Current assets			
Loans and receivables			
- Trade receivables and other receivables	**11,984**	11,949	18,987
- Cash and cash equivalents	**368**	117	234
	12,352	12,066	19,221
Non-current liabilities			
Financial liabilities measured at amortised cost			
- Bank and other borrowings	**130,986**	147,609	131,586
- Long term payables	**-**	165	915
	130,986	147,774	132,501
Current liabilities			
Financial liabilities measured at amortised cost			
- Bank and other borrowings	**26,591**	7,365	34,792
- Trade payables and other payables	**12,296**	10,601	10,859
	38,887	17,966	45,651

40 Fair value measurement

40.1 Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the balance sheet are grouped into three Levels of fair value hierarchy.

This grouping is determined based on the lowest level of significant input to the fair value measurement, as follows:

- 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 following table shows the group's Levels within the hierarchy of financial assets and liabilities measured at fair value at 31 December 2013 and 2012:

31 December 2013	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Financial assets				
Malta Government Stocks	310	-	-	310
Financial liabilties				
Interest rate swaps	-	(2,349)	-	(2,349)
Net fair value	**310**	**(2,349)**	**-**	**(2,039)**

31 December 2012	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Financial assets				
Malta Government Stocks	-	-	-	-
Financial liabilties				
Interest rate swaps	-	(4,884)	-	(4,884)
Net fair value	**-**	**(4,884)**	**-**	**(4,884)**

There have been no transfers between Levels in the reporting periods presented.

Measurement of fair value of financial instruments

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

The valuation technique used for instruments categorised in Level 2 is described below:

Interest rate swap agreements

Where derivatives are traded either on exchanges or liquid over-the-counter markets the group uses the closing price at the reporting date. Normally, the derivatives entered into by the group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. 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.

40.2 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2013:

The Group	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Property, plant and equipment:				
- Corinthia St George's, Malta	-	-	28,327	28,327
- Marina Hotel, Malta	-	-	20,986	20,986
- Corinthia Palace Hotel, Malta	-	-	22,387	22,387
Investment property:				
- Commercial centre in St Petersburg	-	-	87,400	87,400
- Commercial centre in Tripoli	-	-	73,600	73,600
- Apartment block in Lisbon	-	-	1,161	1,161
- Sites in Malta	-	-	14,613	14,613
- Sites in Libya	-	-	29,891	29,891
- Land and buildings in Czech Republic	-	-	13,526	13,526
- Land and building in Budapest	-	-	1,293	1,293
- Land and building in Turkey	-	-	3,895	3,895

CPHCL	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Property, plant and equipment:				
- Corinthia Palace Hotel, Malta	-	-	22,387	22,387
Investment property:				
- Site in Malta	-	-	5,113	5,113
- Sites in Libya	-	-	819	819

Fair value of the group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date. Further information is set out below.

Corinthia St George's and Marina Hotel, Malta

The appraisal for Corinthia St George's and Marina Hotel in Malta was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the asset in question, including hotel room count, location, encumbrances and current use.

Corinthia Palace Hotel, Malta

Through a valuation exercise of the Corinthia Palace Hotel and its grounds carried out by an architect in December 2013 within the ambit of the policies of the Malta Environment Planning Authority, the Local Plans and the Sanitary Regulations, an area of 3,600 sq mtrs of undeveloped land capable of accommodating 10 fully-detached villas was identified and valued at €5.1 million. This plot of land was transferred to Investment Property as at the end of 2013 and the ensuing uplift in value recognised in other comprehensive income.

Commercial centres and apartment block

The fair value of the commercial centres and apartment block are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The buildings are revalued annually on 31 December.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible.

Sites in Malta

The plot of land located at Marsa Malta, measuring 7,400 sq mtrs, was valued in November 2013 by architect for the purpose of securing bank facilities. This site is located within the area known as the 'Marsa Park Development' opportunity area in the approved Grand Harbour Local Plan and this area is earmarked for mixed use development. The site was valued at €9.5 million and this value was also corroborated by the architect. The gain on revaluation to fair value of this investment property amounted to €6.6 million.

Sites in Tripoli

The directors have retained the same fair value for the land in Tripoli based on the advice of professional valuers.

Land and buildings in Czech Republic, Budapest and Turkey

The land and buildings in Czech Republic, Budapest and Turkey carried at directors' valuation.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

31 December 2013	The Group		CPHCL	
	Property, plant and equipment €000	Investment property €000	Property, plant and equipment €000	Investment property €000
Balance at 1 January 2013	**50,661**	209,800	**-**	925
Gains recognised in profit or loss:				
- movement in fair value of investment property	**-**	7,159	**-**	-
Gains recognised in other comprehensive income				
- movement in fair value of property, plant and equipment	**19,468**	-	**19,468**	-
- exchange differences on translating foreign operations	**-**	(1,551)	**-**	-
Other movements				
- additions	**-**	215	**-**	-
- disposals	**(6)**	(106)	**(6)**	(106)
- transfer from asset held for sale	**10,247**	-	**10,247**	-
- transfer to investment property	**(5,113)**	-	**(5,113)**	-
- transfer from property, plant and equipment	**-**	9,964	**-**	5,113
- other adjustments	**(3,557)**	(102)	**(2,209)**	-
Balance at 31 December 2013	**71,700**	225,379	**22,387**	5,932

41 Ultimate controlling parties

The parent company is ultimately controlled by the Libyan Foreign Investment Company, which owns 50% of the issued share capital, and members of the Pisani family, who collectively own the other 50% shareholding.

42 Comparative figures

Certain figures in the financial statements have been reclassified for the purpose of fairer presentation.

43 Events after the balance sheet date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

44 Authorisation of financial statements

The group and company financial statements for the year ended 31 December 2013 (including comparatives) were approved and authorised for issue by the board of directors on 29 April 2014.

Independent auditor's report

To the shareholders of

Corinthia Palace Hotel Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Corinthia Palace Hotel Company Limited and the consolidated financial statements of its group set out on pages 7 to 80, which comprise the balance sheets of the company and the group as at 31 December 2013 and their income statements, statements of comprehensive income, 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.

Auditor's responsibility

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

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

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

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 2013, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386.

Report on other legal and regulatory requirements

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

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

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

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre, Suite 3
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Malta

29 April 2014