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Chairman's Statement

It is now five years since our group was listed on the Malta Stock Exchange. The past year has been a good year for us where, after two difficult years, we achieved the basic target we set ourselves this time last year - which was to get ourselves "back to black".

The tourism industry, which showed a positive trend in the previous year, continued its upward movement during the year under review. Tourism statistics for 2013 show a record number of arrivals of 1.582 million guests visiting our Islands resulting in 12.890 million bed nights. These figures are very encouraging even though one must bear in mind that a percentage of visitors do not stay in hotels, but use other types of accommodation including, also, a percentage of who stay in unregistered accommodation.

The performance of our group mirrored that of the tourism industry generally. All our hotels performed well and we achieved growth in every part of our business. At the same time we continued to take action to reduce our level of expenditure in particular our utility costs. Utility costs are a major cost in our industry and we invested heavily in our energy infrastructure by replacing old inefficient equipment with new and more efficient systems. This resulted in significant savings on running expenditure. We now await the Government reductions which will come into force in 2015. These too will have a positive impact on our profitability.

Whilst all our hotels registered improvement in both turnover and profitability, the biggest gains were registered at The Radisson Blu Resort & Spa, Golden Sands. Last year we had stated that Vacation Ownership sales at the resort were under pressure due to the general economic situation in Europe. However the actions taken this last year to increase sales and at the same time reduce operating costs proved to be successful and profit margins achieved were back to what they should be.

The Radisson Blu Resort, St. Julian's and The Coastline Hotel also showed improvements over the previous year.

As far as the catering arm of the group is concerned, Island Caterers continued to perform well. Buttigieg Holdings, where we hold 50% of the shares, also continued to perform well, while our joint venture at Montekristo began to gain momentum.

The CEO will present a full report on the performance of each operation.

During last year's meeting, we had stated that the aim of the group is to return to a net profit position and indeed we achieved this. Turnover of the group reached €35,279,603 against €33,086,418 for the previous year and EBITDA for the year was €6,532,464 against €5,427,453 for the previous year. Profit before taxation amounted to €445,025 against a loss of €834,156 for 2012. We have achieved our aim of returning to profitability.

Although the directors' objective has been to issue a dividend for the year, this was not possible due to our obligation to first recover previous year losses. We continue to strive to achieve better results for the current year, which is already showing encouraging signs along with the rest of the tourism industry.

We will not be resting on our laurels and we will continue to strive for growth and for increased profitability. We have plans in this regard on which the CEO will be elaborating in his review.

Overall the directors are satisfied with the performance of the year under review in particular with the EBITDA levels we are achieving.

I take this opportunity to thank the board of directors, the CEO, the Group Executive Team and all managers and staff for the work they put in to ensure the success of the group. I also thank our shareholders for their continued trust and support.

Winston V. Zahra

Chairman, IHGH plc

Chief Executive's Review

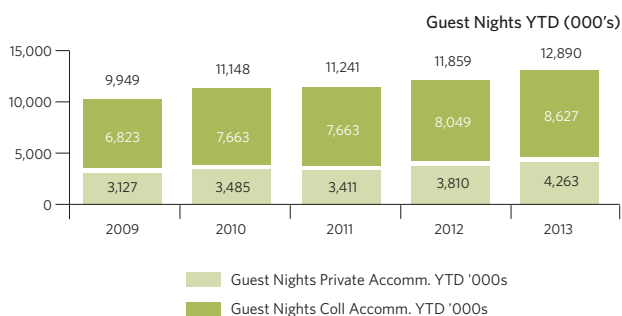
Performance Review

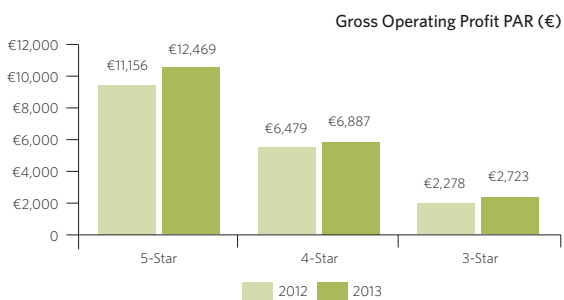
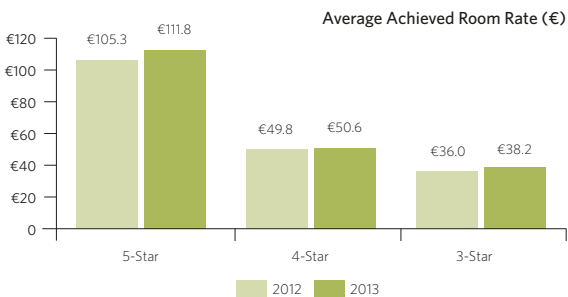
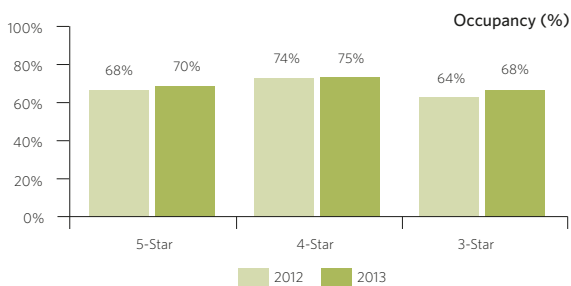
Tourism industry as a whole

2013 was another record year for the tourism industry with tourist arrivals reaching an all time high. The majority of key performance indicators moved in the right direction and NSO statistics show that tourist arrivals increased over 2012 by 9.6% and guest nights increased by 8.7%. Tourist expenditure also increased by 7.1% over the previous year. On the downside the average length of stay reduced by 0.8% with the drop in the average stay in hotel establishments slipping by 1.2%.

Without a doubt these are very strong and encouraging numbers that continue to be achieved despite the generally subdued economic climate internationally. One augurs that as the European economy as a whole begins to recover our tourism industry numbers will become even stronger and more resilient. It is also anticipated that the existing cooperation between all industry stakeholders will be maintained so as to ensure the best collective efforts are made towards achieving the best possible results for the Island.

As I have reported many a time the tourism industry continues to evolve and as a group we also need to evolve. The past year has been one wherein we have taken a number of strategic decisions that will propel the group forward in the years ahead. The exit from the four star market through the sale of The Coastline Hotel, the planned development of the Radisson Blu Resort, St. Julian's, the eventual development of The Oasis at Golden Sands as well as our first step internationally through the development of the Costa Coffee franchise in Spain are all important steps that are being taken to grow and strengthen the group in the years ahead.





The hotel sector

As explained last year, in order to better understand the performance of the group in the context of the national tourism statistics, one has to carefully analyse the real effect of growth in arrivals, diluted by the reduction in average length of stay, on room occupancy and achieved room rate. Similar to last year the increases in arrivals did not mirror increases in hotel occupancy rate growth year on year. In fact five star occupancy increased by 2 percentage points from 68% to 70% while four star hotel occupancy increased by only 1 percentage point from 74% to 75% occupancy.

Concurrently the increases in average achieved room rates in both the five and four star markets were healthy with the former increasing by 5.9% and the latter increasing by a very good 10.9%.

The result on hotel operating profits for the period January 2013 to December 2013 is shown in the graph with hotels across all sectors showing good increases in operating profits. The five star segment saw operating profits increase from an average of €11,156 per room in 2012 to €12,469 per room in 2013 while the four star segment saw an increase from €6,479 per available room to €6,887 per available room.

Group results

Our group's performance during the past financial year was in line with expectations and within the target we set ourselves of bringing the company back to black.

Total group revenues grew by €2.19 million, a year on year growth of 6.62%. Every company across the group registered growth in revenues with €1.2 million coming from the hotels, €410,000 resulting from vacation ownership and just over €500,000 coming from the catering businesses of the group.

This was achieved with less than proportionate increases in expenditure with the main cost areas all coming in at a lower percentage of revenue than the previous year. Staff costs are down from 39.8% of revenue to 38.2% of revenue, food and beverage costs down from 12.6% to 12.1% of total revenue while other operating costs are marginally lower at 31%.

In absolute terms staff costs increased from €13.19 million in 2012 to €13.49 million in 2013. Income in all areas of our business increased at a higher rate and we were therefore more labour efficient.

Food and beverage costs again increased in real terms from €4.16 million to €4.28 million against a growth in food and beverage revenues of €500,000. This effectively means that the growth in revenue was achieved with an average food and beverage product cost of 24% which is below industry averages.

In the area of other operating costs, most of which are variable, we came in at a marginally lower percentage of total revenue although in real terms expenditure grew from €10.3 million to €10.96 million.

Hotel performance

Across our three hotels we compared favourably to the market as a whole. Revenues were increased year on year in all of our three properties. The most significant increase was registered at the Radisson Blu Resort, St. Julian's, followed by the Radisson Blu Resort & Spa, Golden Sands. The Coastline revenues also increased, albeit marginally. More significantly our average Gross Operating Profit (GOP) per available room across the three hotels of the group was €12,593. This compares favourably to the market when one considers the average five star and four star GOP per available room for the year were €12,469 and €6,887 respectively. Clearly the top performer within the group was the Radisson Blu Resort & Spa, Golden Sands with The Coastline registering a relatively weak performance against the four star market average.

The past year The Coastline saw the coming to an end of the five year exclusivity contract with the Saga group. Saga's numbers slipped over the past two years and this had its impact on the numbers achieved at The Coastline. When looking towards the future with this property our considerations were to either invest substantially in the property to bring it back up to the quality that is needed to compete effectively in today's market or to look at other possible considerations including exiting from the four star market as a group and divesting of this asset. In the latter part of 2013 we received a serious offer for the purchase of the property from Claret Holdings Ltd, owners and operators of ESE language schools. The offer was one that was

in line with the carrying value of the asset and we felt it made strategic sense to divest of the property. In doing this we have still retained the catering contract for the provision of food and beverage services within the hotel. This will continue to give us a revenue stream and a healthy bottom line while ensuring the proceeds are deployed in areas of the group that will derive a better return.

The Radisson Blu Resort, St. Julian's experienced strong year on year growth despite results remaining below the average of those achieved in the five star market. Reasonable success was also achieved with the introduction of an element of vacation ownership sales within the property. The current financial year has also started strongly and results are expected to be better than those achieved in 2013. At the end of the current financial year, it is anticipated that the resort will be closed for an eight month period during which we will fully refurbish the resort including the addition of additional floors and a new conference centre. These changes are expected to significantly improve the performance of this property in the years ahead.

The Radisson Blu Resort & Spa, Golden Sands continued on the positive trajectory and once again enjoyed the strongest results across the industry in as far as gross operating profit per available room. The current year indications are so far indicative of a similar year on year performance with the first few months at par with last year and advance bookings for summer looking strong.

In so far as the Oasis at Golden Sands is concerned, the commencement of this exciting project has always been conditional on the raising of fresh equity. While this exercise has taken a little longer than originally anticipated we feel that we are now much closer to bringing the project to fruition.

Non-hotel catering

Our non-hotel catering revenues have grown by a further 6.2% over 2012 revenues taking our share of non hotel catering revenues above the €8 million mark. Our focus on this part of the business continues on the same lines as explained last year – maintaining our market leadership position in the event catering market with the Island Caterers brand, growing the retail catering side of the business through the Costa Coffee brand and developing Montekristo Estate into a leading venue on the Island for a variety of events including fairs and exhibitions. The fact that two of the three pillars we are working on in this area are still in relatively early development stages our EBITDA margins from this area of the business are still on the low side however we are confident that this will increase in the years ahead.

Island Caterers has once again experienced a year during which both revenue and EBITDA results were stable and similar to the previous year. The focus of this company continues to be on delivering a quality product and good value to our clients across the wedding, corporate and private markets.

Our joint venture at Montekristo Estate has not been without challenges in our first year of operation. We continue to look at this venture as an opportunity for growth in this part of the business. In the year ahead we are looking to revitalise the traditional summer Maltese business fair and feedback from the trade to date has been very encouraging.

Our partnership with Buttigieg Holdings Limited continues to go from strength to strength especially where the Costa Coffee brand is concerned. We now have five Costa Coffee stores open on the Island and will be opening another two in the months ahead – one in Valletta and another at the Schengen departures area of Malta International Airport. The brand is expected to continue to grow and contribute to the future success of the group. Additionally we have signed an agreement with Costa International Limited for the development and roll out of the Costa Coffee outlets in the East Coast of Spain, the Balearic Islands and the Canary Islands. This is a very exciting opportunity which will be pursued in the years ahead.

The other areas of this part of the business including the concession at Mater Dei and Papillon event catering have maintained a stable performance and no immediate change is expected.

Vacation ownership

The relatively weak performance over the past couple of years in the vacation ownership area of the business, which has had a significant negative impact on the bottom line result of the group, was turned around significantly during 2013. A change in the structure of the cost base of this part of the group, coupled with slight positive movements within the UK economy, have left a positive mark on this year's results. Revenues from vacation ownership saw a 5.5% year on year growth while EBITDA improved by just over 15% clearly showing the positive result of the adjustments made to the business model.

As in previous years, the group has only taken to revenue and profit the incremental value of concluded sales while increasing the group's availability of unsold weeks in future years when these weeks are eventually sold and translated into higher profit levels.

Prospects for 2014

The financial year November 2013 to October 2014 has started on an encouraging footing with all areas of the business, with the exception of The Coastline, enjoying a good start compared to the previous year. Current indications for the rest of the year are good and early indications for the summer months are that numbers should be similar to last year or better.

In our annual report last year I had stated that "Our current focus is to bring the group back to black at net profit level with a number of initiatives taken to ensure that we leave no stone unturned to enable us to do this in the current financial year". We have done this throughout the year and are now focusing on a number of initiatives to continue to grow the group which have been explained in detail above.

Concurrently we continue working on bringing fresh equity into the group to help finance its future growth while also undertaking other capital raising initiatives that will enable us to implement our strategy effectively.

The Executive Team

No changes were made to the individuals or to the overall make up of the Group Executive Team in the past financial year. The focus remained on ensuring each member of the team led their respective areas in an effective way with a coordinated effort taking place during regular structured meetings held on a weekly basis.

In the early part of this year a change has been made whereby Raphael Cauchi, previously COO for the Coastline, Radisson Blu Resort, St. Julian's and Island Caterers was appointed country manager and CEO of the company set up to develop the Costa Coffee franchise in Spain. Raphael will now report directly into the CEO of the group therefore enabling cost savings at group level while ensuring we have the right person to develop our business in Spain.

Wrap up

The year under review was one where our 'back to black' objective was achieved. The team left no stone unturned to ensure that every effort was made to achieve this result after a couple of challenging years. The fact that each part of the business reported growth was particularly satisfying. The current year has started strongly and results are once again expected to be positive.

Our focus going forward will be of four key areas - the five star hotel segment, vacation ownership, event catering and the Costa Coffee brand. The financing of the various projects will be undertaken through deployment of the funds generated from the sale of The Coastline as well as the issuance of a bond on the local market. In the case of The Oasis project at Golden Sands financing will be sourced through a fresh equity injection.

The former will be developed through maintaining the Radisson Blu Resort & Spa, Golden Sands in its leadership position of the top hotel in Malta, redeveloping and repositioning the Radisson Blu Resort, St. Julian's through the refurbishment program planned and, if we secure the fresh equity we seek, developing

The Oasis Resort at Golden Sands into the leading fractional ownership resort on the Island. Our aim is to ensure that each product we own and operate performs at the top of its category.

Our efforts to grow vacation ownership will continue both at the Radisson Blu Resort & Spa, Golden Sands and the Radisson Blu Resort, St. Julian's while our event catering activity will continue to be driven under the Island Caterers brand.

The Costa Coffee brand is expected to become a significant part of the group going forward. Growth both in Malta and Spain is expected to take place at a fast pace and results will be evident in the years ahead. The Spanish opportunity is of particular interest due to the potential to grow the brand with the opening of up to 75 stores in this territory.

I would like to thank every member of the Island Hotels Group team who work very hard on a daily basis to deliver the best possible results across the group, particularly in achieving the objective we set out to achieve in 2013.

Finally I would like to thank the board of directors who have once again been of great support and guidance to the executive team and to thank all our shareholders for their trust and confidence.

We look forward to the year ahead with a lot of excitement and a strong determination to bring the various opportunities to fruition.

Winston J. Zahra

Chief Executive Officer, IHGH plc

The Group Executive Team

The executive team meet as a group on a weekly basis to discuss overall strategic direction, results and action plans. In turn the CEO typically meets with each individual member of the executive team on a weekly basis to follow up on specific business plans drawn up for each respective area. Each executive team member holds regular meetings with his respective team to ensure that the strategy is implemented through the individual units. The CEO is responsible for the overall operation of the Group and the implementation of policies devised by the board. The CEO reports directly to the board of directors of the company.

Winston J. Zahra

Chief Executive Officer

Kenneth Abela

Group Chief Finance Officer
and Company Secretary

Malcolm Buhagiar

General Manager
The Coastline Hotel

Ernest Barry

Chief Operating Officer
Radisson Blu Resort & Spa, Golden Sands
and Hal Ferh Development

Raphael Cauchi

Chief Operating Officer
Radisson Blu Resort, St Julian's, The Coastline Hotel
and Island Caterers Ltd

Adrian Attard

General Manager
Radisson Blu Resort, St Julian's

John Dandria

Group Director of Sales and Marketing

Christina Galea

Group Director
of Human Resources

Ing. Marthese Vella

Group Director
of Information Technology

Mario Caruana

Group Executive Chef

The Board of Directors

Winston V. Zahra M.O.M Chairman

Winston V. Zahra was co founder of the Group and occupied the post of Managing Director up until the 31 July 2009. Winston V. Zahra was responsible for the development of the group throughout its initial twenty two years. He has a wealth of experience serving on boards and committees related to the tourism industry, including the National Tourism Organisation and later the Malta Tourism Authority and the Malta Hotel and Restaurants Association.

John Bonello Non-Executive Director

John Bonello is a member of the Institute of Chartered Accountants in England and Wales. He was formerly the Chairman and Senior Partner of PricewaterhouseCoopers in Malta from where he retired on 31 December 2009, having reached the firm's statutory retirement age. He had been a partner at PWC since 1976. He now holds a number of advisory and board positions in various companies.

Kenneth Abela Group Chief Finance Officer and Company Secretary

Kenneth Abela is a member of the Malta Institute of Accountants. He joined the group in 1992 and in 2009 was appointed Chief Financial Officer. He oversees all company accounting practices and also directs the group's financial strategy, planning and forecasts and supervises investment appraisal and the raising of funds for business. In addition to the role of CFO, Kenneth is also the Company Secretary of all the companies within the group.

Winston J. Zahra Chief Executive Officer

Winston J. Zahra joined the Group in 1991. In June 2001 Mr Zahra was appointed Director of Operations, Sales and Marketing and appointed CEO in August 2009. Winston is a Fellow of the Institute of Hospitality, a Lifelong Honorary Member of the Malta Institute of Management and a member of the Young Presidents Organisation. Over the years he has also occupied various posts on national boards within the tourism industry.

William Hancock Non-Executive Director

William Hancock is today the Managing Partner of Resolute Asset Management LLP. Prior to setting up this company he was a senior director at JER, a private equity firm based in the US. William was a member on the European, North American and Global investment Committees of the company. Before joining JER, William was a director in the Real Estate Investment Banking team at Credit Suisse First Boston for 11 years with primary responsibility for corporate finance and capital raising activities in Continental Europe.

Trevor E. Zahra Non-Executive Director

Trevor E. Zahra joined the Island Hotels Group in 1988 at the Bugibba Holiday Complex. Having worked his way up through the company to group director of leisure sales, Trevor resigned from the executive team of the Group in November 2009 in order to set up his own business. Focusing on travel management, cultural and entertainment events, Trevor is Director of Sales, Marketing and Operations for Culture3sixty.

Michael Bonello Non-Executive Director

Michael Bonello was Governor of the Central Bank of Malta between 1999 and 2011. Whilst Governor, Mr Bonello was a member of the Governing and General Councils of the European Central Bank and of the European Systemic Risk Board. He also formed part of the Board of Governors of the Malta Financial Service Authority. Between 1983 and 1999 Mr Bonello was a senior official of the United Nations Conference on Trade and Development.

Gary Alexander Neville Non-Executive Director

Gary Alexander Neville is best known for his footballing achievements with Manchester United. He has also played for the English National football team 85 times and captained the side on two occasions. He was also on the Professional Footballers Association management committee for 11 years. Having retired from the game in 2011, he took up the role of Ambassador for Manchester United and is also a Sky Sports commentator. Gary is a partner in a renewables company and a director of Signature Developments.

Reports & Financial Statements

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Directors, officer and other information

Directors:	Winston V. Zahra (Chairman)
	Winston J. Zahra (Chief Executive Officer)
	John L. Bonello
	Michael C. Bonello
	William Hancock
	Gary Alexander Neville
	Trevor E. Zahra
Secretary:	Kenneth Abela
Registered office:	Coastline Hotel, Salina Bay, Salina, Malta.
Telephone number:	+356 21573781
Country of incorporation:	Malta
Company registration number:	C 44855
Auditor:	Deloitte Audit Limited, Deloitte Place, Mriehel Bypass, Mriehel, Malta.
Bankers:	Bank of Valletta p.l.c., 58, Zachary Street, Valletta, Malta.
	HSBC Bank Malta p.l.c., 233, Republic Street, Valletta, Malta.
	Banif Bank (Malta) p.l.c., 203, Level 2, Rue D'Argens, Gzira, Malta.
Lawyers:	Camilleri Preziosi, Level 3, Valletta Buildings, South Street, Valletta, Malta.

Directors' report

Year ended 31 October 2013

The directors present their report and the audited financial statements of the group and the holding company for the year ended 31 October 2013.

Principal activities

The group's business comprises the ownership and operation of hotels in Malta and the provision of accommodation, catering and related services. The group is made up of a holding company that acts as an investment company, together with its subsidiaries and jointly controlled entities as detailed in note 15 to these financial statements.

Review of business

The results of the group in these financial statements represent the results of the holding company together with those of its subsidiaries and its share of jointly controlled entities for the year ended 31 October 2013.

During the year ended 31 October 2013, the group reported a turnover of €35,279,603 (2012 - €33,086,418) and Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) of €6,532,464 (2012 - €5,427,453). After taking into consideration depreciation, investment income and finance costs, the group reported a profit before tax of €445,025 (2012 - loss of €834,156). The profit after the current and deferred tax charge for the year amounted to €554,719 (2012 - loss of €989,272). The group also reported exchange losses of €820,440 (2012 gain - €1,278,859) arising almost entirely from the year-end translation of a goodwill balance on foreign operations. Total shareholders' funds at the year-end amounted to €36,203,216 (2012 - €36,468,937).

The group's net profit before tax of €445,025 was achieved in international market conditions which remain challenging. Tourist arrivals in Malta were better than expected in 2013 and these led to marginal increases in hotel occupancy levels. Increases in hotel occupancy however did not mirror the increase in arrivals due to higher percentages of tourists using non-hotel accommodation. Hotel income improved and this, together with an internal drive on cost efficiencies, translated to better operating margins. Sales of vacation ownership were at similar levels to the previous year. The focus in relation to vacation ownership during the year was on margins and cost efficiencies which did not have a negative effect on sales volumes. These enhanced operating results in both the hotel side of the business and in vacation ownership, were the main contributors to a €1.2 million turnaround in the pre-tax result from last year's negative €834,156. The group maintained its market leading position in event catering and investment in this side of the business continued with further openings of Costa Coffee outlets. The effect of this growth area on group profits is expected to be felt when the initial investments take their full effect.

The drive towards enhanced margins and growth continues. In light of the former objective the group has just announced its intention to dispose of an asset which no longer fits into the tourism segment in which the group feels it is best suited. A promise of sale agreement for the sale of Coastline Hotel Limited has been signed and the sale is due to be completed later in this current financial year at a price of € 14 million which reflects the fair value of the assets disposed of. On the growth front the group, through its investment in Buttigieg Holdings Ltd, was recently successful in an international tender issued by Costa International Limited, a UK company, for the exclusive rights to open Costa Coffee outlets in Spain (East Coast), the Balearic Islands and the Canary Islands. This project is expected to commence in this current financial year.

The group's efforts at raising fresh equity have continued. This is not proving easy in the extremely difficult international market conditions but the efforts will continue, driven by the prospects of the high-end Oasis project, the plans to further up-scale existing stock and, now, the Costa Spain venture. In this regard the group is also planning the issuance of a new bond on the local market. The focus of growth of the group going forward will be on the five star hotel market locally, vacation ownership, event catering and the development of the Costa Coffee brand in Malta and Internationally.

Results and dividends

The results for the year ended 31 October 2013 are shown in the statements of profit or loss on page 27. The profit for the year after taxation for the group amounted to €554,719, (2012 -loss of €989,272) whereas the holding company registered a profit after tax of €436,693 (2012 -loss of € 316,580).

The directors do not propose the payment of a dividend for the year ending 31 October 2013 (2012 - Nil)

Directors' report (continued)

Year ended 31 October 2013

Directors

The directors of the holding company who served during the period were:

Winston V. Zahra (Chairman)

Winston J. Zahra (Chief Executive Officer)

John L. Bonello

Michael C. Bonello

William Hancock

Gary Alexander Neville

Trevor E. Zahra

In accordance with article 55.1 of the company's article of association, the directors of the company shall be appointed by the shareholders during the forthcoming annual general meeting.

Directors' responsibilities

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the E.U. which give a true and fair view of the state of affairs of the company and its group at the end of each financial period and of the profit or loss of the company and its group for the period then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal controls as the directors determine are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint Deloitte Audit Limited will be proposed at the forthcoming annual general meeting.

Going concern

As required by Listing Rule 5.62 and after making the necessary enquiries and after reviewing the group's plan for the coming financial periods, the directors are satisfied that at the time of approving the financial statements, the company and the group have adequate resources to continue operating for the foreseeable future.

For this reason, the directors consider it is appropriate to adopt the going concern basis in preparing these financial statements.

Directors' report (continued)

Year ended 31 October 2013

Information required by Malta Financial Services Authority Listing Rule 5.64.3

To the extent known to the company, the following persons are the persons that hold direct and indirect shareholdings in the company in excess of 5% of the equity share capital:

Shareholder	% of shareholding
	As at 31 October 2013
TMC Limited	48.20
Double You Limited	12.05
T Limited	12.05

Share capital structure

The company's authorised share capital is €40,000,000 and issued share capital is €36,583,660 divided into 36,583,660 ordinary shares of €1 per share. All of the issued shares of the company form part of one class of ordinary shares in the company, which shares are listed on the Malta Stock Exchange. All shares in the company have the same rights and entitlements and rank *pari passu* between themselves. The following are highlights of the rights attaching to the shares:

Dividends:	The shares carry the right to participate in any distribution of dividend declared by the company;
Voting rights:	Each share shall be entitled to one vote at meetings of shareholders;
Pre-emption rights:	Subject to the limitations contained in the memorandum and articles of association, shareholders in the company shall be entitled, in accordance with the provisions of the company's memorandum and articles of association, to be offered any new shares to be issued by the company a right to subscribe for such shares in proportion to their then current shareholding, before such shares are offered to the public or to any person not being a shareholder;
Capital distributions:	The shares carry the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise;
Transferability:	The shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange, applicable from time to time;
Other:	The shares are not redeemable and not convertible into any other form of security;
Mandatory takeover bids:	Chapter 11 of the Listing Rules, implementing the relevant Squeeze-Out and Sell-Out Rules provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, regulates the acquisition by a person or persons acting in concert of the control of a company and provides specific rules on takeover bids, squeeze-out rules and sell-out rules. The shareholders of the company may be protected by the said Listing Rules in the event that the company is subject to a Takeover Bid (as defined therein). The Listing Rules may be viewed on the official website of the Listing Authority - www.mfsa.com.mt

Directors' report (continued)

Year ended 31 October 2013

Appointment and replacement of directors

In terms of the memorandum and articles of association of the company, the directors of the company shall be appointed by the shareholders in the annual general meeting as follows:

- a) Any shareholder/s who in the aggregate holds not less than 100,000 shares having voting rights in the company shall be entitled to nominate a fit and proper person for appointment as a director of the company. The directors themselves or a committee appointed for that purpose may make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting.
- b) The shareholders are granted a period of 14 days to nominate candidates for the appointment as directors. Such notice may be given by the publication of an advertisement in at least two (2) daily newspapers. All such nominations, including the candidates acceptance to be nominated as director, shall on pain of nullity, be made on the form to be prescribed by the directors from time to time and shall reach the registered office (or such other place determined by the directors) not later than fourteen (14) days after the publication of the said notice (the "**Submission Date**"). Provided that the submission date shall not be less than fourteen (14) days prior to the date of the meeting appointed for such election. Nominations to be made by the directors or any sub-committee of the directors appointed for that purpose shall also be made by not later than the date established for the closure of nominations to shareholders.
- c) In the event that there are either less nominations than there are vacancies on the board or if there are as many nominations made as there are vacancies on the board, then each person so nominated shall be automatically appointed a director.
- d) In the event that there are more nominations made, then an election shall take place. After the date established as the closing date for nominations to be received by the company for persons to be appointed directors, the directors shall draw the names of each candidate by lot and place each name in a list in the order in which they were drawn. The list shall be signed by the chairman and the company secretary for verification purposes.
- e) On the notice calling the annual general meeting at which an election of directors is to take place there shall be proposed one resolution for the appointment of each candidate in the order in which the names were drawn, so that there shall be as many resolutions as there are candidates. The directors shall further ensure that any member may vote for each candidate by proxy.
- f) At the general meeting at which the election of directors is to take place the chairman shall propose the name of each candidate as a separate resolution and the shareholders shall take a separate vote for each candidate. The shareholders shall first be asked to vote by a show of hands and if a poll is validly called in accordance with the provisions of these Articles a poll shall be conducted. Each shareholder shall be entitled, in the event of a poll, to use all or part only of his votes on a particular candidate.
- g) Upon a resolution being carried, whether by a show of hands or by a poll, the candidate proposed by virtue of that resolution shall be considered elected and appointed a director. No further voting shall take place once enough resolutions have been passed to ensure that all vacancies on the board have been filled, even if there are still candidates with respect to whom a resolution has not yet been called.
- h) Shareholders may vote in favour or against the resolution for the appointment of a director in any election, and a resolution shall be considered carried if it receives the assent of more than fifty per cent (50%) of the shareholders present and voting at the meeting.
- i) Subject to the above, any vacancy among the directors may be filled by the co-option of another person to fill such vacancy. Such co-option shall be made by the board of directors and shall be valid until the conclusion of the next annual general meeting.

Further details on the appointment of directors may be found in the memorandum and articles of association of the company.

Directors' report (continued)

Year ended 31 October 2013

Amendment of the articles of association

In terms of the Companies Act, Cap 386 of the laws of Malta, the company may by extraordinary resolution at a general meeting alter or add to its memorandum or articles of association. An extraordinary resolution is one where:

- (a) it has been taken at a general meeting of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principle purpose thereof has been duly given;
- (b) it has been passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than seventy five per cent (75%) in nominal value of the shares issued by the company represented and entitled to vote at the meeting and at least fifty one per cent (51%) in nominal value of all the shares issued by the company and entitled to vote at the meeting.

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

Board member powers

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

In particular, the directors are authorised to issue shares in the company with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the directors may from time to time determine, as long as such issue of equity securities falls within the authorised share capital of the company. Unless the shareholders otherwise approve in a general meeting, the company shall not in issuing and allotting new shares:

- (a) allot any of them on any terms to any person unless an offer has first been made to each existing shareholder to allot to him at least on the same terms, a proportion of the new shares which is as nearly as practicable equal to the proportion in nominal value held by him of the aggregate shares in issue in the company immediately prior to the new issue of shares; and
- (b) allot any of them to any person upon the expiration of any offer made to existing shareholders in terms of (a) above. Any such shares not subscribed for by the existing shareholders may be offered for subscription to the general public under the same or other conditions which however cannot be more favourable to the public than offer made under (a).

Furthermore, the company may, subject to such restrictions, limitations and conditions contained in the Companies Act, Cap 386 of the laws of Malta, acquire its own shares.

Save as otherwise disclosed herein, the provisions of Listing Rules 5.64.4 to 5.64.7, 5.64.10 and 5.64.11 are not applicable to the company.

Directors' report (continued)

Year ended 31 October 2013

Disclosures pursuant to Listing Rule 5.70.1


On the 1 September 2009, the company and Winston J. Zahra entered into a service agreement pursuant to which the latter's role within the company as chief executive officer was regulated. The term of such agreement is stated to be for five years or such earlier period if Winston J. Zahra no longer continues to occupy the post of chief executive officer.

Statement by directors pursuant to Listing Rule 5.68

We, the undersigned, on behalf of the board of directors, declare that to the best of our knowledge:

1. The consolidated financial statements give a true and fair view of the financial position of the company and its group as at 31 October 2013, and of their financial performance and their cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the E.U.
2. The directors' report and the consolidated financial statements include a fair review of the information required in terms of Listing Rule 5.68 together with a description of the principal risks and uncertainties that they face.

Approved by the board of directors and signed on its behalf on 21 February 2014 by:



Winston V. Zahra
Chairman



Winston J. Zahra
Chief Executive Officer

Corporate governance statement of compliance

A Introduction

Island Hotels Group Holdings p.l.c. (the company) is required to include a statement of compliance with the “Code of the Principles of Good Corporate Governance” (the “Code”) contained in appendix 5.1 of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority.

These principles are designed to enhance the legal, institutional and regulatory framework for good corporate governance of companies whose equity securities are admitted to listing on a regulated market. This statement is made in terms of listing rules 5.94 and 5.97.

The board of directors is satisfied that, in its short life as a listed entity, the company has entrenched a sound culture of good corporate governance throughout the group in accordance with the requirements of the Code. Where the company is not in compliance with any of the provisions of the code, this is explained in the section titled “non-compliance with the Code”.

The group’s Corporate Governance Structure as well as the Code to which it aims to comply, have not changed materially during the year. What follows is a statement on the extent of compliance with each relevant principle of the Code, and an explanation thereof.

B Compliance with the code

Principle 1: The board

The board is composed of a Chairman and six directors, five of whom are non-executive. The company has a corporate decision-making and supervisory structure that is tailored to suit its specific requirements and designed to ensure the existence of adequate checks and balances within the company. The company’s memorandum and articles require that the chief executive officer (CEO) is an ex officio director of the company. This ensures that the board of directors will always be composed of, inter alia, one executive director. The presence of the executive director on the board is designed to ensure that all the members of the board have direct access at meetings of directors to the individuals having the prime responsibility for the day to day operations and executive management of the group and the implementation of policies that allows effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner. Each director is provided with the information and explanations as may be required by any particular agenda item. The CEO reports on the business affairs of the group including all commercial, economic and other risks that the business faces. In order to carry out his functions adequately, the CEO meets the Group Executive Team (GET) on a weekly basis to discuss overall strategy, direction and results. Each member of the GET is a senior executive with experience of the group’s business and a high level of professional ability within his/her jurisdiction. The CEO meets with each individual member of the GET on a regular basis to follow up on specific business plans drawn up for each area of the business. In turn, each GET member holds meetings with his/her respective team to ensure that the strategy is being implemented throughout the individual units.

Each subsidiary/joint venture within the group is governed by a separate board of directors. The group’s representatives on these boards of directors include at least one member within the group’s board as well as individuals within the GET. On average ten meetings are held every year and each company has its own management structure and accounting systems and internal controls. This ensures that there is an efficient delegation of authority to assist effective decision making, reporting and control.

The board delegates specific responsibilities to two committees, the Audit Committee, and the Remuneration and Nominations (REMNUM) Committee. Further details pertaining to these two committees are contained within the headings Principles 4, 5 and 8 below.

Principle 2: Chairman and Chief Executive Officer

There is a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company’s business. The positions of Chairman of the board and that of the CEO are completely separate from one another. Mr. Winston V. Zahra occupies the position of Chairman of the board whilst Mr. Winston J. Zahra occupies the position of CEO.

The Chairman is responsible to lead the board and to set its agenda. He is also responsible for the proper conduct of board meetings which includes inclusive discussion of sufficient depth and detail based on adequate and timely information. The chairman ensures that the CEO articulates the strategy which is approved by the board. The Chairman also ensures that there is effective communication with the shareholders.

Corporate governance statement of compliance (continued)

Principle 3: Composition of the board

The board considers that the number of directors on the board is sufficient and that the balance of skills and experience is appropriate for the requirements of the business.

As stated above, the board is composed of a Chairman and six directors, five of whom are non-executive, four of whom are deemed to be independent non-executive directors. In determining the independence or otherwise of its directors, the board has considered, amongst others, the principles relating to independence contained in the Code, the company's own practice as well as general good practice principles.

Principles 4 and 5: The responsibilities of the board and board meetings

The board of the company met physically six times during the year and twice via conference call. In addition, certain individual directors participated in other ad-hoc meetings during the year, including sub-committees specifically formed to assist in the decision making process and to enhance good corporate governance. Moreover, the board of each subsidiary/joint venture company met on average ten times during the year.

The company's board reviews and evaluates corporate strategy, major operational and financial plans, and their implementation. Early in the financial year members of the board attend a presentation of the detailed financial plans of each of the parts of the group's business by the respective senior management representative.

Members	Meetings held: 8
	Attended
Winston V. Zahra (chairman)	8
Winston J. Zahra (chief executive officer)	8
John L. Bonello (independent non-executive director)	8
Michael C. Bonello (independent non-executive director)	8
William Hancock (independent non-executive director)	6
Gary Alexander Neville (independent non-executive director)	5
Trevor E. Zahra (non-executive director)	6

Corporate governance statement of compliance (continued)

Board Committees

As stated above, the board delegates specific responsibilities to Committees, namely the Audit Committee and the REMNOM Committee.

Audit Committee

The primary objective of the audit committee is to assist the board in a number of matters set out in the Listing Rules, including the measuring and monitoring of group adopted policies relative to effective internal control systems and procedures, effectiveness of financial reporting processes, compliance with regulatory and legal requirements, as well as to give general advice to the board that the management of financial and other risks are in line with accepted practice. The audit committee has the primary responsibility to manage the group's relationship with the external auditors.

Member	Number of Meetings held
John L. Bonello (chairman of audit committee)	6
Michael C. Bonello	6
William Hancock	4

In terms of Listing Rule 5.118, Mr. John L. Bonello F.C.A., C.P.A., FIA. is the director whom the board considers as competent in accounting. John Bonello is an independent non-executive director and is considered independent because he is free from any business, family or other relationship with the company or its management that may create a conflict of interest such as to impair his judgement.

The audit committee met formally six times during the year. The chairman of the company, CEO, chief financial officer (CFO), the group internal auditor and representatives of the external auditors were invited to attend relevant parts of such meetings. The chairman of the audit committee met the CEO and the CFO a further three times, to discuss audit and accounting issues. Two of these meetings were attended also by the external auditors. In addition to the formal meetings, the Chairman of the audit committee updated the full board at every board meeting on any audit committee business. During the year, the chairman of the audit committee met regularly with the group internal auditor to approve internal audit work plan and review any internal audit work.

The REMNOM committee is dealt within principle 8 below.

Principle 6: Information and Professional Development

The board appoints the CEO who continues to enjoy its full support and confidence. Appointments and changes to senior management are approved by the board and a succession plan is in place in respect of all senior management positions. The board actively considers the professional and technical development of all senior management. Board meetings are set well in advance of their due date and each director is provided with detailed board papers relating to each agenda item. The CEO prepares a detailed review for each board meeting covering all aspects of the company's business.

The board is regularly reminded of its duties, of the company's operations and plans, of the skills and competence of senior management, and of the general business environment of the group.

Principle 7: Evaluation of the board's performance

Under the direction of the Chairman of the REMNOM Committee, the board carried out an evaluation of its own performance, that of the Chairman and that of the CEO. The evaluation was conducted through a board effectiveness questionnaire, the results of which were discussed between the Chairman of the REMNOM committee and the Chairman of the board.

Corporate governance statement of compliance (continued)

Principle 8: Committees

The **REMNUM** committee is composed of the group's chairman and three independent non-executive directors as follows:

Members	No of Meetings Held: 2
William Hancock (chairman of REMNUM committee)	2
John L. Bonello*	2
Gary Alexander Neville	2
Winston V. Zahra	2

*appointed on 11 September 2013

The REMNUM committee's terms of reference are established within the REMNUM committee charter that had been approved by the board of directors. Amongst other things, the main role of this committee is to ensure that the group attracts and retains high quality directors and senior executives, and in doing so recommend their remuneration and terms of conditions. The committee is also required to evaluate, recommend and report on any proposals made by the CEO relating to executive management remuneration and conditions of service. Moreover, the REMNUM committee is responsible for the evaluation of the performance of each individual board member of the company as required by the Code, and recommending any changes to the structure of the board, including proposing candidates for appointment to the board, having regard to the balance of skills and experience for the board. The REMNUM committee serves the purpose of the establishment of a remuneration, nomination and evaluation committee.

The Chief Executive Officer and the Company Secretary attend REMNUM Committee meetings where appropriate.

Remuneration Statement

Remuneration Policy – Group Executive Team

The board of directors determines the framework of the overall remuneration policy for the Group Executive Team based on recommendations from the REMNUM Committee. The Committee establishes the individual remuneration arrangements of the Group's Executive Team and makes proposals to the board accordingly. In establishing these remuneration packages for the Group's Executive team, the Committee has access to independent external advice, and the Committee considers that these remuneration packages reflect market conditions and are designed to attract appropriate quality executives to ensure the efficient management of the group. During the current year under review there have been no significant changes in the group's remuneration policy and no significant changes are intended to be effected thereto in the year ahead. The terms and conditions of employment of each individual within the Group Executive Team are set out in their respective indefinite contracts of employment with the group. None of these contracts contain provisions for termination payments and other payments linked to early termination. Moreover, share options and profit sharing are currently not part of the company's remuneration policy.

Remuneration Policy – directors

The board of directors determines the framework of the remuneration policy for the members of the board as a whole, this following the submission of recommendations by the REMNUM Committee. The maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in General Meeting. This amount was fixed at an aggregate sum of €700,000 per annum at the first Annual General Meeting of the company held on the 19 May 2010. The financial statements disclose an aggregate figure in respect of the directors' remuneration which with respect to the period under review amounted to €424,659. Directors' emoluments are designed to reflect the time committed by directors to the company's affairs, including the different board committees of which directors are members, and their responsibilities on such committees.

Corporate governance statement of compliance (continued)

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

The board gives due importance to keeping the market informed to ensure that its strategies and performance are well understood. At the same time, relations with shareholders, be they individual shareholders or institutional ones, are given due importance ensuring that the shareholders understand the group properly, its issues and results.

Within seven months of the end of the financial year, the annual general meeting of the shareholders is convened to consider the annual consolidated financial statements, the directors' and auditors' reports for the year, to decide on any dividends recommended by the board, to elect directors and appoint auditors. A presentation is given by the CEO of the group showing how the group operated in the light of prevailing economic and market conditions, and an assessment on future prospects is given. Moreover, as required of a public limited company, the group publishes its financial results every six months and issues company announcements that may be of general or of material importance to the shareholders and the market in general. The group financial results are available in the shareholder's area on the group's website www.islandhotels.com.

Once a year, a detailed presentation is given by the CEO to stockbrokers and financial intermediaries.

Principle 11: Conflicts of Interest

The directors are aware that their primary responsibility is always to act in the interest of the company and its shareholders as a whole, irrespective of who appointed them to the board. The directors are also aware that acting in the interest of the company includes an obligation to avoid conflicts of interest.

No conflicts of interest were known to have arisen during the period under review.

Principle 12: Corporate Social Responsibility

The group recognises its obligations towards society in general and has continued to adopt a highly ethical approach to ensure that its commitments are satisfied and that rules of good practice are enforced. The group is committed to enhance the quality of life of all its employees as well as all stakeholders. Various initiatives and activities have been organised by the group throughout the period within the context of the group-wide strategy.

C Non-compliance with the code

Principle 9 (Code Provision 9.3):

The company does not have a formal mechanism in place as required by Code provision 9.3 to resolve conflicts between minority shareholders and controlling shareholders. No such conflicts have arisen.

D Internal controls

The board is ultimately responsible for the group's systems of internal controls and for reviewing their effectiveness. Internal control systems are designed to manage rather than eliminate risk, and can provide only reasonable and not absolute assurance against normal business risks. The key features of the group's system of internal control are as follows:

Organisation

The group operates through boards of directors of subsidiaries and jointly controlled entities with clear reporting lines and delegation of powers. The company's chairman is also the chairman of the boards of directors of all the group's subsidiaries.

Control environment

The group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve group objectives. Lines of responsibility and delegation of authority are documented. The group and the individual companies comprising it have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and reviews by management, internal audit and the external auditors.

Risk identification

Group management is responsible together with each company's management, for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis.

Corporate governance statement of compliance (continued)

Information and communication

Group companies participate in periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives. Regular budgets are prepared and performance against these plans is actively monitored and reported to the board.

E General meetings and shareholders' rights

Conduct of general meetings

It is only shareholders whose details are entered into the register of members on the record date that are entitled to participate in the general meeting and to exercise their voting rights. In terms of the Listing Rules, the record date falls 30 days immediately preceding the date set for the general meeting to which it relates. The establishment of a record date and the entitlement to attend and vote at general meeting does not, however, prevent trading in the shares after the said date.

In order for business to be transacted at a general meeting, a quorum must be present. In terms of the articles of association, 51% of the nominal value of the issued equity securities entitled to attend and vote at the meeting constitutes a quorum. If within half an hour, a quorum is not present, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the directors may determine. In any event, the adjourned meeting must be held at least ten days after the final convocation is issued and no new item must be put on the agenda of such adjourned meeting. If at the adjourned meeting a quorum is not yet present within half an hour from the time appointed for the meeting, the member or members present shall constitute a quorum. Generally, the chairman of the board of directors presides as chairman at every general meeting of the company. At the commencement of any general meeting, the chairman may, subject to applicable law, set the procedure which shall be adopted for the proceedings of that meeting. Such procedure is binding on the members.

If the meeting consents or requires, the chairman shall adjourn a quorate meeting to discuss the business left unattended or unfinished. If a meeting is adjourned for 30 days or more, notice of the quorate meeting must be given as in the case of an original meeting. Otherwise, it is not necessary to give any notice of an adjourned meeting or of the business to be transacted at such quorate meeting.

At any general meeting a resolution put to the vote shall be determined and decided by a show of hands, unless a poll is demanded before or on the declaration of the result of a show of hands by;

- (i) the chairman of the meeting; or
- (ii) by at least three (3) members present in person or by proxy; or
- (iii) any member or members present in person or by proxy and representing not less than one tenth of the total voting power of all members having the right to vote at that meeting; or
- (iv) a member or members present in person or by proxy holding equity securities conferring a right to vote at the meeting, being equity securities on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the equity securities conferring that right.

Unless a poll is so demanded, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost together with an entry to that effect in the minute book, shall constitute conclusive evidence of the fact without need for further proof. If a resolution requires a particular majority in value, in order for the resolution to pass by a show of hands, there must be present at that meeting a member or members holding in the aggregate at least the required majority. A poll demanded on the election of the chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at the discretion of the chairman. In the case of equality of votes, whether on a show of hands or on a poll, the chairman has a second or casting vote. On a show of hands every member present in person shall have one vote, and on a poll every member shall have one vote for each equity security carrying voting rights of which he is the holder provided that all calls or other sums presently payable by him in respect of equity securities have been paid.

Corporate governance statement of compliance (continued)

Proxy

Every member is entitled to appoint one person to act as proxy holder to attend and vote at a general meeting instead of him. The proxy holder shall enjoy the same rights to participate in the general meeting as those to which the member thus represented would be entitled. If a member is holding shares for and on behalf of third parties, such member shall be entitled to grant a proxy to each of his clients or to any third party designated by a client and the said member is entitled to cast votes attaching to some of the shares differently from the others. In the case of voting by a show of hands, a proxy who has been mandated by several members and instructed to vote by some shareholders in favour of a resolution and by others against the same resolution shall have one vote for and one vote against the resolution.

The instrument appointing a proxy must be deposited at the office or by electronic mail at the address specified in the notice convening the meeting not less than forty-eight (48) hours before the time for holding the meeting or, in the case of a poll, not less than forty-eight (48) hours before the time appointed for the taking of the poll. The same applies to the revocation of the appointment of a proxy.

A form of instrument of proxy shall be in such form as may be determined by the directors and which would allow a member appointing a proxy to indicate how he would like his proxy to vote in relation to each resolution.

Include items on the agenda

A shareholder or shareholders holding not less than 5% of the issued share capital may include items on the agenda of the general meeting and table draft resolutions for items included on the agenda of a general meeting. Such right must be exercised by the shareholder at least 46 days before the date set for the general meeting to which it relates.

Questions

Shareholders have the right to ask questions which are pertinent and related to the items on the agenda.

Electronic voting

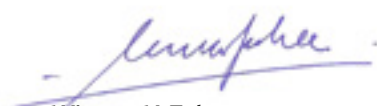
In terms of the articles of association of the company, the directors may establish systems to:

- a) allow persons entitled to attend and vote at general meetings of the company to do so by electronic means in accordance with the relevant provisions of the Listing Rules; and
- b) allow for votes on a resolution on a poll to be cast in advance.

Where a shareholder requests the company to publish a full account of a poll, the company is required to publish the information on its website not later than 15 days after the general meeting at which the result was obtained.

Further details on the conduct of a general meeting and shareholders' rights are contained in the memorandum and articles of association of the company and in chapter 12 of the Listing Rules.

Signed on behalf of the board of directors on 21 February 2014 by:



Winston V. Zahra
Chairman



Winston J. Zahra
Chief Executive officer

Independent auditor's report on Corporate Governance Statement of Compliance to the members of

Island Hotels Group Holdings p.l.c.

Pursuant to Listing Authority Listing Rules 5.94 and 5.97 issued by the Malta Financial Services Authority, the directors are required to include in their annual financial report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information included in the Annual Report.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company's or the group's system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance set out on pages 19 to 25 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.



*Paul Darmanin as Director
in the name and on behalf of*

Deloitte Audit Limited

Registered auditor

21 February 2014

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Statements of profit or loss

Year ended 31 October 2013

	Notes	Group		Holding	
		2013 €	2012 €	2013 €	2012 €
Revenue	5	35,279,603	33,086,418	-	-
Staff costs	11	(13,489,767)	(13,190,090)	-	-
Food and beverage costs		(4,289,224)	(4,168,836)	-	-
Other operating costs		(10,968,148)	(10,300,039)	(231,618)	(251,920)
Other operating income		-	-	214,355	220,745
Earnings/(loss) before interest, taxation, depreciation and amortisation		6,532,464	5,427,453	(17,263)	(31,175)
Depreciation and amortisation	14	(3,206,896)	(3,330,507)	-	-
Operating profit/(loss)		3,325,568	2,096,946	(17,263)	(31,175)
Share of losses of associates		(25,000)	(1,393)	-	-
Investment income	7	60,538	17,819	2,046,204	1,235,593
Finance costs	8	(2,916,081)	(2,947,528)	(1,526,754)	(1,491,145)
Profit/(loss) before tax		445,025	(834,156)	502,187	(286,727)
Income tax credit/(expense)	12	109,694	(155,116)	(65,494)	(29,853)
Profit/(loss) for the year	9	554,719	(989,272)	436,693	(316,580)
Profit/(loss) for the year attributable to the owners of the holding company		554,719	(989,272)	436,693	(316,580)
Basic/diluted earnings/(loss) per share	13	0.015	(0.027)		

Statements of profit or loss and other comprehensive income

Year ended 31 October 2013

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Profit/(loss) for the year	554,719	(989,272)	436,693	(316,580)
Other comprehensive (expense)/income:				
Exchange differences on translating foreign operations	(820,440)	1,278,859	-	-
Total comprehensive (expense)/income for the year	(265,721)	289,587	436,693	(316,580)
Total comprehensive (expense)/income for the year attributable to the owners of the holding company	(265,721)	289,587	436,693	(316,580)

Statements of financial position

31 October 2013

	Notes	Group		Holding	
		2013 €	2012 €	2013 €	2012 €
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	26	33,147,407	33,949,830	-	-
Other intangible assets	14	725,684	748,819	-	-
Property, plant and equipment	14	86,010,457	85,024,765	-	-
Investments in subsidiaries	15	-	-	52,801,199	52,801,199
Investment in associates		150	150	-	-
Investments in jointly controlled entities	15	-	-	17,314,460	17,070,960
Loans and receivables	15	8,970,321	8,169,141	3,432,970	2,429,695
		128,854,019	127,892,705	73,548,629	72,301,854
Current assets					
Inventories	16	1,224,929	1,211,641	-	-
Trade and other receivables	17	10,085,145	8,673,516	4,239,464	2,786,190
Loans and receivables	15	94,264	-	1,060,642	480,042
Current taxation		217,734	25,914	117,102	14,175
Cash and cash equivalents	24	664,930	1,013,711	22,765	-
		12,287,002	10,924,782	5,439,973	3,280,407
Total assets		141,141,021	138,817,487	78,988,602	75,582,261
EQUITY AND LIABILITIES					
Equity attributable to the owners of the holding company					
Share capital	23	36,583,660	36,340,160	36,583,660	36,340,160
Currency translation reserve (Accumulated losses)/retained earnings		85,197	905,637	-	-
		(465,641)	(776,860)	504,185	67,492
Total equity		36,203,216	36,468,937	37,087,845	36,407,652
Non-current liabilities					
Bank loans	19	25,222,246	26,822,688	9,384,001	8,303,823
Other financial liabilities	20	25,725,356	23,554,758	30,140,386	28,956,941
Trade and other payables	18	4,738,226	4,210,634	-	-
Deferred tax liabilities	22	11,814,605	11,918,175	-	-
		67,500,433	66,506,255	39,524,387	37,260,764

Statements of financial position (continued)

31 October 2013

	Notes	Group		Holding	
		2013 €	2012 €	2013 €	2012 €
Current liabilities					
Trade and other payables	18	19,199,815	17,601,801	428,132	447,713
Bank overdrafts and loans	19	15,772,138	15,472,437	1,450,651	939,114
Current taxation		45,489	2,871	-	-
Other financial liabilities	20	2,419,930	2,765,186	497,587	527,018
		37,437,372	35,842,295	2,376,370	1,913,845
Total liabilities		104,937,805	102,348,550	41,900,757	39,174,609
Total equity and liabilities		141,141,021	138,817,487	78,988,602	75,582,261

These financial statements were approved by the board of directors, authorised for issue on 21 February 2014 and signed on its behalf by:



Winston V. Zahra
Chairman



Winston J. Zahra
Chief Executive Officer

Statement of changes in equity - Group

Year ended 31 October 2013

Group

	Equity attributable to the owners of the holding company			
	Share capital €	Currency translation reserve €	Accumulated losses €	Total €
Balance at 31 October 2011	36,340,160	(204,152)	43,342	36,179,350
Reclassification of exchange difference	-	(169,070)	169,070	-
Loss for the year	-	-	(989,272)	(989,272)
Other comprehensive income for the year	-	1,278,859	-	1,278,859
Total comprehensive income/(expense) for the year	-	1,278,859	(989,272)	289,587
Balance at 31 October 2012	36,340,160	905,637	(776,860)	36,468,937
Issue of ordinary shares (note 23)	243,500	-	(243,500)	-
Profit for the year	-	-	554,719	554,719
Other comprehensive expense for the year	-	(820,440)	-	(820,440)
Total comprehensive (expense)/income for the year	-	(820,440)	554,719	(265,721)
Balance at 31 October 2013	36,583,660	85,197	(465,641)	36,203,216

Statement of changes in equity - Holding company

Year ended 31 October 2013

Holding company

	Share capital €	(Accumulated) losses)/ retained earnings €	Total €
Balance at 31 October 2011	36,340,160	384,072	36,724,232
Loss/total comprehensive expense for the year	-	(316,580)	(316,580)
Balance at 31 October 2012	36,340,160	67,492	36,407,652
Issue of ordinary shares (note 23)	243,500	-	243,500
Profit/total comprehensive income for the year	-	436,693	436,693
Balance at 31 October 2013	36,583,660	504,185	37,087,845

Statements of cash flows

Year ended 31 October 2013

-----	2013	2012	Group 2013	2012	Holding	€
		€		€		€
Cash flows from operating activities						
Profit/(loss) before tax		445,025	(834,156)	502,187	(286,727)	
Adjustments for:						
Depreciation and amortisation		3,206,896	3,330,507	-	-	
Movement in provision for bad debts		2,266	(30,972)	-	-	
Bad debts written off		31,045	54,037	-	-	
Loss on disposal of property, plant and equipment		56,492	23,981	-	-	
Share of losses of associates		25,000	1,393	-	-	
Interest income		(60,538)	(17,819)	(123,127)	(134,564)	
Dividend income		-	-	(1,923,077)	(1,101,029)	
Interest expense		2,916,081	2,947,528	1,526,754	1,491,145	
		-----	-----	-----	-----	
Operating profit/(loss) before working capital movements		6,622,267	5,474,499	(17,263)	(31,175)	
Movement in inventory		(13,288)	(73,122)	-	-	
Movement in trade and other receivables		(1,444,940)	(602,523)	(1,453,274)	(998,099)	
Movement in trade and other payables		1,860,712	2,059,162	(19,581)	(89,869)	
		-----	-----	-----	-----	
Cash flows from operations		7,024,751	6,858,016	(1,490,118)	(1,119,143)	
Interest paid		(2,651,187)	(2,880,172)	(1,526,754)	(1,491,145)	
Taxation paid		(138,937)	(138,612)	(168,421)	(11,600)	
		-----	-----	-----	-----	
Net cash flows from operating activities		4,234,627	3,839,232	(3,185,293)	(2,621,888)	
		-----	-----	-----	-----	
Cash flows from investing activities						
Purchase of property, plant and equipment		(4,242,418)	(1,418,052)	-	-	
Purchase of intangible assets		(105,079)	(295,378)	-	-	
Proceeds from sale of property, plant and equipment		119,752	129,444	-	-	
Grants receivable in respect of capital expenditure		-	93,153	-	-	
Movement in loans and other receivables		(895,444)	-	(1,583,875)	946,767	
Dividends received		-	-	1,923,077	1,101,029	
Payment for the issued share capital of an associate		(25,000)	-	-	-	
Interest received		60,538	17,819	123,127	134,564	
		-----	-----	-----	-----	
Net cash flows from investing activities		(5,087,651)	(1,473,014)	462,329	2,182,360	
		-----	-----	-----	-----	
Cash flows from financing activities						
Movement in bank loans		(1,087,854)	(3,224,887)	1,591,715	830,052	
Transfer to sinking fund reserve		-	(23,000)	-	(23,000)	
Movement in related party balances		1,609,978	279,541	1,154,014	192,321	
Movement in obligations under finance lease		215,364	-	-	-	
		-----	-----	-----	-----	
Net cash flows from financing activities		737,488	(2,968,346)	2,745,729	999,373	
		-----	-----	-----	-----	
Net movement in cash and cash equivalents		(115,536)	(602,128)	22,765	559,845	
Cash and cash equivalents at the beginning of the year		(10,267,390)	(9,677,495)	-	(559,845)	
Effect of foreign exchange rate changes		(20,358)	12,233	-	-	
		-----	-----	-----	-----	
Cash and cash equivalents at the end of the year (note 24)		(10,403,284)	(10,267,390)	22,765	-	
		=====	=====	=====	=====	

Notes to the financial statements

31 October 2013

1. Basis of preparation

The financial statements have been prepared on the historical cost basis, and in accordance with International Financial Reporting Standards as adopted by the EU. Assets acquired during the current year and the previous financial years, including leasehold land and buildings, are carried on the historical cost basis, which represents their fair values at the effective date of the respective business combinations less, where applicable, accumulated depreciation and accumulated impairment losses.

The significant accounting policies adopted are set out below.

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the holding company and entities controlled by the holding company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. An adjustment to the cost of the combination contingent on future events is measured at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration that are the result of additional information obtained after the acquisition date about facts and circumstances that existed at the acquisition date and that qualify as measurement period adjustments are adjusted against the cost of acquisition. The accounting treatment of all other subsequent changes in the fair value of contingent consideration that are not measurement period adjustments depends on whether the contingent consideration is a financial liability or a non-financial liability. Changes in the fair value of contingent consideration classified as equity are not recognised.

Acquisition-related costs are recognised in profit or loss as incurred, except for the costs to issue debt or equity securities.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition are generally recognised at their fair values at the acquisition date, except as stipulated in IFRS 3 "Business Combinations". A contingent liability assumed in a business combination is recognised at the acquisition date if there is a present obligation that arises from past events and its fair value can be measured reliably. Such contingent liabilities are subsequently measured at the higher of the amount that would be recognised in accordance with IAS 37 "Provisions, Contingent liabilities and Contingent assets" and the amount initially recognised less, if appropriate, cumulative amortisation.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of (a) the aggregate of: (i) the consideration transferred; (ii) the amount of any non-controlling interest in the acquiree; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is subsequently measured at cost less any accumulated impairment losses. Any gain on a bargain purchase, after reassessment, is recognised immediately in profit or loss.

Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required. After initial recognition, non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since that date. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the financial statements

31 October 2013

2. Significant accounting policies (continued)

Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in subsidiaries and jointly controlled entities in the holding company's financial statements

Investments in subsidiaries and jointly controlled entities in the holding company's financial statements are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from the investments are recognised in profit or loss.

Interests in jointly controlled entities

A joint venture is a contractual arrangement whereby the group entities and other parties undertake an economic activity that is subject to joint control, that is, when the strategic financial and operating decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements which involve the establishment of an entity in which each venturer has an interest are referred to as jointly controlled entities.

The group reports its interests in jointly controlled entities using proportionate consolidation from the date that joint control commences until the date that joint control ceases. The group's share of the assets, liabilities, income and expenses of the jointly controlled entity is combined with similar items in the group's financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the group's interest in a jointly controlled entity is accounted for in accordance with the group's accounting policy for goodwill arising in a business combination.

Where the group transacts with its jointly controlled entities, profits and losses resulting from the transactions with the jointly controlled entities are eliminated in the group's consolidated financial statements only to the extent of the group's interests in the jointly controlled entities.

Interests in associated undertakings

An associate is an entity over which the group entities have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases. Under the equity method, investments in associates are initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associates, less any impairment in the value of individual investments. The group's share of the post-acquisition profit or loss of the associates is recognised in profit or loss and the group's share of the post-acquisition changes in other comprehensive income is recognised in other comprehensive income. Distributions received from an investee reduce the carrying amount of the investment.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is excluded from the carrying amount of the investment and recognised in profit or loss.

Notes to the financial statements

31 October 2013

2. Significant accounting policies (continued)

Property, plant and equipment

The group's property, plant and equipment are classified into the following classes – freehold and leasehold land and buildings (inclusive of improvement to premises), motor vehicles, plant and machinery and furniture, fittings, and other equipment.

Property, plant and equipment are initially measured at cost. When acquired as part of a business combination cost reflects their fair value at the acquisition date. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Freehold and leasehold land and buildings are held for use in the supply of services or for administrative purposes. Subsequent to initial recognition, freehold/leasehold land and buildings are stated at fair value at the acquisition date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Other property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Properties in the course of construction

Properties in the course of construction for production, supply or administrative purposes are classified as property, plant and equipment and are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy on borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	-	2% - 6.67% per annum
Leasehold land	-	by annual instalments over the remaining term of the lease
Motor vehicles	-	20% per annum
Plant and machinery	-	6% - 20% per annum
Furniture, fittings and other equipment	-	12.5% - 33.3% per annum

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the financial statements

31 October 2013

2. Significant accounting policies (continued)

Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the group and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost, being the fair value at the acquisition date for intangible assets acquired in a business combination. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria. The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. Amortisation is recognised on a straight-line basis over their estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

After initial recognition, each class of intangible assets is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The group's intangible assets mainly comprise concessions, computer software, lease premium fee, design fee and other rights.

The following useful lives are used in the calculation of amortisation:

Concessions	-	2 - 10 years
Design fee and other rights	-	5 years from the opening of the retail outlet
Computer software	-	3 years
Lease premium fee	-	by annual instalments over the remaining term of the lease

Other financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the group entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) Trade and other receivables

Trade and other receivables are classified with current assets and are stated at their nominal value unless the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Notes to the financial statements

31 October 2013

2. Significant accounting policies (continued)

Intangible assets (continued)

(ii) Investments

The group's investments other than investments in subsidiaries, associates and jointly controlled entities comprise loans and receivables. The classification of investments depends on the purpose for which the investments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the group may not recover substantially all of its initial investment other than because of credit deterioration.

After initial recognition, loans and receivables are recognised at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised, or impaired, or through the amortisation process. When applying the effective interest method, the annual amortisation of any discount or premium is aggregated with other investment income receivable over the term of the instrument, if any, so that the revenue recognised in each period represents a constant yield on the investment.

(iii) Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest.

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

(iv) Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

(v) Trade and other payables

Trade and other payables are classified with current and non-current liabilities, as applicable, and are stated at their nominal value, unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

(vi) Shares issued by the company

Ordinary shares issued by the company are classified as equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when a group entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

Notes to the financial statements

31 October 2013

2. Significant accounting policies (continued)

Impairment

At the end of each reporting period, the carrying amount of assets, including cash-generating units, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

Goodwill is tested for impairment annually and whenever there is an indication of impairment.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events – significant financial difficulty of the issuer (or counterparty), or a breach of contract, or it becoming probable that the borrower will enter bankruptcy or other financial reorganisation, or the group entity, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the group entity would not otherwise consider.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Goodwill is allocated to each of the company's cash-generating units expected to benefit from the synergies of the combination. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Where a cash-generating unit to which goodwill has been allocated is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

Impairment losses are recognised immediately in profit or loss unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account.

In the case of other assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised in other comprehensive income and increases the revaluation surplus for that asset, unless an impairment loss on the same asset was previously recognised in profit or loss.

For a cash-generating unit, the carrying amount is not increased above the lower of its recoverable amount (if determinable) and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit, except for goodwill.

Notes to the financial statements

31 October 2013

2. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods on a retail basis is recognised at point of sale. Revenue from the sale of goods is recognised on the transfer of the risks and rewards of ownership, which generally coincides with the time of delivery, when the costs incurred or to be incurred in respect of the transaction can be measured reliably and when the respective entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(ii) Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Vacation ownership arrangements

The group's share of revenue from vacation ownership arrangements is recognised in the period in which the services are rendered, by reference to the stage of completion of the transaction at the end of the reporting period. The recognition criteria for revenue are applied to the separately identifiable components of such transactions in order to reflect the substance of the transactions. To the extent that the upfront fees do not include an identifiable amount for subsequent services and do not relate to the provision of future services, they are recognised as revenue when the service is rendered, at the inception of the arrangement, to the extent that no significant uncertainty as to their collectability exists. The annual fees are recognised in the period to which they relate.

A consistent accounting policy is applied in respect of exchange transactions which result in an upgrade of previously acquired intervals for superior and more expensive intervals. To the extent that the cost differential that is receivable on upgrade does not include an identifiable amount for subsequent services and does not relate to the provisions of future services, it is recognised as revenue when the upgrade is made, to the extent that no significant uncertainty as to its collectability exists. The higher annual fees over the remaining term of the new arrangement are recognised in the period to which they relate.

(iv) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

(v) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

Government grants

Government grants are recognised when there is reasonable assurance that all the conditions attaching to them are complied with and the grants will be received.

Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Such grants are deducted in reporting the related expense.

Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

Notes to the financial statements

31 October 2013

2. Significant accounting policies (continued)

Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended period in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provision of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

Assets held under finance leases are recognised in the statement of financial position as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments and include initial direct costs. Capitalised leased assets are tested for impairment in accordance with the group's accounting policy on impairment and are depreciated in accordance with the group's accounting policy on property, plant and equipment over the shorter of the lease term and their useful life, unless there is reasonable certainty that the group will obtain ownership by the end of the lease term, in which case the assets are depreciated over the period of their useful life. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly to equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

Notes to the financial statements

31 October 2013

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates and joint ventures where the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries and interests in associates and joint ventures where it is probable that taxable profit will be available against which the temporary difference can be utilised and it is probable that the temporary difference will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle the tax assets and tax liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Employee benefits

The group contributes towards the state pension in accordance with local legislation. The only obligation of the group is to make the required contributions. Costs are expensed in the period in which they are incurred.

Currency translation

The individual financial statements of each group entity are drawn up in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Euro, which is the functional currency of the holding company and the presentation currency for the separate and the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss.

Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Notes to the financial statements

31 October 2013

2. Significant accounting policies (continued)

Currency translation (continued)

Foreign exchange gains and losses are included within operating profit, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated to Euro at the exchange rates ruling at the date of the statement of financial position. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. Such differences are reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and that form an integral part of the group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position.

Dividends

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared.

Dividends to holders of equity instruments are debited directly to equity.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the group's accounting policies, management has made the following judgements which can significantly affect the amounts recognised in the financial statements and at the end of the reporting period, there were the following key assumptions concerning the future, and the following key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period:

Impairment of goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination.

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the catering CGU has been determined using value in use calculations. The recoverable amount of the CGU comprising hotels and vacation ownership was determined based on value in use.

The key assumptions for the calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors estimate discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The key assumptions for these calculations are long-term growth rates ranging between 2.5% and 3% (2012 - ranging between 2.5% and 3%), a pre-tax discount rate ranging between 9.25% and 10% (2012 - ranging between 8.5% and 10%) and use of cash flow projections derived from the most recent financial budgets and forecasts approved by the directors covering a five-year period. Cash flows beyond the five-year period have been extrapolated using stable growth rates based on the directors' expected economic conditions and do not exceed the long-term average market growth rate. The discount rates are based on the group's weighted average cost of capital adjusted for specific industry risks and the group's optimal desired debt-to-equity ratio.

Based on the above assessment the directors expect the carrying amount of the CGUs including goodwill to be recoverable.

Notes to the financial statements

31 October 2013

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Deferred tax liabilities

The group holds investments in subsidiaries and jointly controlled entities incorporated in foreign jurisdictions. The profits of these foreign entities are taxed once they are remitted to the holding company. Where the group has the ability to control the underlying investee's dividend distribution policy, management has used its judgement for the estimation of the probability of the future dividend distribution levels expected to flow to the group in the foreseeable future. The criteria used by management are based on the past pattern of dividend payments and the group's plan for reinvestment. Where the group does not have control over the entities dividend distribution policy, the group recognises a deferred tax liability arising in relation to all the undistributed profits of that subsidiary or jointly controlled entity.

A change in the assumptions used or in the estimate as to the probability that past undistributed earnings levels will be remitted would have an impact on the income tax charge/credit and on the deferred tax liabilities recognised in the statement of financial position as disclosed in note 22.

Notes to the financial statements

31 October 2013

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective

Application of new and revised International Financial Reporting Standards

In the current year, the group and the holding company have applied the following:

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following International Financial Reporting Standards were in issue but not yet effective:

On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. At the same time, the IASB issued a revised version of IAS 27 *Separate Financial Statements* and a revised version of IAS 28 *Investments in Associates and Joint Ventures*. For companies that apply IFRSs as adopted by the EU, the new and revised Standards are applicable for annual periods beginning on or after 1 January 2014, with earlier application being permitted. These Standards have been endorsed by the European Union.

IFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (that is, whether an entity is controlled through voting rights of the investors or otherwise). IFRS 10 supersedes SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 *Joint Arrangements* classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case in terms of IAS 31 *Interests in Joint Ventures*). Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

On 28 July 2012, the IASB issued Amendments to IFRS 10, IFRS 11 and IFRS 12 - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance. The Amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

Notes to the financial statements

31 October 2013

4. Application of new and revised International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective (continued)

On 12 May 2011, the IASB issued IFRS 13 *Fair Value Measurement*. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRSs. The Standard is applicable for annual periods beginning on or after 1 January 2014, with earlier application being permitted. IFRS 13 has been endorsed by the European Union.

On 16 December 2011, the IASB issued Amendments to IAS 32 and IFRS 7 – Offsetting Financial Assets and Financial Liabilities. These Amendments are applicable for annual periods beginning on or after 1 January 2014 and 1 January 2013 respectively. These Amendments have been endorsed by the European Union. These Amendments are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

The Amendment to IAS 16 (*as part of Annual Improvements to IFRSs 2009 – 2011 Cycle*) addresses the classification of servicing and similar equipment. This Amendment addresses a perceived inconsistency in the classification requirements for servicing equipment. The previous version of IAS 16 was unclear on the classification of servicing equipment as inventory or property, plant and equipment. The Amendment clarifies that such items shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. This Amendment is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. This Amendment had not as yet been endorsed by the European Union at the date of authorisation of these financial statements.

On 29 May 2013, the IASB issued Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets. These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 1. This Amendment had not as yet been endorsed by the European Union at the date of authorisation of these financial statements.

The directors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements of the group and the holding company in the period of initial application. In particular, the directors are assessing the changes resulting from IFRS 11 *Joint Arrangements*, including the impact on the financial statements resulting from the change in the classification of joint arrangements and the elimination of proportionate consolidation.

Notes to the financial statements

31 October 2013

5. Revenue

Revenue for the group represents the amount receivable for services rendered during the year, net of sales rebates and any indirect taxes.

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Accommodation, catering and ancillary services	35,110,691	32,939,071	-	-
Interest income	168,912	147,347	-	-
	35,279,603	33,086,418	-	-

6. Business and geographical segments

For management purposes, the group is organised into one major operating division which includes ownership, development and operations of hotels and other leisure facilities, as well as the provision of catering services. The group only operates in Malta. Hence disclosure of separate business and geographical segment information is not applicable to the group.

7. Investment income

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Dividends received from subsidiaries and jointly controlled entities	-	-	1,923,077	1,101,029
Interest income on bank deposits	950	796	-	-
Interest income on loans and receivables from group undertakings	-	-	115,497	134,564
Interest income on loans and receivables from jointly controlled entities	51,958	17,023	-	-
Interest income on loans and receivables from related parties	7,630	-	7,630	-
	60,538	17,819	2,046,204	1,235,593

Notes to the financial statements

31 October 2013

8. Finance costs

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
This is charged:				
On debt securities	910,000	910,000	910,000	910,000
On bank loans and overdrafts	1,838,377	1,869,383	501,056	465,807
On amounts due to group undertakings	-	-	97,304	115,338
On amounts due to jointly controlled entities	-	1,322	-	-
On amounts due to shareholders	88,241	99,556	18,394	-
On amounts due to related parties	44,057	32,729	-	-
On obligations under finance lease	10,715	-	-	-
Other finance charges	24,691	34,538	-	-
	2,916,081	2,947,528	1,526,754	1,491,145

9. Profit/(loss) for the year

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
This is stated after charging:				
Depreciation and amortisation	3,206,896	3,330,507	-	-
Movement in provision for bad and doubtful trade receivables (note 31)	2,266	(30,972)	-	-
Net exchange differences	254,403	71,216	-	-

The analysis of amounts that are payable to the auditors in relation to the year presented is as follows:

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Annual statutory audit:				
- Group auditors	39,850	39,100	10,000	10,000
Other assurance services	958	2,450	-	-
Tax advisory services	4,260	725	-	-
Other non-audit services	73,308	62,894	8,210	16,200
	118,376	105,169	18,210	26,200

Notes to the financial statements

31 October 2013

10. Key management personnel compensation

	Group and Holding	
	2013	2012
	€	€
Key management personnel compensation		
Short-term benefits	628,756	626,419

The emoluments paid in respect of the current year to the company's directors amounted to €424,659 (2012 - €415,419).

11. Staff costs and employee information

	Group	
	2013	2012
	€	€
Staff costs:		
Wages and salaries	9,891,022	9,853,761
Social security costs	715,625	711,313
	10,606,647	10,565,074
Sub-contracted labour	3,113,012	2,754,174
Capitalised labour costs	(229,892)	(129,158)
	13,489,767	13,190,090

The average number of persons employed by the group during the year, including executive directors, was made up as follows:

	Group	
	2013	2012
	Number	Number
Administration	109	111
Operations	444	453
	553	564

Notes to the financial statements

31 October 2013

12. Income tax (credit)/expense in profit or loss

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Tax (credit)/charge for the year:				
Current tax (credit)/expense	(10,264)	89,538	65,494	29,853
Deferred tax (credit)/expense (note 22)	(99,430)	65,578	-	-
	(109,694)	155,116	65,494	29,853

Tax applying the statutory domestic income tax rate and the income tax (credit)/expense for the year are reconciled as follows:

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Profit/(loss) before tax	445,025	(834,156)	502,187	(286,727)
Tax at the applicable rate of 35%	155,759	(291,955)	175,765	(100,354)
Tax effect of:				
Depreciation of non-eligible asset	25,943	25,943	-	-
Net differences on intra-group dividends eliminated on consolidation	(107,164)	114,415	-	-
Income taxed at different rates	-	-	(245,302)	(102,357)
Disallowable expenses	141,924	259,041	135,031	258,416
Untaxed dividend income	-	-	-	(25,852)
Investment tax credit absorbed	(366,356)	-	-	-
Other differences	40,200	47,672	-	-
	(109,694)	155,116	65,494	29,853

13. Earnings/(loss) per share

	Group	
	2013 €	2012 €
Basic/diluted earnings per share	0.015	(0.027)

The total earnings per ordinary share for the year ended 31 October 2013 has been calculated based on the earnings attributable to shareholders of €554,719 (2012 - losses of €989,272) divided by the weighted average number of 36,424,885 (2012 - 36,340,160) ordinary shares in issue during the year.

Notes to the financial statements

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14. Property, plant and equipment and intangible assets

Property, plant and equipment

Group

	Freehold/ leasehold land and buildings €	Motor vehicles €	Plant and machinery €	Furniture fittings and other equipment €	Total €
Cost					
At 31.10.2011	75,429,157	378,797	16,487,309	21,172,665	113,467,928
Additions	563,952	7,552	190,859	655,689	1,418,052
Disposals	(9,336)	(10,580)	(58,881)	(261,453)	(340,250)
EU grants received	(2,176)	-	(66,164)	(24,813)	(93,153)
Reclassifications	-	-	(891,727)	891,727	-
Effect of foreign currency exchange differences	-	-	3,210	23,957	27,167
At 31.10.2012	75,981,597	375,769	15,664,606	22,457,772	114,479,744
Additions	1,296,386	35,829	800,960	2,109,243	4,242,418
Disposals	(24)	(53,693)	(463,392)	(234,440)	(751,549)
Effect of foreign currency exchange differences	-	(242)	(2,234)	(17,953)	(20,429)
At 31.10.2013	77,277,959	357,663	15,999,940	24,314,622	117,950,184
Accumulated depreciation					
At 31.10.2011	4,930,082	296,155	8,726,559	12,476,914	26,429,710
Provision for the year	1,042,839	34,447	887,499	1,222,646	3,187,431
Eliminated on disposal	(8,594)	(9,515)	(34,469)	(134,247)	(186,825)
Effect of foreign currency exchange differences	-	-	2,248	22,415	24,663
At 31.10.2012	5,964,327	321,087	9,581,837	13,587,728	29,454,979
Provision for the year	1,043,502	28,442	845,350	1,161,209	3,078,503
Eliminated on disposal	-	(53,694)	(455,139)	(66,473)	(575,306)
Effect of foreign currency exchange differences	-	(30)	(1,878)	(16,541)	(18,449)
At 31.10.2013	7,007,829	295,805	9,970,170	14,665,923	31,939,727
Carrying amount					
At 31.10.2012	70,017,270	54,682	6,082,769	8,870,044	85,024,765
At 31.10.2013	70,270,130	61,858	6,029,770	9,648,699	86,010,457

Notes to the financial statements

31 October 2013

14. Property, plant and equipment and intangible assets (continued)

Property, plant and equipment (continued)

Included in the figure of cost are assets amounting to €8,464,240 (2012 - €7,177,927) representing assets in the course of construction and have therefore not been depreciated. Interest capitalised during the year amounted to €347,121 (2012 - €328,589), arising from specific borrowings undertaken to finance the assets.

The carrying amount of the group's plant and machinery includes €211,394 (2012 - nil) in respect of assets held under finance leases.

Intangible assets

Group

	Concessions €	Computer software €	Design fee and other rights €	Lease premium fee €	Total €
Cost					
At 31.10.2011	657,000	-	-	-	657,000
Additions	-	211,402	83,976	-	295,378
At 31.10.2012	657,000	211,402	83,976	-	952,378
Additions	-	238	12,341	92,500	105,079
At 31.10.2013	657,000	211,640	96,317	92,500	1,057,457
Accumulated amortisation					
At 31.10.2011	60,439	-	-	-	60,439
Amortisation expense	112,215	30,345	560	-	143,120
At 31.10.2012	172,654	30,345	560	-	203,559
Amortisation expense	88,272	30,468	6,974	2,500	128,214
At 31.10.2013	260,926	60,813	7,534	2,500	331,773
Carrying amount					
At 31.10.2012	484,346	181,057	83,416	-	748,819
At 31.10.2013	396,074	150,827	88,783	90,000	725,684

The amortisation expense has been included in the line item 'Depreciation and amortisation expense' in the statement of profit or loss.

Notes to the financial statements

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15. Financial assets

(i) *Investment in subsidiaries and jointly controlled entities*

These are stated at cost in the separate financial statements and comprise:

	Investment in subsidiaries €	Investment in jointly controlled entities €	Total €
Carrying amount			
At 31.10.2012	52,801,199	17,070,960	69,872,159
Additions	-	243,500	243,500
At 31.10.2013	52,801,199	17,314,460	70,115,659

During the financial year ending 31 October 2013, as a result of the successful extension of one of the catering concessions by Buttigieg Holdings Limited, Island Hotels Group Holdings plc issued an additional 243,500 ordinary shares at a nominal value of €1 each to the former shareholders of Buttigieg Holdings Limited. In return, the holding company received additional 84,700 ordinary shares of €5 each in the jointly controlled entity. The equity holding before and after the issue of shares by the jointly controlled entity remained at the same percentage of 50%.

The group consolidates the results and financial position of the following subsidiaries and jointly controlled entities:

	Proportion of ownership interest	Proportion of ownership interest
	2013 %	2012 %
Subsidiary undertakings:		
Island Hotels Group Limited Salina Bay, Salina, Malta	100	100
Bay Point Hotel Limited St. George's Bay, St. Julians, Malta	100	100
Coastline Hotel Limited Salina Bay, Salina, Malta	100	100
Island Caterers Limited Salina Bay, Salina, Malta	100	100
Bay Point Properties Limited Salina Bay, Salina, Malta.	100	100
Island Resorts International Limited Akara Building, 24 De Castro Street, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands.	100	100
Bay Point Collection Limited Akara Building, 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	100	-

Notes to the financial statements

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15. Financial assets

(i) *Investment in subsidiaries and jointly controlled entities (continued)*

	Proportion of ownership interest	Proportion of ownership interest
	2013	2012
	%	%
Jointly controlled entities of Island Hotels Group Limited:		
Golden Sands Resort Limited	50	50
Golden Bay, I/o Mellieha, Malta		
Azure Services Limited	50	50
Suite 1, Level 2, TG Complex Brewery Street, Mriehel, Malta.		
The Heavenly Collection Limited	50	50
The Radisson SAS Golden Sands Resort & Spa, Golden Bay, I/o Mellieha, Malta		
Jointly controlled entities of Island Resorts International Limited:		
Vacation Financial Limited	50	50
325 Waterfront Drive, Omar Hodge Building, 2nd Floor Wickham's Cay Road Town, Tortola, British Virgin Islands.		
Heathfield Overseas Limited	50	50
325 Waterfront Drive, Omar Hodge Building, 2nd Floor Wickham's Cay Road Town, Tortola, British Virgin Islands.		
Azure Resorts Limited	50	50
325 Waterfront Drive, Omar Hodge Building, 2nd Floor Wickham's Cay Road Town, Tortola, British Virgin Islands.		
Brooksfield Overseas Limited	50	50
325 Waterfront Drive, Omar Hodge Building, 2nd Floor Wickham's Cay Road Town, Tortola, British Virgin Islands.		
Medi International Limited	50	50
325 Waterfront Drive, Omar Hodge Building, 2nd Floor Wickham's Cay Road Town, Tortola, British Virgin Islands.		
Jointly controlled entities of Island Hotels Group Holdings p.l.c. (directly/indirectly):		
Buttigieg Holdings Limited	50	50
The Penthouse, Papillon Court A, Birbal Street, Balzan, Malta.		
R.J.C. Caterers Limited	50	50
The Penthouse, Papillon Court A, Birbal Street, Balzan, Malta.		
The Coffee Company Malta Limited	50	50
The Penthouse, Papillon Court A, Birbal Street, Balzan, Malta.		
MKIC Limited	50	50
Montekristo Estates, Hal Farrug Road, Luqa, Malta.		

Notes to the financial statements

31 October 2013

15. Financial assets (continued)

(i) Investment in subsidiaries and jointly controlled entities (continued)

The following amounts are included in the group financial statements as a result of the proportionate consolidation of the jointly controlled entities:

	2013 €	2012 €
Current assets	<u>6,183,743</u>	<u>5,847,487</u>
Non-current assets	<u>53,174,061</u>	<u>52,456,018</u>
Current liabilities	<u>12,880,618</u>	<u>12,625,332</u>
Non-current liabilities	<u>17,949,785</u>	<u>18,041,242</u>
Income	<u>17,487,215</u>	<u>16,205,764</u>
Expenses	<u>16,200,802</u>	<u>15,665,673</u>

(ii) Loans and receivables

Group

	Jointly controlled entities €	Other loans €	Related parties €	Total €
Amortised cost				
At 31.10.2012	<u>8,127,589</u>	<u>41,552</u>	<u>-</u>	<u>8,169,141</u>
Amount expected to be settled after 12 months	<u>8,127,589</u>	<u>41,552</u>	<u>-</u>	<u>8,169,141</u>
At 31.10.2013	8,559,970	41,552	463,063	9,064,585
Less: Amounts expected to be settled within 12 months (shown under current assets)	-	-	(94,264)	(94,264)
Amount expected to be settled after 12 months	<u>8,559,970</u>	<u>41,552</u>	<u>368,799</u>	<u>8,970,321</u>

Notes to the financial statements

31 October 2013

15. Financial assets (continued)

(ii) Loans and receivables (continued)

Holding

	Subsidiaries €	Other loans €	Related parties €	Total €
Amortised cost				
At 31.10.2012	2,886,737	23,000	-	2,909,737
Less: amounts expected to be settled within 12 months (shown under current assets)	(480,042)	-	-	(480,042)
Amount expected to be settled after 12 months	<u>2,406,695</u>	<u>23,000</u>	<u>-</u>	<u>2,429,695</u>
At 31.10.2013	4,007,549	23,000	463,063	4,493,612
Less: amounts expected to be settled within 12 months (shown under current assets)	(966,378)	-	(94,264)	(1,060,642)
Amount expected to be settled after 12 months	<u>3,041,171</u>	<u>23,000</u>	<u>368,799</u>	<u>3,432,970</u>

All the amounts owed by subsidiaries are unsecured. The other terms and conditions are as follows:

- €1,982,135 (2012 - nil) bears floating interest rates which as at the end of the reporting period amounted to 5.2% (2012 - nil) per annum. The loan is repayable in semi-annual instalments and matures on 30 June 2016. Interest is receivable six-monthly in arrears;
- €1,016,838 (2012 - €2,236,000) bears floating interest rates which as at the end of the reporting period amounted to 4.95% (2012 - 4.95%) per annum. This amount is repayable on demand with twelve months' notice to be given by the holding company;
- €562,882 (2012 - €480,042) is interest-free and repayable on demand; and
- €445,693 (2012 - €170,694) is interest-free and repayable on demand with twelve months' notice to be given by the holding company

Except for €1,455,859 (2012 - €1,455,859) of the amounts due from jointly controlled entities at the end of the reporting period, which bear interest at the fixed rate of 6.75% per annum (2012 - 6.75% per annum), and €150,000 (2012 - €150,000) which bear interest at the fixed rate of 6% per annum (2012 - 6% per annum), the remaining amounts due to the group are interest-free. All amounts due from jointly controlled entities are unsecured and are repayable on demand with twelve months' notice.

The amounts owed by related parties of the group and company are unsecured, bear interest at a floating interest rate averaging at 5.2% (2012 - nil) per annum and are repayable in semi-annual instalments ranging between €46,100 and €119,859 (2012 - nil).

As at the end of the reporting period, the company's and the group's other loans include a cash reserve amounting to €23,000 (2012 - €23,000) deposited with a trustee for the benefit of the holders of the debt securities as disclosed in note 20, in line with the Combined Securities note dated 28 August 2009 for the company to build a sinking fund. During this financial year the company engaged Bank of Valletta plc, a trustee authorised in terms of the Trusts and Trustee Act (Cap 331 of the Laws of Malta), to provide the services required by the company in connection with this fund. By redemption date, the value of the sinking fund is expected to amount to 50% of the value of the issued Bonds. This sinking fund is expected to create a cash reserve from the company's annual surpluses to meet part of the redemption proceeds on the redemption date.

Notes to the financial statements

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16. Inventories

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Food, beverage, consumables and maintenance stocks	1,224,929	1,211,641	-	-

17. Trade and other receivables

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Trade receivables	7,144,106	6,654,147	-	-
Amounts owed by group undertakings	-	-	4,197,024	2,750,504
Amounts owed by jointly controlled entities	378,134	350,619	12,440	20,020
Amounts owed by associated undertakings	11,416	87,339	-	-
Amounts owed by related undertakings	330,142	181,860	30,000	-
Other receivables	1,351,707	906,117	-	-
Prepayments and accrued income	869,640	493,434	-	15,666
	10,085,145	8,673,516	4,239,464	2,786,190

Interest amounting to €168,912 (2012 - €147,347) was charged on certain trade and other receivables. Amounts owed by group undertakings, jointly controlled entities and related parties are unsecured, interest-free and repayable on demand.

18. Trade and other payables

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Trade payables	14,375,714	13,793,810	54,340	66,010
Advance deposits	748,906	862,634	-	-
Other payables	2,979,631	1,615,221	-	81
Accruals and deferred income	5,833,790	5,540,770	373,792	381,622
	23,938,041	21,812,435	428,132	447,713
Less: amounts due for settlement within 12 months (shown under current liabilities)	(19,199,815)	(17,601,801)	(428,132)	(447,713)
Amounts due for settlement after 12 months	4,738,226	4,210,634	-	-

Included with the group's trade and other payables is an amount of €0.38million which is subject to interest rates at commercial rates. No interest is charged on the trade payables of the holding company.

Notes to the financial statements

31 October 2013

19. Bank overdrafts and loans

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Bank overdrafts and overdrawn bank balances (note 24)	11,068,214	11,281,101	-	-
Bank loans	29,926,170	31,014,024	10,834,652	9,242,937
	40,994,384	42,295,125	10,834,652	9,242,937
Less: amounts due for settlement within 12 months (shown under current liabilities)	(15,772,138)	(15,472,437)	(1,450,651)	(939,114)
Amounts due for settlement after 12 months	25,222,246	26,822,688	9,384,001	8,303,823

The bank loans and overdrafts of the group bear floating interest rates averaging between 4.95% - 7.5% (2012 - 4.95% to 7.5%) per annum. The bank loans of the holding company bear a floating interest rate averaging between 4.95% and 5.2% (2012 - 4.95%) per annum. These are secured by general and special hypothecs on the group's assets, privileges on certain assets and guarantees given by related parties, as well as pledges over the shares in subsidiaries and jointly controlled entities. Any overdrawn bank balances bear interest at floating rates between 6% and 9.75% (2012 - 6% and 9.75%) per annum. As at 31 October 2013, the group had additional undrawn bank facilities amounting to €766,613 (2012 - €1,200,000).

Notes to the financial statements

31 October 2013

20. Other financial liabilities

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Amounts owed to shareholders	2,318,618	1,803,594	956,708	-
Amounts owed to group undertakings	-	-	15,478,308	15,381,002
Amounts owed to related undertakings	3,051,334	2,376,285	202,957	102,957
Amounts owed to associates	-	12,476	-	-
Debt securities	14,000,000	14,000,000	14,000,000	14,000,000
Loans and advances from joint venturer	8,559,970	8,127,589	-	-
Obligations under finance lease	215,364	-	-	-
	28,145,286	26,319,944	30,637,973	29,483,959
Less: amounts due for settlement within 12 months (shown under current liabilities)	(2,419,930)	(2,765,186)	(497,587)	(527,018)
Amounts due for settlement after 12 months	25,725,356	23,554,758	30,140,386	28,956,941

All the amounts owed to shareholders by the group are unsecured and the other terms and conditions are as follows:

- €1,348,294 (2012 - €1,803,594) bears interest at a fixed rate of 5% (2012 - 5%) per annum and is repayable at €218,000 semi-annually, inclusive of interest; and
- €956,708 (2012 - nil) bears interest at the floating interest rates averaging at 5.2% (2012 - nil) per annum and is repayable in quarterly instalments of €56,989, inclusive of interest.

The amount owed to the shareholder by the holding company is unsecured, bears interest at a floating interest rate averaging at 5.2% (2012 - nil) per annum and is repayable in quarterly instalments of €56,989 inclusive of interest.

Except for €1,455,859 (2012 - €1,455,859) of the loans and advances payable to the joint venturer by the group at the end of the reporting period, which bears interest at the rate of 6.75% per annum (2012 - 6.75% per annum) and an amount of €150,000 (2012 - €150,000) which bears interest at the rate of 6% (2012 - 6%) per annum, the remaining amounts due to the joint venturer are interest-free. All loans and advances payable to the joint venturer are unsecured and are repayable on demand with twelve months' notice.

The amounts owed to the related undertakings are interest-free, unsecured and have no fixed date for repayment, except for €1,029,162 (2012 - nil) which is repayable on demand with twelve months' notice.

Except for €3,808,687 (2012 - €3,711,383) of the amounts owed to group undertakings by the holding company which bear interest at a floating rate averaging 5% (2012 - 5%) per annum, the remaining amounts are interest-free. Of these amounts, €3,808,687 (2012 - €3,711,383) are payable by fixed instalments of €25,000 per month (2012 - monthly instalment ranging between €25,000 and €50,000) (inclusive of interest) and the remaining amounts are repayable on demand with twelve months' notice. All the amounts due to group undertakings are unsecured.

Debt securities comprise 140,000 unsecured bonds bearing interest at 6.5% per annum of €100 each, which are repayable between 2017 and 2019 and which are listed on the Malta Stock Exchange. The market value of these debt securities on the last trading day before the end of the reporting period was €103.40 (2012 - €103.05) each. As further disclosed in note 15, in line with the Combined Securities note dated 28 August 2009, the Company is required to build a sinking fund, the value of which will, by the redemption date of the bonds, be equivalent to 50% of the value of such bonds.

Notes to the financial statements

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21. Obligations under finance lease

	Minimum lease payments		Present value of minimum lease payments	
	2013 €	2012 €	2013 €	2012 €
<i>Amounts payable under finance leases:</i>				
Within one year	41,395	-	30,735	-
Between two and five years	165,579	-	138,923	-
After five years	48,295	-	45,707	-
	<u>255,269</u>	-	<u>215,365</u>	-
Less: future finance charges	(39,905)	-	-	-
Present value of Lease obligations	<u>215,364</u>	-	<u>215,365</u>	-
Less: amounts included In current liabilities			(30,735)	-
Amounts included in non-current liabilities			<u>184,630</u>	-

It is the company's policy to lease certain fixtures, fittings and other equipment under finance leases. The average lease term is 7 years. For the year ended 31 October 2013 the average effective borrowing rate was 4.95% (2012 - nil). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Notes to the financial statements

31 October 2013

22. Deferred taxation

Group

	Opening balance €	Recognised in profit or loss €	Recognised in other comprehensive income €	Closing balance €
2012				
<i>Arising on:</i>				
<i>Temporary differences</i>				
Property, plant and equipment	(14,652,690)	62,656	-	(14,590,034)
Unabsorbed capital allowances	3,636,126	(210,003)	-	3,426,123
Other temporary differences	(936,816)	91,221	(2,795)	(848,390)
	<u>(11,953,380)</u>	<u>(56,126)</u>	<u>(2,795)</u>	<u>(12,012,301)</u>
<i>Arising on:</i>				
Unused tax losses	103,578	(9,452)	-	94,126
	<u>(11,849,802)</u>	<u>(65,578)</u>	<u>(2,795)</u>	<u>(11,918,175)</u>
2013				
<i>Arising on:</i>				
<i>Temporary differences</i>				
Property, plant and equipment	(14,590,034)	(66,724)	-	(14,656,758)
Unabsorbed capital allowances	3,426,123	(150,263)	-	3,275,860
Other temporary differences	(848,390)	(75,915)	4,139	(920,166)
	<u>(12,012,301)</u>	<u>(292,902)</u>	<u>4,139</u>	<u>(12,301,064)</u>
<i>Arising on:</i>				
Unused tax losses	94,126	25,976	-	120,102
Unused tax credits	-	366,357	-	366,357
	<u>94,126</u>	<u>392,333</u>	<u>-</u>	<u>486,459</u>
	<u><u>(11,918,175)</u></u>	<u><u>99,431</u></u>	<u><u>4,139</u></u>	<u><u>(11,814,605)</u></u>

Deferred tax assets and liabilities are principally expected to be realised or crystallised after more than twelve months after the date of the statement of financial position.

At 31 October, a subsidiary of the parent had a deferred tax asset of €386,769 (2012 - €386,769) emanating from unabsorbed capital losses. The crystallisation of this asset remains doubtful given the expected pattern of the subsidiary company's income in the future years and has therefore not been recognised.

The aggregate deferred tax liabilities on temporary differences associated with investments in subsidiaries for which no deferred tax liability has been recognised amounts to €476,813 (2012 - €583,130).

Notes to the financial statements

31 October 2013

23. Share capital

	No of shares and share capital (€)	
	Ordinary shares	Total
<i>Authorised:-</i>		
As at 31.10.2012/ 31.10.2013	40,000,000	40,000,000
<i>Issued and fully paid up:-</i>		
As at 31.10.2012	36,340,160	36,340,160
Issue of shares	243,500	243,500
As at 31.10.2013	36,583,660	36,583,660

The authorised share capital of the company amounts to €40,000,000 divided into 40,000,000 ordinary shares having a nominal value of €1 each.

By virtue of a resolution of the directors dated 18 July 2013, the company issued 243,500 ordinary shares of €1 each fully paid up by way of the capitalisation of amounts due by the company to the previous shareholders of Buttigieg Holdings Limited as detailed in note 25.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

24. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statement of financial position:

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Cash at bank and on hand	664,930	1,013,711	22,765	-
Bank overdrafts (note 19)	(11,068,214)	(11,281,101)	-	-
Cash and cash equivalents in the statements of cash flows	(10,403,284)	(10,267,390)	22,765	-

25. Significant non-cash transactions

During the year, the company issued 243,500 Ordinary Shares of €1 each fully paid up by way of the capitalisation of amounts due by the company to the shareholders of Buttigieg Holdings Limited, a jointly controlled entity, as a result of the jointly controlled entity securing the extension of one of its catering concessions. The framework agreement that had originally been signed contemplated this additional allotment in favour of the previous shareholders conditional upon the satisfaction of certain additional conditions that have now been duly satisfied. At the same time, the company received an additional 84,700 ordinary shares of €5 each in Buttigieg Holdings Limited. The company's interest in Buttigieg Holdings Limited before and after the issue of shares remained at the same percentage equity holding (50%).

There were no significant non-cash transactions during the previous year.

Notes to the financial statements

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26. Goodwill

	€
Carrying amount	
At 31.10.2011	32,683,204
Effect of foreign currency exchange differences	1,266,626
	<hr/>
At 31.10.2012	33,949,830
Effect of foreign currency exchange differences	(802,423)
	<hr/>
At 31.10.2013	33,147,407
	<hr/> <hr/>

Goodwill is allocated to the group's cash-generating units (CGUs), as follows:

	2013 €	2012 €
Hotels and vacation ownership	25,637,585	26,440,008
Catering	7,509,822	7,509,822
	<hr/>	<hr/>
	33,147,407	33,949,830
	<hr/> <hr/>	<hr/> <hr/>

The key assumptions used for the purpose of the impairment testing of the CGUs are disclosed in note 3 to the financial statements

Notes to the financial statements

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27. Related party transactions

Island Hotels Group Holdings p.l.c. is the parent company of the subsidiary undertakings highlighted in note 15. During the course of the current and the prior year, the group and the holding company entered into transactions with related parties, as set out below.

Group

	2013			2012		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Staff costs:						
<i>Related party transactions with:</i>						
Key management personnel	628,756			626,419		
Other related party	2,840,987			2,500,272		
	<u>3,469,743</u>	<u>13,489,767</u>	<u>26</u>	<u>3,126,691</u>	<u>13,190,090</u>	<u>24</u>
Other operating expenses:						
<i>Related party transactions with:</i>						
Other related parties	115,000	10,968,148	1	115,000	10,300,039	1
	<u>115,000</u>	<u>10,968,148</u>	<u>1</u>	<u>115,000</u>	<u>10,300,039</u>	<u>1</u>
Investment income:						
<i>Related party transactions with:</i>						
Joint venture	51,958			17,023		
Other related parties	7,630			-		
	<u>59,588</u>	<u>60,538</u>	<u>98</u>	<u>17,023</u>	<u>17,819</u>	<u>96</u>
Finance costs:						
<i>Related party transactions with:</i>						
Shareholders	88,241			99,556		
Jointly controlled entities	-			1,322		
Other related parties	44,057			32,729		
	<u>132,298</u>	<u>2,916,081</u>	<u>5</u>	<u>133,607</u>	<u>2,947,528</u>	<u>5</u>

Notes to the financial statements

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27. Related party transactions (continued)

Holding

	Related party activity €	2013 Total activity €	%	Related party activity €	2012 Total activity €	%
Other operating income:						
<i>Related party transactions with:</i>						
Subsidiaries	214,355	214,355	100	220,745	220,745	100
Investment income:						
<i>Related party transactions with:</i>						
Subsidiaries	2,038,574			1,235,593		
Other related parties	7,630			-		
	2,046,204	2,046,204	100	1,235,593	1,235,593	100
Finance costs:						
<i>Related party transactions with:</i>						
Subsidiaries	97,304			115,338		
Shareholders	18,394			-		
	115,698	1,526,754	8	115,338	1,491,145	8

No expense has been recognised in the holding company's separate financial statements during the period arising from bad and doubtful debts in respect of amounts due from related parties and there are no provisions for doubtful debts in respect of outstanding amounts due by related parties.

The amounts due from/to related parties at the end of the reporting period are disclosed in notes 15, 17 and 20. Other than as disclosed in the respective notes, no guarantees have been given or received.

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28. Operating leases

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Minimum lease payments under operating leases	754,919	790,658	-	-
Contingents rents recognised as an expense for the year	408,075	287,368	-	-
	1,162,994	1,078,026	-	-

The group is a party to several operating lease agreements for the lease of land on which the hotels are situated. The group is committed to pay periodic payments to the lessor. The group also leases certain catering establishments with rental payments based on a percentage of turnover with minimum guaranteed payments or a fixed amount per annum with specified increases. The group does not have an option to purchase the leased land or catering establishment at the expiry of the lease periods.

At the end of the reporting period, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Within one year	747,942	787,080	-	-
Between two to five years	2,032,108	2,603,363	-	-
Over five years	10,491,710	11,389,303	-	-
	13,271,760	14,779,746	-	-

Notes to the financial statements

31 October 2013

29. Capital commitments

The commitments for capital expenditure that have not been provided for in these financial statements are as follows:

	Group		Holding	
	2013	2012	2013	2012
	€	€	€	€
<i>Commitments for the acquisition of property, plant and equipment</i>				
Contracted but not provided for:	766,329	103,892	-	-
Authorised but not contracted for:	101,061	111,665	-	-
	867,390	215,557	-	-

The group's share of the capital commitments of its jointly controlled entities is as follows:

	Group		Holding	
	2013	2012	2013	2012
	€	€	€	€
Commitments for the acquisition of property, plant and equipment	103,675	298,318	-	-
Commitments for the acquisition of intangible assets	12,003	9,068	-	-
Contracted but not provided for	115,678	307,386	-	-

30. Fair value of financial assets and financial liabilities

At 31 October 2013 and 2012, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximate their fair values due to the short-term maturities of these assets and liabilities.

The fair value of debt securities that are listed on the Malta Stock Exchange is disclosed in note 20.

The fair values of other non-current financial assets and non-current financial liabilities that are not measured at fair value, other than investments in subsidiaries and interests in associates and jointly controlled entities, are not materially different from their carrying amounts.

Notes to the financial statements

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31. Financial risk management

The exposures to risk and the way risks arise, together with the group's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development. The board provides principles for overall group risk management as well as policies covering the risks referred to below. These policies are implemented and monitored by the group's executive team.

Where applicable, any significant changes in the group's exposure to financial risks or the manner in which the group manages and measures these risks are disclosed below.

Where possible, the group aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed below.

There has been no change to the group's exposure to financial risks, other than as disclosed below, or the manner in which these risks are managed and measured.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss for the group or the company.

Financial assets which potentially subject the group and the company to credit risk consist principally of loans and receivables, trade receivables and cash at bank.

Allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Other than as disclosed in note 32, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's and the company's maximum exposure to credit risk.

The group does not hold any collateral as security in this respect.

Credit risk with respect to the cash at bank and sinking fund cash reserves is limited due to the fact that the group banks only with local financial institutions with high quality standing.

Credit risk with respect to trade receivables is limited due to credit control procedures and the group's large customer base. The group assesses the credit quality of its debtor balances taking into account financial position, past experience and other factors. It has policies in place to ensure that the provision of services is affected to customers with an appropriate credit history. The group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the group's receivables taking into account historical experience in collection of accounts receivable. Management does not expect any losses from non-performance by the counterparty. The group's trade receivables, which are not impaired assets, are principally debts in respect of transactions with customers for whom there is no recent history of default.

Loans and receivables together with other receivables mainly comprise amounts due from related parties (notes 15 and 17). The group's and the company's concentration to credit risk arising from these receivables is considered limited as there were no indications that these counter parties are unable to meet their obligations.

Included in the group's trade receivables are amounts which have been due for more than 90 days which amounted to €665,417 (2012 - €779,007). Management has not identified any major concerns in relation to concentration of credit risk with respect to past due debts.

Notes to the financial statements

31 October 2013

31. Financial risk management (continued)

Credit risk (continued)

Movements in the allowance for doubtful trade receivables are as follows:

	Group		Holding	
	2013 €	2012 €	2013 €	2012 €
Opening balance	676,713	707,685	-	-
Net movement for the year	2,266	(30,972)	-	-
Balance at the end of the year	678,979	676,713	-	-

The individually impaired trade receivables mainly relate to a number of independent customers who are in unexpectedly difficult economic situations.

Foreign currency risk

Foreign currency transactions arise when the group buys or sells services whose price is denominated in a foreign currency, or borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency.

Foreign currency transactions that affect the consolidated income statement mainly comprise loans denominated in Euro granted by a foreign operation with a GBP functional currency. The group is no longer exposed to this foreign currency risk at the end of the current reporting period. The translation of the group's foreign operation with a GBP functional currency into Euro affects the consolidated statement of comprehensive income.

The foreign currency risk is managed by regular monitoring of the relevant exchange rates and the directors' reaction to material movements thereto.

Interest rate risk

The group and the company have taken out bank and other facilities to finance their operations as disclosed in notes 19 and 20 to the financial statements. The interest rates thereon and the terms of such borrowings are disclosed accordingly in those notes. The interest rates on loans and receivables are disclosed in note 15.

The group and the company are exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest rate and to fair value interest rate risk on borrowings and debt instruments carrying a fixed interest rate to the extent that these instruments are measured at fair value. Investments in equity instruments do not expose the group and the company to interest rate risk.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing structure.

For financial instruments held or issued, the group has used a sensitivity analysis technique that measures the change in the cash flows of the group's financial instruments at the end of the reporting period for hypothetical changes in the relevant market risk variables. The sensitivity due to changes in the relevant risk variables is set out below. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

At year-end, if interest rates on bank borrowings had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the period would have been €204,972 (2012 - €211,476) lower/higher.

The group's floating rate instruments comprise bank borrowings, certain liabilities included with other financial liabilities, certain loans and receivables and balances with banks. The group's fixed rate instruments consist of certain liabilities included with other financial liabilities together with certain loans and receivables, which are measured at amortised cost.

Notes to the financial statements

31 October 2013

31. Financial risk management (continued)

Liquidity risk

The group and the company monitor and manage their risk to a shortage of funds by matching the maturity of both their financial assets and financial liabilities as far as possible and by monitoring the availability of credit lines to meet their obligations. Funds are transferred within the group as and when the need arises. Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period, which is adjusted monthly and monitored on a daily basis, to ensure that any additional financing requirements are addressed in a timely and strategic manner.

As disclosed in note 19, as at 31 October 2013, the group had additional undrawn bank facilities amounting to €766,613 (2012 - €1.2 million).

The group and the company are exposed to liquidity risk in relation to meeting future obligations associated with their financial liabilities, which comprise principally trade and other payables and borrowings as disclosed in notes 18, 19 and 20.

At the end of the reporting period, the group showed a net current liability position of €25,150,370 (2012 - €24,917,513).

The directors have reviewed cash flow projections that have been prepared for the next 5 years, based largely on current levels of activity. The group is actively pursuing operational initiatives aimed at increasing income and reducing costs. The directors will continue to pursue development and growth plans and are seeking the injection of fresh equity for this purpose.

As further disclosed in note 15, in terms of the Combined Securities Note dated 28 August 2009, the company is required to build a sinking fund, the value of which will, by the redemption date of the bonds, be equivalent to 50% of the value of the bonds.

The following maturity analysis for financial liabilities shows the remaining contractual maturities using the contractual undiscounted cash flows on the basis of the earliest date on which the group or the company are expected to pay. The analysis includes both interest and principal cash flows.

Notes to the financial statements

31 October 2013

31. Financial risk management (continued)

Liquidity risk (continued)

Group

	Carrying Amount €	Contractual cash flows €	On demand or within 1 year €	2 - 5 years €	over 5 years €
2013					
Bank borrowings	40,994,385	46,303,287	17,143,207	20,566,408	8,593,672
Trade and other payables	23,938,041	23,193,072	18,438,876	4,744,196	10,000
Other financial liabilities	28,145,286	33,699,635	3,644,166	15,400,508	14,654,961
	<u>93,077,712</u>	<u>103,195,994</u>	<u>39,226,249</u>	<u>40,711,112</u>	<u>23,258,633</u>

2012					
Bank borrowings	42,295,125	48,783,213	16,917,945	21,373,240	10,492,028
Trade and other payables	21,812,435	21,142,811	16,836,487	4,306,324	-
Other financial liabilities	26,319,944	32,996,442	3,872,693	13,303,749	15,820,000
	<u>90,427,504</u>	<u>102,922,466</u>	<u>37,627,125</u>	<u>38,983,313</u>	<u>26,312,028</u>

Holding

	Carrying Amount €	Contractual cash flows €	On demand or within 1 year €	2 - 5 years €	over 5 years €
2013					
Bank borrowings	10,834,652	13,205,828	1,945,963	7,201,415	4,058,450
Trade and other payables	428,132	428,132	428,132	-	-
Other financial liabilities	30,637,973	39,449,074	1,640,913	17,363,326	20,444,835
	<u>41,900,757</u>	<u>53,083,034</u>	<u>4,015,008</u>	<u>24,564,741</u>	<u>24,503,285</u>

2012					
Bank borrowings	9,242,937	11,645,941	1,374,840	5,363,595	4,907,506
Trade and other payables	447,713	447,713	447,713	-	-
Other financial liabilities	29,483,959	33,876,534	1,612,957	14,993,577	17,270,000
	<u>39,174,609</u>	<u>45,970,188</u>	<u>3,435,510</u>	<u>20,357,172</u>	<u>22,177,506</u>

Notes to the financial statements

31 October 2013

31. Financial risk management (continued)

Capital risk management

The objectives when managing capital are to safeguard the group's and the company's ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure consists of debt instruments as disclosed in notes 19 and 20 and shareholders' equity.

The holding company's directors manage the capital structure and make necessary adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the group and the company balance their overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

32. Contingent liabilities

Group

The group issued general and special hypothecs and guarantees in relation to bank facilities granted to related undertakings. As at the end of the reporting period, the related undertakings' borrowings stood at €540,292 (2012 - €773,301).

In addition, the group entities, in their capacity as joint ventures, issued hypothecs and guarantees in relation to bank facilities granted to the group's jointly controlled entities and other related parties. The borrowings to the group's jointly controlled entities which are covered by the said hypothecs and guarantees and which are not recognised in the consolidated financial statements amounted to €2.3million at the end of the reporting period (2012 - €4million).

The group through its jointly controlled entities also issued hypothecs and guarantees in relation to bank facilities granted to the group's associates. At the end of the reporting period, the group's share of the borrowings of these associated undertakings amounted to €120,735 (2012 - €200,000).

Holding company

The company issued general and special hypothecs and guarantees in relation to bank facilities granted to group and jointly controlled entities, which borrowings amounted to €21.2 million as at the end of the reporting period (2012 - €24.8million).

Notes to the financial statements

31 October 2013

33. Events after the reporting period

Disposal of subsidiary

On 19 February 2014 the group entered into a promise of sale agreement for the disposal of its 100% equity interest in Coastline Hotel Limited, a subsidiary which owns and operates the Coastline Hotel, a four star hotel located at Salina Bay, for €14million.

The sale is conditional upon satisfactory conclusion of due diligence procedures by the acquirer and the acquirer securing the necessary bank financing. The share transfer is expected to be concluded on 25 April 2014. The net proceeds from the disposal are expected to approximate the carrying amount of the net assets of the company as they would appear in the consolidated financial statement as the date of transfer.

In addition, on 19 February 2014, the group entered into a five-year agreement with the acquirer for the provision of food and beverage services at the Coastline Hotel.

The sale of this asset from the portfolio of the group is in line with the group's strategy to focus on the five star segment of the local hotel industry. The proceeds of the sale will be used to go towards contributing to the continued development of the group in the areas of five star hotels, vacation ownership, high end event catering and the development of the Costa Coffee brand locally and internationally.

Costa Coffee Franchise

Subsequent to the year-end The Coffee Company Malta Limited, a 50% joint venture of the group, was awarded the exclusive rights for the Costa Coffee development and operating rights for the east coast of Spain, the Canary Islands and the Balearic Islands by Costa International Limited. The joint venture is in the process of setting up a new company in Spain which will operate the Franchise in these regions.

34. Comparative figures

Certain comparative figures have been reclassified in order to comply with the current year's presentation of the financial statements.

Independent auditor's report

to the members of

Island Hotels Group Holdings p.l.c.

We have audited the accompanying financial statements of Island Hotels Group Holdings p.l.c. and its group set out on pages 27 to 73 which comprise the statements of financial position of the company and the group as at 31 October 2013, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the company and the group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more fully in the directors' report on pages 13 to 18, the directors of the company 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 EU and the requirements of the Companies Act (Cap. 386), 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 from 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 the auditor's 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, the auditor considers 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 internal control of the company and the group. 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 financial statements give a true and fair view of the financial position of Island Hotels Group Holdings p.l.c. and its group as at 31 October 2013 and of the company's and its group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).



*Paul Darmanin as Director
in the name and on behalf of*

Deloitte Audit Limited

Registered auditor

21 February 2014

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